



Corporate Secretary's Office

Direct Line/Telefax No.: 8834-07-80

Trunk Lines: 8891-6040 to 70

Local: 4582

CERTIFICATION

I, **RUTH PAMELA E. TANGHAL**, Corporate Secretary of the Philippine National Bank ("PNB"), a universal banking corporation duly registered under and by virtue of the laws of the Republic of the Philippines with SEC Registration No. ASO96-005555, and with principal office address at the PNB Financial Center, Pres. Diosdado Macapagal Blvd., Pasay City, Metro Manila, on oath state:

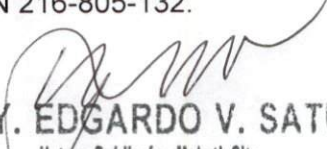
1. That I have caused this Information Statement to be prepared on behalf of PNB;
2. That I read and understood its contents which are true and correct based on my own personal knowledge and/or on authentic records;
3. That the company, PNB, will comply with the requirements set forth in SEC Notice dated May 12, 2021 to effect a complete and official submission of reports and/or documents through electronic mail;
4. That I am fully aware that submitted documents which require pre-evaluation and/or payment of processing fee shall be considered complete and officially received only upon payment of the filing fee; and
5. That the e-mail account designated by the company pursuant to SEC Memorandum Circular No. 28, s. 2020 shall be used by the company in its online submission to CGFD.

IN WITNESS WHEREOF, I have hereunto set my hand on MAR 22 2023 in Makati City, Metro Manila, Philippines.


RUTH PAMELA E. TANGHAL
Corporate Secretary

SUBSCRIBED AND SWORN to before me on MAR 22 2023 in Makati City, affiant exhibited to me her TIN 216-805-132.

Doc. No. 454
Page No. 92
Book No. XXXI
Series of 2023.


ATTY. EDGARDO V. SATUR

Notary Public for Makati City
Appointment No. M-106 until Dec. 31, 2023
MCLE Compliance Certificate No. VII-0004912
PTR No. PC805870 dated Jan. 5, 2023 Pasay City
Roll No. 34783, IBP OR No. 292157 dated January 21, 2023
5th Flr. Eton Center, 6754 Ayala Ave., Makati City

COVER SHEET

A	S	O	9	6	-	0	0	5	5	5	5

S.E.C. Registration Number

P	H	I	L	I	P	P	I	N	E		N	A	T	I	O	N	A	L		B	A	N	K

(Company's Full Name)

9	t	h		F	l	o	o	r		P	N	B		F	i	n	a	n	c	i	a	l		C	e	n	t	e	r

M	a	c	a	p	a	g	a	l		B	l	v	d	.	,		P	a	s	a	y		C	i	t	y		

M	e	t	r	o		M	a	n	i	L	a																	

(Business Address: No. Street City/Town/ Province)

RUTH PAMELA E. TANGHAL Corporate Secretary Contact Person

8526-3131 local 4582 Company Telephone Number

1	2

Month

3	1

Day

Fiscal Year

DEFINITIVE INFORMATION STATEMENT

FORM TYPE

April 26

Month Day
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

Remarks = pls. use black ink for scanning purposes



**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS**

**INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE**

1. Check the appropriate box:
[] Preliminary Information Statement
[x] Definitive Information Statement
2. Name of Registrant as specified in its charter : PHILIPPINE NATIONAL BANK
3. Province, country or other jurisdiction of incorporation or organization : Metro Manila, Philippines
4. SEC Identification Number : ASO96-005555
5. BIR Tax Identification Number : 000-188-209-000
6. Address of principal office : PNB Financial Center
President Diosdado Macapagal Blvd.
Pasay City, Metro Manila, 1300
7. Registrant's telephone number, including area code : (632) 8526-3131 loc. 4582
(Office of the Corporate Secretary)
8. Date of meeting : April 25, 2023
Time of meeting : 8:00 a.m.
Place of meeting : The 2023 PNB Stockholders' Meeting will be conducted through remote communication. The livestreaming link will be provided via email to registered Stockholders.
9. Approximate date on which the Information Statement is first to be sent or given to security holders : March 29, 2023
10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate Registrant):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
COMMON SHARES	1,525,764,850

11. Are any or all Registrant's securities listed in a Stock Exchange?

Yes [☒]

No []

If yes, disclose the name of such Stock Exchange and the class of securities listed therein : **PHILIPPINE STOCK EXCHANGE/
COMMON STOCK**



NOTICE OF ANNUAL STOCKHOLDERS' MEETING

Notice is hereby given that the Annual Meeting of the Stockholders of the Philippine National Bank (the "Bank") will be conducted through remote communication on April 25, 2023, Tuesday, at 8:00 a.m..

The Agenda for the Meeting is as follows:

1. Call to Order
2. Secretary's Proof of Notice and Quorum
3. Approval of the Minutes of the 2022 Annual Stockholders' Meeting held on April 26, 2022
4. Report of the President on the Results of Operations for the Year 2022
5. Approval of the 2022 Annual Report
6. Ratification of All Legal Acts, Resolutions and Proceedings of the Board of Directors and Corporate Officers since the 2022 Annual Stockholders' Meeting
7. Election of Directors
8. Appointment of External Auditor
9. Other Matters
10. Adjournment

The details and rationale of each item of the Agenda is attached as Annex "A" of the Information Statement.

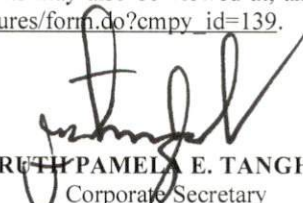
Stockholders of record as of March 27, 2023 shall be entitled to attend, and to vote at, the meeting.

To safeguard the health and ensure the safety of our stockholders and stakeholders, the Bank will conduct its Annual Stockholders' Meeting through remote communication. Stockholders who wish to attend the meeting or vote through remote communication should register using the PNB ASM Registration Portal provided at www.pnb.com.ph/asm2023 on or before April 18, 2023. The requirements and procedure for registration, participation and voting through remote communication are set out in Annex "B" of the Information Statement and published in PNB's website at www.pnb.com.ph/asm2023. There will be an audio and visual recording of the meeting.

Stockholders who are unable to attend the meeting may designate their authorized representative by submitting a signed proxy form via email to pnb_asm@pnb.com.ph no later than 5:00 p.m. on April 20, 2023. A sample proxy form may be downloaded at www.pnb.com.ph/asm2023. Validation of proxies will be on April 20, 2023 at 5:30 p.m.

Stockholders of record may send their queries and comments to pnb_asm@pnb.com.ph on or before April 21, 2023.

Copies of the Notice of the Meeting, Definitive Information Statement, Management Report and Financial Statements ("Documents") may be viewed and downloaded from the Bank's website at <https://www.pnb.com.ph/2023DIS>. Alternatively, the Documents may also be viewed at, and downloaded from its PSE EDGE profile at https://edge.pse.com.ph/companyDisclosures/form.do?cmpy_id=139.


RUTH PAMELA E. TANGHAL
Corporate Secretary



SEC FORM 20-IS

**INFORMATION STATEMENT
PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE**

A. GENERAL INFORMATION

Item 1. DATE, TIME AND PLACE OF MEETING OF SECURITY HOLDERS

- (a) In light of the continuing COVID 19 pandemic, and to safeguard the health and ensure the safety of the stockholders and stakeholders, the Annual Stockholders' Meeting of the Philippine National Bank (hereafter "PNB" or the "Bank") will be conducted through remote communication on April 25, 2023, Tuesday, at 8:00 a.m.

The Bank's complete address is PNB Financial Center, President Diosdado Macapagal Blvd., Pasay City, Metro Manila, Philippines.

- (b) The Notice of Meeting and the Definitive Information Statement may be accessed by qualified stockholders not later than March 29, 2023.

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE NOT BEING REQUESTED TO SEND US A PROXY AT THIS TIME.

Item 2. DISSENTER'S RIGHT OF APPRAISAL

- (a) Title X – Section 80 of the Revised Corporation Code of the Philippines allows a stockholder to exercise his right to dissent and demand payment of the fair value of his shares in certain instances, to wit: (1) in case an amendment to the Articles of Incorporation will change or restrict the rights of such stockholder or class of shares, or authorize preferences in any respect superior to those of outstanding shares of any class or otherwise extend or shorten the term of the company; (2) in case of the sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the company's properties and assets; or (3) in cases of merger or consolidation; or (4) in case of investment of corporate funds for any purpose other than the primary purpose of the company.
- (b) None of the proposed corporate actions to be submitted to the stockholders for approval constitutes a ground for the exercise of the stockholder's appraisal right.

Item 3. INTEREST OF CERTAIN PERSONS IN OR OPPOSITION TO MATTERS TO BE ACTED UPON

- (a) No person who has been a director of the Bank from the beginning of fiscal year 2022, or any associate of the foregoing, has any interest in any matter to be acted upon in the meeting other than election to office.
- (b) The Bank has not received any information from a director that he/she intends to oppose any matter to be acted upon in the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

- (a) The total number of common shares outstanding as of February 28, 2023 is 1,525,764,850 with a par value of ₱40.00 per share. Total foreign equity ownership is 18,080,028 common shares or 1.18%.

Pursuant to Article IV, Section 4.9 of the Bank's By-Laws, every stockholder shall be entitled to one (1) vote for each share of common stock in his name in the books of the Bank as of March 27, 2023 (the "Record Date").

With respect to the election of directors, a stockholder may vote such number of shares for as many persons as there are directors to be elected, or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected, or he may distribute them on the same principle among as many candidates as he shall see fit, provided the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the number of directors to be elected.

Pursuant to Sections 23 and 57 of the Revised Corporation Code, the PNB Board of Directors approved on January 27, 2023 the participation and voting at the 2023 Annual Stockholders' Meeting through remote communication. The requirements and procedure for registration, participation and voting through remote communication are provided in this Information Statement and published in PNB's website at www.pnb.com.ph/asm2023.

- (b) Stockholders of the Bank as of the Record Date shall be entitled to notice of, and to vote at, the Annual Stockholders' Meeting.
- (c) Security Ownership of Certain Record and Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners (*more than 5% of any class of voting securities as of February 28, 2023*)

Name & Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage of Ownership
All Seasons Realty Corp. - Makati City - 10,005,866 shares Stockholder	Majority-Owned and Controlled by LT Group, Inc.	Filipino	912,811,179	59.8264653298
Allmark Holdings Corp. - Makati City – 20,724,567 shares Stockholder		Filipino		
Caravan Holdings Corporation - Marikina City - 82,017,184 shares Stockholder		Filipino		

Name & Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Common Shares Held	Percentage of Ownership
Donfar Management Limited - Makati City - 30,747,898 shares Stockholder	Majority-Owned and Controlled by LT Group, Inc.	Filipino		
Dunmore Development Corp. (X-496) - Pasig City - 15,140,723 shares Stockholder		Filipino		
Dynaworld Holdings, Inc. - Marikina City - 11,387,569 shares Stockholder		Filipino		
Fast Return Enterprises, Ltd. - Makati City - 18,157,183 shares Stockholder		Filipino		
Fil-Care Holdings, Inc. - Quezon City - 25,450,962 shares Stockholder		Filipino		
Fragile Touch Investment, Ltd. - Makati City - 22,696,137 shares Stockholder		Filipino		
Ivory Holdings, Inc. - Makati City - 20,761,731 shares Stockholder		Filipino		
Kenrock Holdings, Corp. - Makati City - 26,018,279 shares Stockholder		Filipino		

Name & Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage of Ownership
Kentwood Development Corp. - Quezon City - 17,237,017 shares Stockholder	Majority-Owned and Controlled by LT Group, Inc.	Filipino		
Key Landmark Investments Ltd. - Makati City - 133,277,924 shares Stockholder		Filipino		
La Vida Development Corp. - Quezon City - 19,607,334 shares Stockholder		Filipino		
Leadway Holdings, Inc. - Pasig City - 65,310,444 shares Stockholder		Filipino		
Mavelstone International Limited - Makati City - 29,575,168 shares Stockholder		Filipino		
Merit Holdings & Equities Corp. - Quezon City - 17,385,520 shares Stockholder		Filipino		
Multiple Star Holdings Corp. - Makati City - 30,798,151 shares Stockholder		Filipino		
Pioneer Holdings Equities, Inc. - Pasig City - 34,254,212 shares Stockholder		Filipino		

Name & Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage of Ownership
Profound Holdings, Inc. - Makati City - 18,242,251 shares Stockholder	Majority-Owned and Controlled by LT Group, Inc.	Filipino		
Purple Crystal Holdings, Inc. - Manila City - 24,404,724 shares Stockholder		Filipino		
Safeway Holdings & Equities, Inc. - Quezon City - 12,048,843 shares Stockholder		Filipino		
Society Holdings Corp. - Quezon City - 17,298,825 shares Stockholder		Filipino		
Solar Holdings Corporation - Pasig City - 82,017,184 shares Stockholder		Filipino		
Total Holdings Corporation - Pasig City - 15,995,011 shares Stockholder		Filipino		
True Success Profits Limited - Makati City - 82,017,184 shares Stockholder		Filipino		
Uttermost Success Limited - Makati City – 30,233,288 shares Stockholder		Filipino		

The right to vote or direct the voting of the Bank's shares held by the foregoing stockholders is lodged in their respective Boards of Directors. The Bank expects to receive from the abovenamed companies their proxy for the 2023 meeting no later than April 20, 2023, appointing any one (1) of Mr. Lucio C. Tan or Mr. Harry Tan or Ms. Juanita Tan Lee as the authorized proxies/attorneys-in-fact.

(2) Security Ownership of Management (Individual Directors and Executive Officers as of February 28, 2023)

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percentage of Ownership
Common	Federico C. Pascual Chairman/ Independent Director	38 shares (Direct) 1 share (Indirect) ₱1,560.00	Filipino	0.0000025561
Common	Leonilo G. Coronel Vice Chairman/Director	1 share (Indirect) ₱40.00	Filipino	0.0000000655
Common	Felix Enrico R. Alfiler Director	5 shares (Indirect) ₱200.00	Filipino	0.0000003277
Common	Florido P. Casuela Director/Acting President	162 shares (Indirect) ₱6,480.00	Filipino	0.0000106176
Common	Edgar A. Cua Independent Director	100 shares (Direct) ₱4,000.00	Filipino	0.0000065541
Common	Estelito P. Mendoza Director	1,150 shares (Indirect) ₱46,000.00	Filipino	0.0000753720
Common	Isabelita M. Papa Independent Director	1 share (Indirect) ₱40.00	Filipino	0.0000000655
Common	Sheila T. Pascual Director	100 shares (Direct) 10 (Indirect) ₱4,400.00	Filipino	0.0000072095
Common	Wilfrido E. Sanchez Independent Director	1 share (Indirect) ₱40.00	Filipino	0.0000000655
Common	Carmen K. Tan Director	5,000 shares (Indirect) ₱200,000.00	Filipino	0.0003277045
Common	Lucio C. Tan Director	14,843,119 shares (Direct) ₱593,724,760.00	Filipino	0.9728313639
Common	Lucio C. Tan III Director	300 shares (Direct) ₱12,000.00	Filipino	0.0000196623
Common	Michael G. Tan Director	62,000 shares (Indirect) 250 shares (Direct) ₱2,490,000.00	Filipino	0.0040799210
Common	Vivienne K. Tan Director	10 shares (Indirect) ₱400.00	Filipino	0.0000006554
Common	Domingo H. Yap Independent Director	1 share (Indirect) ₱40.00	Filipino	0.0000000655
<i>Sub-total</i>		14,912,249 shares (Direct and Indirect) ₱596,489,960.00		0.9773622062

Common	All Directors & Executive Officers as a Group	14,983,286 shares (Direct and Indirect) ₱599,331,440.00		0.9820180350

(3) Voting Trust Holders of 5% or More

There are no voting trust holders of 5% or more of the Bank's shares.

(4) Changes in Control

There has been no change in control of the Bank during the fiscal year 2022.

Item 5. DIRECTORS AND EXECUTIVE OFFICERS

(a) Directors and Executive Officers

On April 26, 2022, the Bank reported to the Bangko Sentral ng Pilipinas (BSP) the election of fifteen (15) members of the Board of Directors at the 2022 Annual Stockholders' Meeting. Mr. Edgar A. Cua, Ms. Isabelita M. Papa, Mr. Federico C. Pascual, Mr. Wilfrido E. Sanchez, and Mr. Domingo H. Yap were elected as independent directors.

As defined in Section 38.2 of the 2015 Implementing Rules and Regulations of the Securities and Regulation Code (Republic Act No. 8799) (IRR of the SRC), an independent director refers to a person who, apart from his fees and shareholdings, is independent of Management and free from any business or other relationship which could or could reasonably be perceived to materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in any covered company.

The re-election of the following directors of PNB for the year 2022-2023 was exempted from confirmation by the Monetary Board (MB):

Federico C. Pascual	Carmen K. Tan
Leonilo G. Coronel	Lucio C. Tan
Florido P. Casuela	Lucio C. Tan III
Edgar A. Cua	Michael G. Tan
Estelito P. Mendoza	Vivienne K. Tan
Isabelita M. Papa	Jose Arnulfo A. Veloso
Sheila T. Pascual	Domingo H. Yap
Wilfrido E. Sanchez	

On July 5, 2022, Mr. Jose Arnulfo A. Veloso stepped down as President & Chief Executive Officer of the Bank. In view of Mr. Veloso's resignation, Mr. Florido P. Casuela, a member of the Board, was appointed by the Board as Acting President effective July 5, 2022.

Effective December 29, 2022, Mr. Felix Enrico R. Alfiler was elected as the 15th Director of the Bank.

The Bank's Corporate Governance and Sustainability Committee, acting as the Nomination and Remuneration Committee, considered the shortlist of candidates nominated to sit as members of the Board of Directors for 2023-2024 according to the prescribed qualifications and disqualifications. A total of fifteen (15) nominees were considered. On March 13, 2023, the Board of Directors confirmed the nomination of the following individuals for election to the Board of Directors for the year 2023-2024:

1. Mr. Felix Enrico R. Alfiler
2. Ms. Maria Almasara Cyd N. Tuaño-Amador
3. Mr. Florido P. Casuela;

4. Mr. Leonilo G. Coronel;
5. Mr. Edgar A. Cua;
6. Mr. Estelito P. Mendoza;
7. Ms. Isabelita M. Papa;
8. Ms. Sheila T. Pascual;
9. Mr. Wilfrido E. Sanchez;
10. Ms. Carmen K. Tan;
11. Mr. Lucio C. Tan;
12. Mr. Lucio C. Tan III;
13. Mr. Michael G. Tan;
14. Ms. Vivienne K. Tan; and
15. Mr. Domingo H. Yap.

(Please refer to pages 11 to 26 of this Information Statement for the profiles of the nominees and incumbent directors.)

The aforementioned nominees were approved and confirmed by the Corporate Governance and Sustainability Committee, in compliance with the Manual of Regulations for Banks (MORB) of the BSP on the qualifications of a director and in accordance with the procedure for the nomination and election of independent directors set forth in Rule 38 of the IRR of the SRC and Securities and Exchange Commission (SEC) Memorandum Circular (MC) No. 19, Series of 2016, Code of Corporate Governance for Publicly-Listed Companies (“SEC MC No. 19, Series of 2016”).

Ms. Maria Almasara Cyd N. Tuaño-Amador, Mr. Edgar A. Cua, Ms. Isabelita M. Papa, Mr. Wilfrido E. Sanchez and Mr. Domingo H. Yap are nominated as independent directors. After due evaluation, the Corporate Governance and Sustainability Committee certified that said nominees are qualified in accordance with the MORB and Rule 38 of the IRR of the SRC. All of the nominees for independent director were nominated by Ms. Ruth Pamela E. Tanghal to comply with the requirements on independent directors. None of the nominees are related to Ms. Tanghal.

All nominations are compliant with SEC MC No. 4, Series of 2017 and Recommendation 5.3 of SEC MC No. 19, Series of 2016 on the term limits of independent directors. The Certificates of Qualification of the independent directors pursuant to SEC MC No. 5, Series of 2017 will be submitted by the Bank to the SEC before the election of the independent directors.

Below are the profiles of the incumbent directors and officers of the Bank and the nominees for directorship as of March 13, 2023 which addresses the requirements of Section 49 of the Revised Corporation Code for the presentation of the profiles of the directors and the directors nominated or seeking election or re-election:

Profile of Directors and Executive Officers together with their Business Experience covering at least the Past Five (5) Years

Name	FEDERICO C. PASCUAL
Age	80
Nationality	Filipino
Education	* Bachelor of Arts, Ateneo de Manila University * Bachelor of Laws (Member, Law Honors Society), University of the Philippines * Master of Laws, Columbia University
Current Position in the Bank	* Chairman/Independent Director
Date of First Appointment	* May 27, 2014 (as Independent Director) * April 27, 2021 (as Chairman of the Board)
Directorship in Other Listed Companies	* None
Other Current Positions	* Chairman of PNB-Mizuho Leasing and Finance Corporation, PNB-Mizuho Equipment Rentals Corporation, and PNB Capital and Investment Corporation * Independent Director of Allianz PNB Life Insurance, Inc. and PNB International Investments Corporation * President/Director of Tala Properties, Inc. and Woldingham Realty, Inc. * Director of Apo Reef World Resort, Sarco Land Resources Ventures Corporation, SCTEX Development and Franchisers Corporation, and Hermosa Golden Rainbow Corporation * Partner of the University of Nueva Caceres Bataan Branch * Member, Multi Sectoral Governing Council of Bureau of Customs
Other Previous Positions	* Chairman/Independent Director of PNB General Insurers Co., Inc. * Independent Director of PNB Holdings Corporation and PNB Savings Bank * President and General Manager of Government Service Insurance System * President and CEO of Allied Banking Corporation and PNOC Alternative Fuels Corporation * Director of Global Energy Growth System * Various positions with PNB for twenty (20) years, including Acting President, CEO and Vice Chairman * President and Director of Philippine Chamber of Commerce and Industry * Chairman of National Reinsurance Corporation * Co-Chairman of the Industry Development Council of the Department of Trade and Industry * Treasurer of BAP-Credit Guarantee * Director of San Miguel Corporation, Philippine Stock Exchange, Manila Hotel Corporation, Cultural Center of the Philippines, CITEM, Bankers Association of the Philippines, Philippine National Construction Corporation, Allied Cap Resources HK, Oceanic Bank SF, USA, AIDSISA Sugar Mill, PDCP Bank, Equitable PCIB, Bankard, Philippine International Trading Corporation, and Philippine National Oil Corporation * Chairman and President of Alabang Country Club

Name	LEONILO G. CORONEL
Age	76
Nationality	Filipino
Education	* Bachelor of Arts degree, Major in Economics from the Ateneo de Manila University * Advance Management Program of the University of Hawaii
Current Position in the Bank	* Vice Chairman/Director
Date of First Appointment	* May 28, 2013 (as Director) * April 27, 2021 (as Vice Chairman)
Directorship in Other Listed Companies	* None
Other Current Positions	* Independent Director of Citicore Real Estate Investment Trust * Director of Software Ventures International * Director of Toyota Pasong Tamo/Toyota Global City/Toyota Angeles City/M2 Car Accessories
Other Previous Positions	* Chairman of PNB-IBJL Leasing and Finance Corporation and PNB-IBJL Equipment Rentals Corporation * Independent Director of Megawide Construction Corporation and DBP-Daiwa Capital Market Philippines * Executive Director of the Bankers Association of the Philippines and RBB Micro Finance Foundation * Director/Treasurer of Philippine Depository and Trust Corporation * Director of the Philippine Clearing House Corporation, the Philippine Dealing System and the Capital Markets Development Council * Managing Director of BAP-Credit Bureau * President of Cebu Bankers Association * Consultant of Land Bank of the Philippines, Arthur Young, U.S. Aid, Bankers Association of the Philippines and Economic Development Corporation * Country Corporate Officer of Citibank Sri Lanka * Worked with Citibank, Manila for twenty (20) years, occupying various positions.
Awards/Citations	* Fellow of the Australian Institute of Company Directors in 2002 * Fellow of Institute of Corporate Directors

Name	FELIX ENRICO R. ALFILER
Age	73
Nationality	Filipino
Education	* Bachelor of Science and Masters in Statistics from the University of the Philippines
Current Position in the Bank	* Director
Date of First Appointment	* January 1, 2012 (as Independent Director) * April 27, 2021 (as Board Advisor) * December 29, 2022 (as Director)
Directorship in Other Listed Companies	* None
Other Current Positions	* Chairman/Independent Director of PNBRCI Holding Co., Ltd. and PNB International Investments Corp. * Chairman/Independent Director of Summit General Insurance Corporation
Other Previous Positions	* Chairman/Independent Director of PNB General Insurers Co., Inc. * Independent Director of Philippine National Bank, PNB-IBJL Leasing and Finance Corporation and PNB Savings Bank * Senior Advisor to the World Bank Group Executive Board in Washington, D.C. * Special Assistant to the Philippine Secretary of Finance for International Operations and Privatization * Director of the BSP * Assistant to the Governor of the Central Bank of the Philippines * Senior Advisor to the Executive Director at the International Monetary Fund * Associate Director at the Central Bank * Head of the Technical Group of the CB Open Market Committee * Monetary Policy Expert in the Economics Sub-Committee of the 1985-1986 Philippine Debt Negotiating Team which negotiated with over 400 private international creditors for the rescheduling of the Philippines' medium- and long-term foreign debts * Advisor at Lazaro Bernardo Tiu and Associates, Inc. * President of Pilgrims (Asia Pacific) Advisors, Ltd. * President of the Cement Manufacturers Association of the Philippines (CeMAP) * Board Member of the Federation of Philippine Industries (FPI) * Vice President of the Philippine Product Safety and Quality Foundation, Inc. * Convenor for Fair Trade Alliance.

Name	FLORIDO P. CASUELA
Age	81
Nationality	Filipino
Education	* Bachelor of Science in Business Administration, Major in Accounting from the University of the Philippines * Masters in Business Administration from the University of the Philippines * Advanced Management Program for Overseas Bankers from the Philadelphia National Bank in conjunction with Wharton School of the University of Pennsylvania * Study Tour (Micro Finance Program and Cooperatives), under the Auspices of the United States Agency for International Development
Government Civil Service Eligibilities	* Certified Public Accountant, Economist, Commercial Attaché
Current Position in the Bank	* Director/Acting President
Date of First Appointment	* May 30, 2006 (as Director) * July 5, 2022 (as Acting President)
Directorship in Other Listed Companies	* None
Other Current Positions	* Chairman of PNB Securities, Inc. * Chairman of Casuela Equity Ventures, Inc. * Director of PNB International Investments Corporation, PNBRCI Holding Co., Ltd., Allianz PNB Life Insurance, Inc., Surigao Micro Credit Corporation, and Bancnet, Inc. * Senior Adviser of the Bank of Makati (a Savings Bank), Inc.
Other Previous Positions	* Vice Chairman of Allied Integrated Holdings, Inc. (<i>formerly PNB Savings Bank</i>) * President of Land Bank of the Philippines, Maybank Philippines, Inc., and Surigao Micro Credit Corporation * Vice-Chairman of Land Bank of the Philippines and Maybank Philippines, Inc. * Director of PNB Life Insurance, Inc. and Meralco * Trustee of Land Bank of the Philippines Countryside Development Foundation, Inc. * Director of Sagittarius Mines, Inc. * Senior Adviser in the Bangko Sentral ng Pilipinas * Senior Executive Vice President of United Overseas Bank (Westmont Bank) * Executive Vice President of PDCP (Producers Bank) * Senior Vice President of Philippine National Bank * Special Assistant to the Chairman of the National Power Corporation * First Vice President of Bank of Commerce * Vice President of Metropolitan Bank & Trust Co. * Staff Officer, BSP * Audit Staff of Joaquin Cunanan, CPAs (Isla Lipana & Co.)
Awards/Citations	* One of the ten (10) awardees of the 2001 Distinguished Alumni Award of the UP College of Business Administration * Most Outstanding Surigaonon in the field of Banking and Finance, awarded by the Rotary Club – Surigao Chapter

Name	EDGAR A. CUA
Age	67
Nationality	Filipino
Education	* Bachelor of Arts in Economics degree (Honors Program) from the Ateneo de Manila University * Master of Arts in Economics degree from the University of Southern California * Master of Planning Urban and Regional Environment degree from the University of Southern California * Advanced Chinese from the Beijing Language and Culture University * Sustainable Development Training Program, Cambridge University
Current Position in the Bank	* Independent Director
Date of First Appointment	* May 31, 2016
Directorship in Other Listed Companies	* None
Other Current Positions	* Chairman/Independent Director of Allied Integrated Holdings, Inc. (formerly PNB Savings Bank) * Vice Chairman/Independent Director of PNB Capital and Investment Corporation * Independent Director of Allied Commercial Bank, Xiamen, PNB-Mizuho Leasing and Finance Corp. and PNB-Mizuho Equipment Rentals Corporation * Director of Davao Unicar Corporation
Previous Positions	* Held various managerial and staff positions at the Asian Development Bank (ADB) during a 30-year professional career. * Retired in 2015 as Senior Advisor, East Asia Department of the Asian Development Bank (ADB), based in ADB's Resident Mission in Beijing, People's Republic of China (PRC). Other managerial positions in ADB included Deputy Director General, East Asia Department, Country Director, ADB Resident Mission in Indonesia and Deputy Country Director, ADB Resident Mission in PRC. * Staff Consultant, SGV & Co.

Name	ESTELITO P. MENDOZA
Age	93
Nationality	Filipino
Education	* Bachelor of Laws (cum laude) from the University of the Philippines * Master of Laws from Harvard University
Current Position in the Bank	* Director
Date of First Appointment	* January 1, 2009
Directorship in Other Listed Companies	* Director of San Miguel Corporation and Petron Corporation
Other Current Positions	* Practicing lawyer for more than sixty (60) years
Other Previous Positions	* Chairman of Prestige Travel, Inc. * Professorial Lecturer of law at the University of the Philippines * Undersecretary of Justice, Solicitor General and Minister of Justice * Member of the Batasang Pambansa and Provincial Governor of Pampanga * Chairman of the Sixth (Legal) Committee, 31st Session of the UN General Assembly and the Special Committee on the Charter of the United Nations and the Strengthening of the Role of the Organization.
Awards/Citations	* Doctor of Laws degree (honoris causa) by Central Colleges of the Philippines, Hanyang University (Seoul, Korea), University of Manila, Angeles University Foundation and the University of the East * Doctor of Humane Letters degree by the Misamis University * Recipient of a Presidential Medal of Merit as Special Counsel on Marine and Ocean Concerns * University of the Philippines Alumni Association's 1975 "Professional Award in Law" and 2013 "Lifetime Distinguished Achievement Award"

Name	ISABELITA M. PAPA
Age	74
Nationality	Filipino
Education	* Bachelor of Science in Commerce – Banking & Finance from the University of Sto. Tomas
Current Position in the Bank	* Independent Director
Date of First Appointment	* August 5, 2021
Directorship in Other Listed Companies	* None
Other Current Positions	* Independent Director of PNB-Mizuho Leasing and Finance Corporation and PNB-Mizuho Equipment Rentals Corporation * Consultant of Bankers Association of the Philippines * Co-Chairperson for the Task Force of the ISO 20022 Migration Project * Resource Person for Corporate Governance of the Bankers Institute of the Philippines
Previous Positions	* Executive Vice President for Operations and Information Technology – Asia United Bank * Director: Rural Bank of Angeles and Cavite United Rural Bank * Senior Vice President/Country Manager – Bank of America N.A. * Executive Vice President for Operations – United Overseas Bank Phils. * Senior Vice President for Operations: Solidbank Corporation and The International Corporate Bank * Assistant Vice President for International Division – Family Bank & Trust Co. * Unit Head/Account Officer – Citibank N.A. * Chairperson – SWIFT Users Group, Philippines * Chairperson, Subcommittee on Payments and Funds Transfer – Bankers Association of the Philippines * President / Resource Person for Corporate Governance – Bankers Institute of the Philippines * Member – Catholic Mass Media Awards Committee

Name	SHEILA T. PASCUAL
Age	60
Nationality	Filipino
Education	* Bachelor of Science in Business Management from the Ateneo de Manila University
Current Position in the Bank	* Director
Date of First Appointment	* November 22, 2019
Directorship in Other Listed Companies	* Director of PAL Holdings, Inc.
Other Current Positions	* Director of Allied Commercial Bank, Buona Sorte Holdings Inc., Saturn Holdings, Inc., Tangent Holdings Corporation, Trustmark Holdings Corporation, Philippine Airlines, Inc. and Zuma Holdings and Management Corporation * Business Development Manager of Allied Banking Corporation (Hong Kong) Limited
Other Previous Position/s	* Marketing Development Officer of Asia Brewery Incorporated

Name	WILFRIDO E. SANCHEZ
Age	86
Nationality	Filipino
Education	* Bachelor of Arts degree from the Ateneo de Manila University * Bachelor of Laws from the Ateneo De Manila University * Masters of Law from Yale Law School
Current Position in the Bank	* Independent Director
Date of First Appointment	* April 27, 2021
Directorship in Other Listed Companies	* Independent Director of LT Group, Inc.
Other Current Positions	* Tax Counsel of Quiason Makalintal Barot Torres Ibarra Sison & Damaso Law Offices * Independent Director of Eton Properties Philippines, Inc., Asia Brewery, Inc., and Tanduay Distillers, Inc. * Director of EEI Corporation, House of Investments, Inc., Kawasaki Motor Corporation, EMCOR, Inc., K-Servico, Inc., J-DEL Investments and Management Corp., WODEL, Inc., KS Prime Financial Corp., and Trimotors Technology Corp. * Trustee of JVR Foundation, Inc., and Gokongwei Brothers Foundation
Other Previous Position/s	* Vice Chairman/Director of Antonelli Realty Holdings, Inc. * Trustee of NYK-TDG Friendship Foundation, Inc. and Asian Institute of Management * Independent Director of Transnational Diversified Corp. * Director of Universal Robina Corp., Transnational Plans, Inc., Center for Leadership & Change, Inc., Adventure International Tours, Inc., Transnational Financial Services, Inc., Amon Trading Corp., Rizal Commercial Banking Corporation, Asiabest Group International Inc., Magellan Capital Holdings Corporation, and Joint Research and Development Corporation,

Name	CARMEN K. TAN
Age	81
Nationality	Filipino
Current Position in the Bank	* Director
Date of First Appointment	* May 31, 2016
Directorship in Other Listed Companies	* Director of LT Group, Inc. MacroAsia Corporation and PAL Holdings, Inc.
Other Current Positions	* Director: Philippine Airlines, Inc., Air Philippines Corporation, Asia Brewery, Inc., Buona Sorte Holdings, Inc., Cosmic Holdings Corporation, The Charter House, Inc., Dominion Realty and Construction Corporation, Eton City, Inc., Foremost Farms, Inc., Fortune Tobacco Corporation, Himmel Industries, Inc., Manufacturing Services & Trade Corp., Progressive Farms, Inc., PMFTC, Inc., Shareholdings Inc., Sipalay Trading Corp., Tanduary Distillers, Inc., Tangent Holdings Corporation, Trustmark Holdings Corp., Alliedbankers Insurance Corporation, Zuma Holdings and Management Corp., Grandspan Development Corp., Basic Holdings Corp., Saturn Holdings, Inc., Paramount Land Equities, Inc., Interbev Philippines, Inc., Waterich Resources Corp., and REM Development Corp.
Major Affiliations	* Trustee of Tan Yan Kee Foundation * Member of Tzu Chi Foundation

Name	LUCIO C. TAN
Age	88
Nationality	Filipino
Education	* Bachelor of Science in Chemical Engineering degree from Far Eastern University * Doctor of Philosophy, Major in Commerce, from University of Sto. Tomas
Current Position in the Bank	* Director
Date of First Appointment	* December 8, 1999
Directorship in Other Listed Companies	* Chairman and CEO of LT Group, Inc., PAL Holdings, Inc. and MacroAsia Corporation
Other Current Positions	* Chairman and CEO of Philippine Airlines, Inc. Asia Brewery, Inc., and Basic Holdings Corporation * Chairman and President of Tangent Holdings Corporation, Trustmark Holdings Corporation, Buona Sorte Holdings, Inc., Asian Alcohol Corporation, Himmel Industries, Inc., Charter House, Incorporated, Foremost Farms, Inc., Progressive Farms, Inc., and Zuma Holdings and Management Corporation * Chairman: Allied Commercial Bank Xiamen, Allied Banking Corporation (Hong Kong) Limited, Allianz PNB Life Insurance, Inc., Eton Properties Philippines, Inc., Fortune Tobacco Corporation, PNB Holdings Corporation, Tanduay Distillers, Inc., Alliedbankers Insurance Corporation, Air Philippines Corporation, PMFTC, Inc., Grandspan Development Corporation, and University of the East * Chairman Emeritus of the Federation of Filipino-Chinese Chambers of Commerce and Industry, Inc. * Founder and Vice Chairman of the Foundation for Upgrading the Standard of Education, Inc. * Founded the Tan Yan Kee Foundation, Inc., of which he is the Chairman and President
Other Previous Positions	* Chairman of Allied Banking Corporation, PNB Life Insurance, Inc., PNB Savings Bank, and Allied Leasing and Finance Corporation
Awards/Citations	* Honorary degrees from various universities * Lifetime Achievement Awardee by the Dr. Jose P. Rizal Awards for Excellence * Adopted to the Ancient Order of the Chamorri and designated Ambassador-at-Large of the U.S. Island-territory of Guam * Diploma of Merit by the Socialist Republic of Vietnam * Outstanding Manilan for the year 2000 * UST Medal of Excellence in 1999 * Most Distinguished Bicolano Business Icon in 2005 * 2003 Most Outstanding Member Award by the Philippine Chamber of Commerce and Industry (PCCI) * Award of Distinction by the Cebu Chamber of Commerce and Industry * Award for Exemplary Civilian Service of the Philippine Medical Association * Honorary Mayor and Adopted Son of Bacolod City; Adopted Son of Cauayan City, Isabela and Entrepreneurial Son of Zamboanga * Distinguished Fellow during the 25th Conference of the ASEAN Federation of Engineering Association * 2008 Achievement Award for service to the chemistry profession during the 10th Eurasia Conference on Chemical Sciences

Name	LUCIO C. TAN III
Age	30
Nationality	Filipino
Education	* Bachelor of Science in Electrical Engineering, Stanford University * Master of Science, Major in Computer Science, Stanford University
Current Position in the Bank	* Director
Date of First Appointment	* April 27, 2021
Directorship in Other Listed Companies	* Vice Chairman and Chief Operating Officer of LT Group, Inc. * Director and Vice President of PAL Holdings, Inc. * Director of MacroAsia Corporation
Other Current Positions	* Director of PNB Holdings Corporation, Philippine Airlines, Inc., Air Philippines Corporation, Lufthansa Technik Philippines, MacroAsia Airport Services Corporation, MacroAsia Catering Services Inc., MacroAsia SATS Food Industries, MacroAsia SATS Inflight Services Corporation, Prior Holdings Corporation, Belton Communities, Inc., Eton City, Inc., First Homes, Inc., ALI Eton Property Development Corporation, Allied Club, Inc., PMFTC, Inc., and Fortune Landequities and Resources, Inc. * Vice Chairman and President of Sabre Travel Network (Philippines) Inc. * President and Chief Operating Officer of Tanduay Distillers, Inc. * Vice President of Dunmore Development Corporation * Member of Stanford Tau Beta Pi Engineering Honor Society
Other Previous Position/s	* Director of Victorias Milling Company, Inc.
Awards/Citations	* Stanford University Frederick E. Terman Award (2015), award given to engineering seniors who are at the top 5% of their class * Stanford University Tau Beta Pi Engineering Honor Society (2013), honor given to engineering juniors/seniors who are at the top 1/8 of their class * Stanford University President's Award for Academic Excellence Freshmen Year (2012), award given to freshmen who are at the top 3% of their class * Young Presidents' Organization (Local and International Chapters)

Name	MICHAEL G. TAN
Age	56
Nationality	Filipino
Education	* Bachelor of Applied Science in Civil Engineering, Major in Structural Engineering, from the University of British Columbia, Canada
Current Position in the Bank	* Director
Date of First Appointment	* February 9, 2013
Directorship in Other Listed Companies	* Director and President of LT Group, Inc. * Director of Victorias Milling Company, Inc. and MacroAsia Corporation
Other Current Positions	* Director, President and Chief Operating Officer of Asia Brewery, Inc. * Director of the following companies: Absolut Distillers, Inc., Tanduay Distillers, Inc., Tanduay Brands International, Inc., Shareholdings, Inc., PMFTC Inc., Maranaw Hotel (Century Park Hotel), Pan Asia Securities, Inc., Asia's Emerging Dragon Corporation, Paramount Land Equities, Inc., Saturn Holdings, Inc., Tangent Holdings Corporation, PNB Global Remittance and Financial Company (HK) Limited, Allied Commercial Bank, Allied Banking Corp. (Hong Kong) Limited, and Trustmark Holdings Corporation * Director and Treasurer of Zuma Holdings and Management Corporation * Member of ASEAN Business Advisory Council (ASEAN BAC) * Vice President of Federation of Filipino Chinese Chambers of Commerce and Industry, Inc. (FFCCCII) * Director of Philippine Chamber of Commerce and Industry * Member of the Private Sector Advisory Council * Trustee of Help Educate and Rear Orphans (HERO) Foundation, Inc.
Other Previous Positions	* Chairman of PNB Holdings Corporation * Chief Operating Officer of LT Group, Inc. * Director of Philippine Airlines Inc., Bulawan Mining Corporation, PNB Management and Development Corporation, Alliedbankers Insurance Corporation, PNB Forex, Inc., PNB Savings Bank, Air Philippines Corp., and Sabre Travel Network (Philippines), Inc., * Director and Treasurer of PAL Holdings, Inc. * Director of Allied Banking Corporation (ABC) from January 30, 2008 until the ABC's merger with PNB on February 9, 2013 * Honorary Advisor of the sixth edition of the Belt and Road Summit held on September 2021 in Hong Kong
Awards/Citations	* 2021 Stargate People Asia "People of the Year" * 2021 4 th Mansmith Masters Awards

Name	VIVIENNE K. TAN
Age	54
Nationality	Filipino
Education	* Bachelor of Science - Double Degree in Mathematics and Computer Science from the University of San Francisco, U.S.A * Diploma in Fashion Design and Manufacturing Management from the Fashion Institute of Design and Merchandising, Los Angeles, U.S.A.
Current Position in the Bank	* Director
Date of First Appointment	* December 15, 2017
Directorship in Other Listed Companies	* Director of LT Group, Inc. and MacroAsia Corporation
Other Current Positions	* Director of Eton Properties Philippines, Inc., and Philippine Airlines, Inc. * Executive Director of Dynamic Holdings Limited * Trustee of University of the East, University of the East Ramon Magsaysay Memorial Medical Center and College of Saint Benilde * Founding Chairperson of the Entrepreneurs School of Asia (ESA) * Founding Trustee of the Philippine Center for Entrepreneurship (Go Negosyo)
Other Previous Positions	* Board Advisor of LT Group, Inc. * Director of PAL Holdings, Inc. * Director/Executive Vice President/Treasurer/Chief Administrative Officer of Philippine Airlines, Inc. * Executive Vice President, Commercial Group and Manager, Corporate Development, of Philippine Airlines, Inc. * Director of Bulawan Mining Corporation and PNB Management and Development Corporation * Founder and President of Thames International Business School * Owner of Vaju, Inc. (Los Angeles, U.S.A.) * Systems Analyst/Programmer of Fallon Bixby & Cheng Law Office (San Francisco, U.S.A.) * Proponent/Partner of various NGO/social work projects like Gawad Kalinga's GK-Batya sa Bagong Simula, livelihood programs thru Teenpreneur Challenge spearheaded by ESA, Conserve and Protect Foundation's artificial reef project in Calatagan, Batangas, Quezon City, Sikap-Buhay Project's training and mentorship program for micro-entrepreneurs, and as Chairman of Ten Inspirational Entrepreneur Students Award
Awards/Citations	* Recipient of the Ten Outstanding Young Men (TOYM) Award for Business Education and Entrepreneurship (2006), UNESCO Excellence in Education and Social Entrepreneurship Award (2007), Leading Women of the World Award (2007), and "People of the Year", People Asia Award (2008)

Name	DOMINGO H. YAP
Age	89
Nationality	Filipino
Education	* Bachelor of Science in Business Administration major in Business Management from San Sebastian College Recoletos
Current Position in the Bank	* Independent Director
Date of First Appointment	* August 23, 2019
Directorship in Other Listed Companies	* None
Other Current Positions	* President of H-Chem Industries, Inc., DHY Realty and Development Inc., Colorado Chemical Sales Corporation, Universal Paint & Coating Philippines, Inc., AllianceLand Development Corporation, and Philippine Association Kang Ha Association, Inc.
Other Previous Positions	* President of the Federation of Filipino-Chinese Chamber of Commerce and Industries, Inc. * Governor of Y's Men Club Philippines * President of Y's Men Club Downtown of Manila * President of Rotary Club of Pasay City

Name	MARIA ALMASARA CYD N. TUAÑO-AMADOR
Age	66
Nationality	Filipino
Education	* Bachelor of Science in Business Economics from the University of Philippines School of Economics * Master of Arts in Economics from the University of Philippines School of Economics * Master of Science in Policy Science from the Graduate Institute of Policy Science in Tokyo, Japan * Doctor of Philosophy in Economics from the Australian National University
Directorship in Other Listed Companies	* None
Other Current Positions	* None
Previous Positions	* Deputy Governor of the Resource Management Sector of the Bangko Sentral ng Pilipinas * Head of the BSP Research Academy * Chairperson of the BSP Provident Fund * Vice-Chairperson of the Philippine International Convention Center (PICC) * Chairperson of the PICC Executive Committee * Director of the Philippine Guarantee Corporation * Director of the Philippine Retirement Authority * Advisory Panel of the ASEAN+3 Macroeconomic Research Office * Assistant Governor of the Monetary Policy Sub-Sector of the Bangko Sentral ng Pilipinas * Managing Director of the Monetary Policy Sub-Sector of the Bangko Sentral ng Pilipinas * Director of the Center for Monetary & Financial Policy of the Bangko Sentral ng Pilipinas * Senior Advisor/Advisor to the Executive Director of the International Monetary Fund, Washington, D.C. * Director of the Department of Economic Research of the Bangko Sentral ng Pilipinas * Held positions in various capacities at the Department of Economic Research of the Bangko Sentral ng Pilipinas

Name	RUTH PAMELA E. TANGHAL
Age	54
Nationality	Filipino
Education	* Bachelor of Science in Mathematics from the Notre Dame University, Cotabato City * Bachelor of Laws (Cum Laude) from the Notre Dame University, Cotabato City
Current Position in the Bank	* Corporate Secretary
Date of First Appointment	* September 25, 2020
Directorship in Other Listed Companies	* None
Other Current Positions	* Corporate Secretary of Allied Integrated Holdings Inc. (Formerly: PNB Savings Bank) * Corporate Secretary of Genbancor Condominium Corporation * Corporate Secretary of PNB Foundation, Inc. * Director of E.C. Tanghal & Co., Inc.
Other Previous Positions	* Assistant Corporate Secretary of PNB * Documentation Lawyer, PNB Legal Group

Name	MICHELLE A. PAHATI-MANUEL
Age	50
Nationality	Filipino
Education	* AB Political Science, University of Santo Tomas, Manila * Bachelor of Laws, Saint Louis University, Baguio City
Current Position in the Bank	* Assistant Corporate Secretary
Date of First Appointment	* September 25, 2020
Directorship in Other Listed Companies	* None
Other Current Positions	* Corporate Secretary, PNB Securities, Inc.
Other Previous Positions	* Corporate Secretary, PNB Capital and Investments Corporation * Department Head, Litigation Division, PNB Legal Group * Research Lawyer, PNB Legal Group * Investigating Lawyer (for Administrative Cases), PNB Legal Group * Corporate Secretary, Bulawan Mining Corporation * Corporate Secretary, PNB Management and Development Corporation (MADECOR) * Court Attorney, Supreme Court * Court Attorney, Court of Appeals

Board Advisors:

Name	CHESTER Y. LUY
Age	54
Nationality	Filipino
Education	* Bachelor of Science in Business Administration (Magna Cum Laude and graduated at the Top of B.S. Business Administration Class of 1990), University of the Philippines * Masters in Management degree from the J.L. Kellogg Graduate School of Management at Northwestern University * Chartered Financial Analyst (CFA)
Current Position in the Bank	* Board Advisor
Date of First Appointment	* May 11, 2020
Other Current Positions	* Board Advisor, LT Group Inc. * Director of Tanduay Distillers, Inc. * Director of Philippine National Bank (Europe) PLC. * Director of PNB Global Remittance and Financial Company (HK) Limited.
Other Previous Positions	* Director of PNB-Mizuho Leasing and Finance Corporation * EVP and Head of Strategy Sector and Wealth Management Group * Senior Executive Vice President, Treasurer and Head for the Financial Advisory and Markets Group (comprised of the Treasury and the Wealth Management Group) of Rizal Commercial Banking Corporation * He served in leadership roles as Managing Director across a variety of businesses including Investment Banking, Corporate Finance, Credit Risk Analysis, Investment Management, and Wealth Management with several international banks and was based in New York, Singapore and Manila. He held leadership roles at JPMorgan, Bank of America Merrill Lynch, Barclays Capital, HSBC, Julius Baer, Bank of Singapore and RCBC * Member of the Singapore Institute of Directors * Served on the Board of a Singapore-based Real Estate and Hospitality Entity
Awards/Citations	* Men Who Matter Award (2017) by People Asia Magazine Survey * Top Senior Analyst in the U.S by Institutional Investor Magazine Polls for several years * Awarded as the Most Outstanding Business Administration Student for the Class of 1990 of University of the Philippines * Graduated at the Top of his Class, garnering the highest GPA for the graduating University of the Philippines' B.S. Business Administration Class of 1990.

Name	WILLIAM T. LIM
Age	82
Nationality	Filipino
Education	* Bachelor of Science in Chemistry from Adamson University
Current Position in the Bank	* Board Advisor
Date of First Appointment	* January 25, 2013
Directorship in Other Listed Companies	* None
Other Current Positions	* President of Jas Lordan, Inc. * Director of PNB Securities, Inc., PNB Holdings Corporation, Allied Integrated Holdings, Inc. (<i>formerly PNB Savings Bank</i>), Allied Commercial Bank - Xiamen, BH Fashion Retailers, Inc., Concept Clothing, Co., Inc., and Genbancor Condominium Corporation * Advisor to the Chairman of the Board of Directors of Allianz PNB Life Insurance, Inc.
Other Previous Positions	* Board Advisor of PNB Savings Bank * Director of PNB Life Insurance, Inc. * Consultant of Allied Banking Corporation * Director of Corporate Apparel, Inc. * Director of Concept Clothing * Director of Freeman Management and Development Corporation * Worked with Equitable Banking Corporation for 30 years, occupying various positions, including as VP & Head of the Foreign Department

Name	CHRISTOPHER J. NELSON
Age	63
Nationality	British
Education	* Bachelor of Arts and Master of Arts in History from Emmanuel College, Cambridge University, U.K. * Diploma in Marketing from the Institute of Marketing, Cranfield, U.K.
Current Position in the Bank	* Board Advisor
Date of First Appointment	* March 21, 2013 (Director) * May 27, 2014 (Board Advisor) * May 26, 2015 (Director) * April 27, 2021 (Board Advisor)
Directorship in Other Listed Companies	* None
Other Current Positions	* Director of PNB Europe Plc * Director of the Federation of Philippine Industries, and CyberQ Group, Inc. * Executive Director of the British Chamber of Commerce in the Philippines * Trustee of the American Chamber Foundation Philippines, Inc., Philippine Band of Mercy and Dualtech Training Center * Member of the Society of Fellows of the Institute of Corporate Directors
Other Previous Positions	* Director of Philippine National Bank * Director of PNB Holdings Corporation * Trustee of Tan Yan Kee Foundation * Director of the American Chamber of Commerce of the Philippines, Inc. * President of Philip Morris Philippines Manufacturing, Inc., a position he held for 10 years * Various management positions with Philip Morris International for 25 years including Area Director for Saudi Arabia, Kuwait, Gulf Cooperation Council, Yemen, and Horn of Africa

Name	FLORENCIA G. TARRIELA
Age	76
Nationality	Filipino
Education	* Bachelor of Science in Business Administration degree, Major in Economics, University of the Philippines * Master in Economics degree from the University of California, Los Angeles, where she topped the Masters Comprehensive Examination
Current Position in the Bank	* Board Advisor
Date of First Appointment	* May 29, 2001 (as Director) * May 24, 2005 (as Chairman of the Board) * May 30, 2006 (as Independent Director) * April 27, 2021 (as Board Advisor)
Directorship in Other Listed Companies	* Independent Director of LT Group, Inc. * Independent Director of Nickel Asia Corporation
Other Current Positions	* Director of PNB Capital and Investment Corporation * Director of PNB International Investments Corp. * Columnist for “Business Options” of the Manila Bulletin and “FINEX Folio” of Business World * Director/Vice President of Tarriela Management Company and Director/Vice President/Assistant Treasurer of Gozon Development Corporation * Life Sustaining Member of the Bankers Institute of the Philippines * Trustee of Tulay sa Pag-unlad, Inc. (TSPI) Development Corporation, TSPI MBI
Other Previous Positions	* Director of Financial Executive Institute of the Philippines (FINEX) * Chairman/Independent Director of Philippine National Bank, PNB Capital and Investment Corporation, PNB-Mizuho Leasing and Finance Corporation, and PNB-Mizuho Equipment Rentals Corporation * Director of Eton Properties Philippines, Inc. * Independent Director of PNB Life Insurance, Inc. * Director of Bankers Association of the Philippines * Undersecretary of Finance * Alternate Monetary Board Member of the BSP, Land Bank of the Philippines and the Philippine Deposit Insurance Corporation * Deputy Country Head, Managing Partner and first Filipina Vice President of Citibank N. A. * Country Financial Controller of Citibank NA Philippines for 10 years
Awards/Citations	* President, Bank Administration Institute of the Philippines * 2014 Most Outstanding Citibank Philippines Alumni awardee for community involvement * 2018 Go Negosyo Woman Intrapreneur Awardee

The following constitute the Bank's Corporate Governance and Sustainability Committee for the year 2022-2023:

Federico C. Pascual*	-	Chairman
Wilfrido E. Sanchez*	-	Vice Chairman
Edgar A. Cua*	-	Member
Isabelita M. Papa*	-	Member
Domingo H. Yap*	-	Member

** Independent Director*

The following constitute the Bank's Board Audit and Compliance Committee (BACC) for the year 2022-2023:

Isabelita M. Papa*	-	Chairman
Edgar A. Cua*	-	Vice Chairman
Michael G. Tan	-	Member

** Independent Director*

The following are the Executive Officers of the Bank:

FLORIDO P. CASUELA

(Please refer to page 14 of this Information Statement)

CENON C. AUDENCIAL, JR., 64, Filipino, Executive Vice President, is the Head of the Institutional Banking Sector. He currently sits as Board Advisor in PNB Capital and Investment Corporation. Before joining the Bank in 2009, he headed the Institutional and Corporate Bank of ANZ, prior to which he was a Senior Relationship Manager of Corporate Banking and Unit Head of Global Relationship Banking for Citibank N.A. He previously served as a Vice President and Unit Head of Standard Chartered Bank's Relationship Management Group and was a Relationship Manager in Citytrust Banking Corporation. Before his 25-year stint as a Relationship Manager, he was a Credit Analyst for Saudi French Bank and AEA Development Corporation. Mr. Audencial obtained his Bachelor of Arts degree in Economics from the Ateneo de Manila University.

ROBERTO D. BALTAZAR, 59, Filipino, Executive Vice President, currently the Head of Global Banking and Markets Sector which includes the Global Markets Group, Wealth Management Group and the Financial Institutions Division. He is likewise a director of PNB Capital and Investment Corporation. Mr. Baltazar brings with him over 30 years of banking experience both in the Financial Markets and Corporate Banking Sector. He spent 4 years in Citibank as a foreign exchange trader then moved to HSBC in 1994 as head of FX Trading then eventually became Head of Global Markets, Debt Capital Markets and Securities Services in 2014. He sustained Debt Capital Markets and HSBC Securities Services (HSS) position as the number one Debt Capital Markets and Global Custodianship Business during his tenure. During this time, HSBC was likewise one of the top FX and Bond Trading houses. He was ACI President in 2013. He was an active member of the BAP Open Market Committee, specifically in the Foreign Exchange Subcommittee. He obtained his Bachelor of Arts degree in Economics from the Ateneo de Manila University and Master's in Business Administration Degree from the University of North Carolina at Chapel Hill, USA.

ISAGANI A. CORTES, 55, Filipino, Executive Vice President, was appointed the Chief Compliance Officer (CCO) of the Bank effective April 8, 2019. He obtained his Bachelor of Arts degree in English from the University of the East and his Bachelor of Laws degree from the University of the Philippines in Diliman. Prior to joining the Bank, Atty. Cortes was the Senior Vice President and Deputy Head of the Regulatory Affairs Group of RCBC. Prior to RCBC, he spent 14 years in The Hongkong Shanghai Banking Corporation (HSBC) handling legal and compliance matters. As SVP and Country Head of Financial Crime Compliance of HSBC from 2014 to 2018, he was the subject matter expert in and risk steward of financial crime risk. He also worked for East West Bank as its Chief Compliance Officer and ABN AMRO Philippines handling Legal, Remedial and Acquired Assets Management.

AIDA M. PADILLA, 73, Filipino. "Aida" is Executive Vice President and Head of the Enterprise Services Sector. She is the chief strategist for modification of distressed and problem loans, administrator of all Bank-owned real estate properties and building facilities, and head of the Security

Services of PNB. Aida is also a member of various management committees and attends Board Committee meetings as an observer. A seasoned professional, she honed her branch banking experience at Philippine Banking Corporation and the Global Bank where she rose to become Vice President for Marketing of its Corporate Banking Group. Aida obtained her Bachelor of Science degree in Commerce, Major in Accounting from St. Theresa's College.

MANUEL C. BAHENA, JR., 61, Filipino, First Senior Vice President, is the Chief Legal Counsel of the Bank. He joined PNB in 2003 and was appointed as Head of Documentation and Research Division of the Legal Group in 2009. He then assumed the position of Chief Legal Counsel in 2014. Before joining PNB, he was the Corporate Secretary and Vice President of the Legal Department of Multinational Investment Bancorporation. He also formerly served as Corporate Secretary and Legal Counsel of various corporations, among which are the Corporate Partnership for Management in Business, Inc.; Orioxy Investment Corporation; Philippine Islands Corporation for Tourism and Development; Cencorp (Trade, Travel and Tours), Inc.; and Central Bancorporation General Merchants, Inc.

MARIA ADELIA A. JOSON, 68, Filipino, First Senior Vice President, is the Head of the Retail Banking Sector. Daday, as fondly called by her peers, has over 40 years of vast experience in the banking industry. She started her stint as a research analyst in Economic Research Department of Commercial Bank and Trust Company (Comtrust) in 1974. After 4 years, she took the exams and qualified for the Officers Training Program conducted in 1978 and was thereafter promoted to Branch Cashier of Comtrust- Taft Avenue Branch. In 1980, she joined Allied Banking Corporation (ABC) as Cashier of Roosevelt Branch. Throughout her stint at ABC, she has developed high proficiency in all facets of branch banking thru the various key positions she held in the bank as Branch Head, Area Head and Region Head prior to her designation as the Head of Branch Banking Group in 2014. In 2017, she was assigned to head a newly created group in the Retail Banking Sector Sales and Support Group. Because of her consistent commendable performance, she merited promotions not only in positions but also in rank which is currently at FSVP. Daday was designated as the Officer-in-Charge for the Retail Banking Sector (RBS) in February 2020 before she was officially appointed as the Head of RBS in November 2020. She obtained her degree in A.B. Economics at La Salle College.

MARIA PAZ D. LIM, 62, Filipino, First Senior Vice President, is the Corporate Treasurer. She is also concurrently the Treasurer of PNB Capital and Investment Corporation and Allied Integrated Holdings, Inc. She obtained her Bachelor of Science degree in Business Administration, Major in Finance and Marketing, from the University of the Philippines, and Master in Business Administration from the Ateneo de Manila University. She joined PNB on June 23, 1981, rose from the ranks and occupied various officer positions at the Department of Economics & Research, Budget Office and Corporate Disbursing Office prior to her present position.

ROLAND V. OSCURO, 59, Filipino, First Senior Vice President, is the Chief Information Security Officer and, in concurrent capacity, the Head of Enterprise Information Security Group. He obtained his Bachelor of Science in Electronics and Communications Engineering degree from Mapua Institute of Technology and took up units in Master in Business Administration for Middle Managers at the Ateneo de Manila Graduate School. He is an Electronic and Communications Engineering Board passer. He is also an Information Systems Audit and Control Association's (ISACA) Certified Information Security Manager (CISM). Prior to his present position, Mr. Oscuro was hired as IT Consultant of the Bank on November 2, 2003. In May 2004, he was appointed as the Head of Network Management Division of Information Technology Group with the rank of First Vice President. He was the Operational Support System Group Manager of Multi-Media Telephony, Inc. (Broadband Philippines) prior to joining PNB. He was also connected with various corporations such as Ediserve Corp. (Global Sources), Sterling Tobacco Corporation, Zero Datasoft (Al Bassam), Metal Industry Research and Development Center, and Pacific Office Machines, Inc.

NANETTE O. VERGARA, 62, Filipino, First Senior Vice President, is the Chief Credit Officer and Head of Credit Management Group. She obtained her degree in Bachelor of Science in Statistics (Cum Laude) in 1981 from the University of the Philippines in Diliman. She joined PNB in 2006 and was appointed as First Vice President & Head of Credit Management Division. She started her banking career with the Bank of Commerce in 1981. She moved to the Credit Rating Services Department of the Credit Information Bureau in 1983 and went back to banking in 1992 when she joined the Union Bank of the Philippines. She later transferred to Solidbank Corporation in 1993 to

head various credit-related units. Prior to joining PNB, she worked with United Overseas Bank from 2000-2006 as VP/Head of Credit Risk Management.

REYNALDO C. BURGOS, 54, Filipino. “Rey” is Senior Vice President and Head of Operations Group. Prior to joining PNB, he was previously connected with Metrobank from 1990 to 2022 as First Vice President, handling Settlements, Cash, and Clearing Operations. With over 30 years of experience, he was exposed to different areas of operations and was part of various projects such as re-engineering, branch transformation to sales model, process review and streamlining, data driven work and analytics, and automation. He was a major contributor of the present Cash Service Alliance (CSA) live project of the Bangko Sentral ng Pilipinas (BSP) and acted as Technical Working Group Head in the implementation of the Check Image Clearing System (CICS) in the Philippines, under the guidance of the BSP, Philippine Clearing House Corporation (PCHC), and Bankers Association of the Philippines (BAP). He served as president of the Clearing Officers Club, Inc. of the Philippines for 11 years and was part of the BAP Operations Committee for more than 10 years. He is a member of the Bancnet Operations Committee and a director of the PCHC. Rey holds a Bachelor of Science degree in Commerce, Major in Accountancy from the Colegio de San Juan de Letran.

EMELINE C. CENTENO, 64, Filipino, Senior Vice President, is the Head of the Corporate Planning and Analysis Division. She obtained her Bachelor of Science degree in Statistics (Dean’s Lister) and completed her Masters of Arts in Economics degree (on scholarship) from the University of the Philippines. She joined PNB in 1983, rose from the ranks and held various positions at the Department of Economics and Research, Product Development, Monitoring and Implementation Division, and the Corporate Planning Division before assuming her present position as Head of the merged Corporate Planning and Analysis Division. Ms. Centeno was awarded as one of the Ten Outstanding Employees of the Bank in 1987.

AIDELL AMOR R. GREGORIO, 40, Filipino. “Aidell” is Senior Vice President, Acting Chief Financial Officer and Officer-in-Charge of Financial Management Sector, and in concurrent capacity, the Head of Accounting and Controllership Group. Aidell joined PNB in August 2019 as the Bank’s Controller. Prior to his employment in PNB, he rose from the ranks from an Audit Associate to Audit Senior Director in SyCip Gorres Velayo (SGV) & Co. engaged in auditing of financial statements of banks and other financial institutions for over 14 years. Aidell graduated from the University of Santo Tomas with a Bachelor of Science degree in Accountancy and is a Certified Public Accountant.

MICHAEL MORALLOS, 54, Filipino, Senior Vice President, is the Head of the Information Technology Group. He obtained his Bachelor of Arts degree major in Philosophy and Political Science from the University of the Philippines and completed advanced computer studies at the National Computer Institute of the Philippines. His company trainings include Wharton Senior Executive Program, IBM Project Management, Ateneo Banking Principles and extensive systems training at the FIS Training Center, LR, Arkansas. He brings with him over twenty-seven (27) years of work experience and was a Senior FIS Systematics Consultant. Prior to joining PNB, he was First Senior Vice President and Head of Technology Platform at the Siam Commercial Bank, the largest Thai bank with over 28 million Customer Accounts and 1,200 domestic branches. As Chief Technology Officer of PNB, Mr. Morillos introduced significant improvements in the IT service operations as well as innovative changes in the technology support structure to dynamically adapt to the Bank’s digital transformation roadmap. He leads the Bank’s technology strategy and supports the delivery of technology services and key strategic projects to both domestic and overseas branches.

JOY JASMIN R. SANTOS, 49, Filipino, Senior Vice-President, is the Chief Trust Officer and Head of Trust Banking Group. She has served as Vice-President and Corporate Trust Division Head from 2013 to 2018 and Business Development Division Head of the Trust Banking Group from 2010 to 2012. Prior to joining PNB, she held key managerial positions in various local banks. Ms. Santos graduated as Cum Laude in 1994 from the Ateneo de Manila University with a degree of Bachelor of Arts, Major in Management Economics and obtained her Master in Business Administration from the Australian National University, Canberra, Australia in 2002. She has completed the One-Year Course on Trust Operations and Investment Management given by the Trust Institute Foundation of the Philippines in 2015 and graduated with Distinction. She is also a member of the Board of Directors of the Trust Officers Association of the Philippines (TOAP) and of the Trust Institute Foundation of the Philippines (TIFP).

SOCORRO D. CORPUS, 71, Filipino, is the Officer-in-Charge of Human Resources Group of Philippine National Bank. “Cora” retired from the Bank in 2017 as First Senior Vice President and Head of the Human Resource Group. Thereafter, she joined Assessment Analytics Inc. (AAI), a company that provides assessment solutions and measurements of talent as a consultant. She is a graduate of Assumption College with a Bachelor of Arts degree, Major in Psychology and an Associate in Commercial Science Degree. She has been an HR practitioner for more than 35 years. She started her career with China Banking Corporation in 1973 prior to joining the Allied Banking Corporation in 1977. Her professional affiliations include the following: Founding member and a Board Member of the Organization Development Professional Network, past President and member of the Bankers’ Council for People Management, member of the Personnel Management Association of the Philippines and the regular Bank representative to the Banking Industry Tripartite Council.

JULIET S. DYTOC, 52, Filipino. “Juliet” is Vice President, Chief Risk Officer and Head of the Risk Management Group. She joined PNB in 2010 under the Trust Banking Group (TBG) as Trust Risk Division Head. In this capacity, Juliet institutionalized the Trust Risk Management framework that covered a comprehensive range of risk areas including credit, market, operational, strategic, regulatory, liquidity, and reputational risk, among others. In September 2020, Juliet was appointed as head of the Market and ALM Division to manage the Bank’s market, liquidity, and interest rate risk exposures. She was designated as the officer-in-charge of Risk Management Group in February 2022. She has over 25 years of experience in the banking and finance industry in the areas of risk management, account management, and product development. She started as a management trainee joining PCIBank’s Management Development Program and was eventually seconded to PCIB Securities as an Investment Analyst. She took interest in the Trust business and was transferred to Equitable PCI Bank (now BDO Unibank) as a Trust Portfolio Manager. She continued this track in Metrobank as Trust Credit and Risk Officer, the first Trust risk management unit in the banking industry. She briefly handled product management at Standard Chartered Bank where she made available structured products for wealth management clients. At Sterling Bank of Asia, she refocused on risk management as head of its market risk unit. She is fluent in French and in conversational Chinese. Juliet graduated cum laude with a Bachelor of Arts degree in European Languages and obtained her Master’s degree in Business Administration from the University of the Philippines. In 2000 she completed, placing fourth out of 80 participants, a one year course on Trust Operations and Investment Management given by the Trust Institute Foundation of the Philippines (TIFP). She was at some point certified by the Securities and Exchange Commission (SEC) as a Fixed Income Salesman. She is a Chartered Financial Analyst (CFA®) Charterholder and an active member of the CFA Society of the Philippines since 2005.

ANALISA I. SAN PEDRO, 45, Filipino. “Ana” is Vice President and Chief Audit Executive. Ana joined the Bank in 2002 as Management Specialist and rose from the ranks to the position of Vice President. She is an active member of the Institute of Internal Auditors (IIA) - Philippines and the Association of Certified Anti-Money Laundering Specialists (ACAMS). She was designated as the Officer-in-Charge of Internal Audit Group in November 2021. Ana holds a Bachelor of Science degree in Accountancy from the Polytechnic University of the Philippines. She is a Certified Public Accountant (CPA) and a Certified Treasury Professional (CTP).

(b) Identify Significant Employees

The Bank values all its employees for their contribution to the business. No employee who is not an executive officer is expected to make any significant contribution to the business of the Bank.

(c) Family Relationships

Directors Lucio C. Tan and Carmen K. Tan are spouses. Directors Michael G. Tan, Sheila T. Pascual and Vivienne K. Tan are children of Director Lucio C. Tan, while Director Lucio C. Tan III is the grandson of Directors Lucio C. Tan and Carmen K. Tan.

(d) Involvement in Certain Legal Proceedings

Mr. Lucio C. Tan, Director of the Bank, was elected as Director and CEO of Philippine Airlines, Inc. (PAL) on October 28, 2021.

On September 3, 2021, PAL filed a voluntary petition for relief under Title 11 of the United States (U.S.) Code (“Bankruptcy Code”) with the Bankruptcy Court of the Southern District of New York (S.D.N.Y. Bankruptcy Court) docketed as Docket No. 1, in Case No. 21-11569 (SCC) to pursue confirmation of a pre-arranged plan of reorganization to effect the restructuring contemplated by various Restructuring Support Agreements.

Bankruptcy and rehabilitation/restructuring proceedings in the US are governed by the US Bankruptcy Code, which is found in Title 11 of the said code. Debtors seeking the protection of Chapter 11 of the US Bankruptcy Code are generally pursuing the reorganization of their business in an organized forum that provides for participation by all creditors and affords them the opportunity to confirm a plan of reorganization (POR) and emerge from Chapter 11 protection as a reorganized entity, with a stronger balance sheet and positioned to continue to operate and contribute to society by providing jobs, goods, and services.

The POR submitted by PAL which was overwhelmingly supported by the creditors was approved by the Southern District Court of New York on 17 December 2021 thereby enabling PAL to emerge from Chapter 11 on 31 December 2021 when it completed all the remaining requirements of the POR, including the issuance of loan notes and new PAL shares to impaired creditors.

Except as above-described, none of the other directors, nominees for directors, or any of the executive officers of the Bank has been, for the last five (5) years:

- i. Involved in any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two (2) years prior to that time;
- ii. Convicted by final judgment in a criminal proceeding, domestic or foreign, or is being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
- iii. Subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities; or
- iv. Found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

(e) Certain Relationships and Related Transactions

In the ordinary course of business, the Bank has loans and other transactions with its subsidiaries and affiliates, and with certain directors, officers, stockholders and related interests (DOSRI). Under the Bank’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 Bank’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 Bank.

In the aggregate, DOSRI loans generally should not exceed the Bank’s equity or 15% of the Bank’s total loan portfolio, whichever is lower. As of December 31, 2022 and 2021, the Bank and its subsidiaries (hereinafter collectively referred to as the “Group”) were in compliance with such regulations.

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;

- subsidiaries, joint ventures and associates and their respective subsidiaries; and
- post-employment benefit plans for the benefit of the Group's employees.

For proper monitoring of related party transactions (RPT) and to assist the Board in performing its oversight functions in monitoring and managing potential conflicts of interest of management, board members and stockholders, the Bank created the Board Oversight RPT Committee (BORC). The BORC is composed of at least five (5) regular members which should consist of three (3) independent directors and two (2) non-voting members (the Chief Audit Executive and the Chief Compliance Officer). The Chairman of the BORC is an independent director and appointed by the Board.

Information related to transactions with related parties and with certain Directors, Officers, Stockholders and Related Interests (DOSRI) is shown under Note 33 of the Audited Consolidated Financial Statements of the Group and Exhibit IV of the Supplementary Schedules Required by SRC Rule 68 Annex J.

The foregoing information addresses the requirement of Section 49 of the Revised Corporation Code to disclose the directors' self-dealings and related party transactions with the Bank.

Item 6. COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

(a) Executive Compensation

1) General

The annual compensation of executive officers consists of a 16-month guaranteed cash emolument. Non-executive directors are entitled to a per diem for each Board or Board committee meeting attended as follows: ₱50,000.00 for each board meeting and ₱25,000.00 for each committee meeting, provided that in no case shall the total per diem exceed ₱250,000.00 per month for committee meetings. No other emoluments are granted to non-executive directors of the Bank except for the aforementioned per diem. There is no profit-sharing arrangement between the Bank and the Bank's directors. The President and CEO, being the only executive director, is not entitled to any per diem as it is deemed incorporated in his compensation. The total per diem paid to the non-executive directors of the Bank for 2022 amounted to ₱62.650 million broken down as follows:

Board Meetings	₱16.70 million
Board Committee Meetings	₱45.95 million

In view, however, of the competitiveness of the industry and high demand for senior executive officers and in order to maintain the Bank's attractiveness and advantage, the Bank is unable to disclose the exact amount of total compensation received by its President in 2022.

In compliance, however, with Sections 29 and 49 of the Revised Corporation Code requiring corporations vested with public interest to submit to its stockholders and the Commission an annual report of the total compensation of each of their directors, a report on the total compensation of each director will be presented to the stockholders at the Annual Stockholders' Meeting of the Bank and a copy of said report will be submitted to the SEC, as may be required. Any stockholder may likewise inquire about the compensation of each director by sending a request to the Office of the Corporate Secretary and such inquiry will be addressed personally.

The above information addresses the requirements under Sections 29 and 49 of the Revised Corporation Code.

Other than as above-stated, there are no other arrangements concerning compensation for services rendered by directors or executive officers to the Group.

2) Summary Compensation Table

Below is a summary compensation table of the top 4 executive officers, directors and other officers of the Bank.

Name and Principal Position	Annual Compensation (In Pesos)				
	Year	Salary	Bonus	Others (per diem)	Total
Mr. Jose Arnulfo A. Veloso President & CEO (January 1 to July 4, 2022)					
Mr. Florido P. Casuela Acting President & CEO (From July 5, 2022)					
Four most highly compensated executive officers other than the CEO:					
1. Cenon C. Audencial, Jr. Executive Vice President					
2. Roberto D. Baltazar Executive Vice President					
3. Isagani A. Cortes Executive Vice President					
4. Aida M. Padilla Executive Vice President					
CEO and Four (4) Most Highly Compensated Executive Officers	Actual 2021	78,698,672	26,850,185	-	105,548,857
	Actual 2022	85,076,479	28,624,696	-	113,701,175
	Projected 2023	92,733,000	31,201,000	-	123,934,000
Directors	Actual 2021	-	-	67,375,000	67,375,000
	Actual 2022	-	-	62,650,000	62,650,000
	Projected 2023	-	-	68,269,000	68,269,000
All other officers (unnamed)	Actual 2021	3,701,703,315	1,219,785,109	-	4,921,488,424
	Actual 2022	3,912,670,519	1,275,736,904	-	5,188,407,423
	Projected 2022	4,264,811,000	1,390,553,000	-	5,655,364,000

The information above addresses the requirements of Sections 29 and 49 of the Revised Corporation Code.

3) Employment Contracts and Termination of Employment and Change-in-Control Arrangements

All executive officers are covered by the Bank's standard employment contract which guarantees annual compensation on a 16-month schedule of payment. In accordance with Sec. 6.1, Article VI of the Bank's Amended By-Laws, all officers with the rank of Vice President and up hold office and serve at the pleasure of the Board of Directors.

4) Warrants and Options Outstanding

No warrants or options on the Bank's shares of stock have been issued or given to the directors or executive officers as a form of compensation for services rendered.

Item 7. INDEPENDENT PUBLIC ACCOUNTANTS

SyCip Gorres Velayo & Co., CPAs (SGV) is engaged as the external auditor of the Bank and its domestic subsidiaries for the calendar year 2022. Representatives of SGV will be present at the Stockholders' Meeting. They will have the opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions. Ms. Vicky B. Lee-Salas is the engagement partner of the Bank for the year 2022.

The Board Audit and Compliance Committee (BACC) has primary authority to select, evaluate, appoint, dismiss, replace and reappoint the Bank's external auditors, subject to the approval of the Board of Directors and ratification of stockholders, based on fair and transparent criteria such as (i) core values, culture and high regard for excellence in audit quality; (ii) technical competence and expertise of auditing staff; (iii) independence; (iv) effectiveness of the audit process; and (v) reliability and relevance of the external auditor's reports.

After careful reevaluation, Management has decided to recommend SGV for reappointment as external auditor of the Bank and its domestic subsidiaries for the year 2023. The BACC has thereafter endorsed the reappointment of SGV to the Board of Directors. The reappointment of SGV as external auditor of the Bank was approved by the Board of Directors on February 27, 2023 and will be presented for ratification of the stockholders at the Bank's Annual Stockholders' Meeting to be held on April 25, 2023.

For the years reported, there were no changes in, nor disagreements with, the Bank's external auditors on accounting and financial disclosures.

OTHER MATTERS

Item 8. ACTION WITH RESPECT TO REPORTS

The following matters will be submitted to a vote at the Annual Stockholders' Meeting:

1. Approval of the Minutes of the 2022 Annual Stockholders' Meeting held on April 26, 2022

Hereunder is a summary of the salient matters discussed at the Annual Stockholders' Meeting of the Bank in 2022:

- a. The Minutes of the 2021 Annual Stockholders' Meeting held on April 27, 2021 was approved;
- b. A Report of the President on the Results of Operations for the Year 2021 was presented;
- c. The 2021 Annual Report was approved;
- d. All Legal Acts, Resolutions and Proceedings of the Board of Directors and Corporate Officers since the 2021 Annual Stockholders' Meeting were confirmed and ratified;
- e. Fifteen (15) Directors were elected to serve for the term 2022-2023; and
- f. SGV was appointed as External Auditor of the Bank for 2022-2023.

A copy of the Minutes of the 2022 Annual Stockholders' Meeting was uploaded in the Bank's website on April 28, 2022. The Minutes were prepared in accordance with the requirements of Section 49 of the Revised Corporation Code which require minutes of the most recent regular stockholders' meeting to include, among others, the following:

- a. A description of the voting and tabulation procedures in the previous meeting;
- b. A description of the opportunity given to stockholders to ask questions and a record of the questions asked and answers given;
- c. The matters discussed and resolutions reached;
- d. A record of the voting results for each agenda item;
- e. A list of the directors or trustees, officers and stockholders who attended the meeting; and
- f. Such other items that the Commission may require in the interest of good corporate governance and the protection of minority stockholders.

2. Approval of the 2022 Annual Report

The 2022 Annual Report of the Bank may be viewed and downloaded from the Bank's website at www.pnb.com.ph/asm2023. The President will likewise render his report on the Bank's performance for the year 2022 during the Stockholders' meeting in compliance with Section 49 of the Revised Corporation Code which requires a presentation to the stockholders of a descriptive, balance and comprehensible assessment of the Bank's performance and a financial report for the preceding year.

3. Ratification of all legal acts and proceedings of the Board of Directors and corporate officers since the 2022 Annual Stockholders' Meeting

A list of all legal acts, resolutions and proceedings taken by the directors and corporate officers will be too voluminous to be included in this report. Most relate to regular banking transactions and credit matters which the Board of Directors, either by law or by regulations issued by the BSP, is required to act upon. It includes, among others, approval of loans, investments, new products and services, amendment of bank policies and manuals, matters related to various bank-acquired assets and related party transactions. These actions are subjected to the annual review of the BSP and the Bank's external auditor.

Item 9. OTHER ACTIONS

- (a) Election of Directors

Fifteen (15) directors will be elected for the year 2023 – 2024.

- (b) Appointment of External Auditor

The BACC has sole authority to select, evaluate, appoint, dismiss, replace and reappoint the Bank's external auditors, subject to the approval of the Board of Directors and ratification of the stockholders, based on fair and transparent criteria such as (i) core values, culture and high regard for excellence in audit quality; (ii) technical competence and expertise of auditing staff; (iii) independence; (iv) effectiveness of the audit process; and (v) reliability and relevance of the external auditor's reports. The BACC has endorsed the reappointment of SGV as its external auditor for the year 2023 to the Board of Directors. The reappointment of SGV as external auditor of the Bank was approved by the Board of Directors on February 27, 2023 and will be presented for ratification of the stockholders at the Bank's Annual Stockholders' Meeting to be held on April 25, 2023.

SGV has the advantage of having historical knowledge of the business of the Bank and its subsidiaries and affiliates, having been the appointed external auditor of the Bank in 2022 and prior years.

Item 10. VOTING PROCEDURE

The affirmative vote of the stockholders present in person or by proxy representing at least a majority of the Stockholders present at the meeting shall be sufficient to carry the vote for any of the matters submitted to a vote at the Annual Stockholders' Meeting, except for Item 7 of the Agenda on the election of directors.

For the election of directors, the fifteen (15) nominees garnering the highest number of votes from the stockholders present or represented by proxy shall be elected directors for the ensuing year.

The manner of voting and counting of votes will be as follows:

- a) Every stockholder entitled to vote shall have the right to vote the number of shares registered in his name on record as of the close of business hours on March 27, 2023. Only duly signed proxies and electronic votes submitted on or before 5:00 p.m. on April 20, 2023 shall be honored for purposes of voting.

The requirements and procedure for voting through remote communication are reflected in Annex "B" of this Information Statement.

- b) For purposes of electing directors, the system of cumulative voting shall be followed. Each stockholder is entitled to such number of votes equal to the number of shares he owns multiplied by the number of directors to be elected. Under this voting system, the stockholder has the option to (i) cast all his votes in favor of one (1) nominee, or (ii) distribute those votes under the same principle among as many nominees as he shall see fit. Only candidates duly nominated shall be voted upon by the stockholders entitled to vote or by their proxies.
- c) The manner of election and the counting of the votes to be cast shall be under the supervision of the Corporate Secretary.

The foregoing addresses the requirement of Section 49 of the Revised Corporation Code to disclose to the stockholders material information on the current stockholders and their voting rights.

Item 11. CORPORATE GOVERNANCE

PNB subscribes to the highest standards of corporate governance as the Bank believes that good governance supports long-term value creation. A comprehensive discussion and report on the Bank's corporate governance framework and its implementation prepared in accordance with the BSP's Manual of Regulations for Banks (MORB), the Securities and Exchange Commission's (SEC) Code of Corporate Governance for Publicly Listed Companies, and prevailing best practices prescribed under the ASEAN Corporate Governance Scorecard (ACGS) is attached as Annex "C" of this Information Statement.

UNDERTAKING TO PROVIDE ANNUAL REPORT

The Registrant undertakes to provide without charge to each Stockholder a copy of the Bank's Annual Report or SEC Form 17-A upon written request to the Bank addressed to:

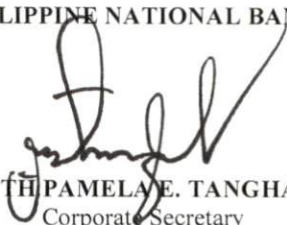
The Corporate Secretary
Philippine National Bank
9/F, PNB Financial Center
President Diosdado Macapagal Blvd.
Pasay City, Metro Manila

SIGNATURES

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Pasay City on March 22, 2023.

PHILIPPINE NATIONAL BANK

By:


RUTH PAMELA E. TANGHAL
Corporate Secretary



AGENDA

DETAILS AND RATIONALE

1. **Call to Order.** The Chairman, Mr. Federico C. Pascual, will formally open the 2023 Annual Stockholders' Meeting of the Philippine National Bank (“PNB” or, the “Bank”).
2. **Secretary’s Proof of Notice and Quorum.** The Corporate Secretary, Atty. Ruth Pamela E. Tanghal, will certify that the Notice has been duly published and made available to stockholders of record as of March 27, 2023 pursuant to the existing regulations of the Securities and Exchange Commission. Thereafter, Atty. Tanghal will certify as to the existence of a quorum for the valid transaction of business at the Annual Stockholders' Meeting.
3. **Approval of the Minutes of the 2022 Annual Stockholders' Meeting held on April 26, 2022.** The Minutes of the 2022 Annual Stockholders' Meeting of the Bank will be presented to the Stockholders for approval. A copy of the said Minutes was uploaded to the Bank's website on April 28, 2022 and may be accessed at https://pnb-website.s3-ap-southeast-1.amazonaws.com/uploads/docs/2022_ASM_Minutes.pdf
4. **Report of the President on the Results of Operations for the Year 2022.** The Acting President, Mr. Florido P. Casuela, will present to the stockholders the highlights of the Bank's performance for the year 2022.
5. **Approval of the 2022 Annual Report.** The 2022 PNB Annual Report, as well as the Audited Financial Statements (AFS) as of December 31, 2022, will be presented to the stockholders for approval. A copy of the AFS is incorporated in the Information Statement.
6. **Ratification of All Legal Acts, Resolutions and Proceedings of the Board of Directors and Corporate Officers since the 2022 Annual Stockholders' Meeting.** The acts, resolutions and proceedings of the Board of Directors and Corporate Officers since the 2022 Annual Stockholders' Meeting, most of which relate to regular banking transactions and credit matters which the Board of Directors, either by law or by regulations issued by the BSP, is required to act upon, will be presented to the stockholders for approval and ratification.
7. **Election of Directors.** The nominees for election as members of the PNB Board of Directors will be presented to the stockholders. The profiles of the nominees are included in the Information Statement.
8. **Appointment of External Auditor.** The appointment of SGV & Co. as the Bank's external auditor for the year 2023 will be presented to the stockholders for confirmation and ratification.
9. **Other Matters.** Other matters arising subsequent to the sending out of the Notice of the Meeting and the Agenda, and as may be relevant to the Annual Stockholders' Meeting, may be presented to the stockholders for consideration.
10. **Adjournment.** Upon consideration of all matters included in the Agenda, the Chairman shall declare the meeting adjourned.

REQUIREMENTS AND PROCEDURE FOR PARTICIPATION AND VOTING THROUGH REMOTE COMMUNICATION

A. Registration for the 2023 ASM and Voting through Remote Communication

1. Stockholders of record as of March 27, 2023, who wish to attend the Annual Stockholders’ Meeting (the “ASM”) and vote in absentia should register through the PNB ASM Registration Portal at www.pnb.com.ph/asm2023 on or before April 18, 2023 (“Registration Period”).
2. Stockholders are required to provide the following for validation and verification:

a. For individual Stockholders

- Scanned copy of the front and back portions of the stockholder’s valid government-issued **photo ID**. This must be in a digital (JPG, PDF, PNG, TIFF, HEIF) format with a file size no larger than 2MB. Valid government-issued photo IDs include the following: Driver’s License, Passport, Unified Multi-Purpose ID, Professional Regulation Commission ID, SSS ID, Pag-Ibig ID, Senior Citizen ID, and Philippine National ID;
- Valid and active e-mail address;
- Valid and active contact number (landline or mobile number).

b. For Stockholders with Joint accounts

In addition to the above requirements, a scanned copy of an authorization letter signed by all stockholders jointly owning the shares designating who among them is authorized to cast the vote for the account. The authorization letter must also be in a digital (JPG, PDF, PNG, TIFF, HEIF) format with a file size no larger than 2MB.

c. For Corporate Stockholders

- Scanned copy of a Secretary’s Certificate or a board resolution under oath regarding the authority of the representative to attend the meeting and vote for and on behalf of the Corporation. This must be in a digital (JPG, PDF, PNG, TIFF, HEIF) format with a file size no larger than 2MB;
- Scanned copy of the front and back portions of the valid government-issued **photo ID** of the stockholder’s representative. This must be in a digital (JPG, PDF, PNG, TIFF, HEIF) format with a file size no larger than 2MB. Valid government-issued photo IDs include the following: Driver’s License, Passport, Unified Multi-Purpose ID, Professional Regulation Commission ID, SSS ID, Pag-Ibig ID, Senior Citizen ID, and Philippine National ID;
- Valid and active email address of the stockholder’s representative;
- Valid and active contact number of the stockholder’s representative (landline or mobile number).

d. For Stockholders represented by Proxy

- In addition to the above requirements for the stockholder, the same requirements shall be submitted by the Proxy or authorized representative;
- Scanned copy of the Proxy Form or an authorization letter signed by the stockholder, authorizing the Proxy to attend the meeting and cast the vote for the account. This must also be in a digital (JPG, PDF, PNG, TIFF, HEIF) format with a file size no larger than 2MB.

e. For Stockholders under Broker accounts

- Scanned copy of the broker's certificate signed by the authorized signatory/ies on the stockholder's number of shares. This must be in a digital (JPG, PDF, PNG, TIFF, HEIF) format with a file size no larger than 2MB;
 - In case of a corporate stockholder, also submit a scanned copy of the certification signed by a duly authorized officer of such corporate beneficial owner attesting to the authority of the representative to vote for and on behalf of the corporate beneficial stockholder. This must be in a digital (JPG, PDF, PNG, TIFF, HEIF) format with a file size no larger than 2MB;
 - Scanned copy of the front and back portions of the stockholder's valid government-issued **photo ID**. This must be in a digital (JPG, PDF, PNG, TIFF, HEIF) format with a file size no larger than 2MB. Valid government-issued photo IDs include the following: Driver's License, Passport, Unified Multi-Purpose ID, Professional Regulation Commission ID, SSS ID, Pag-Ibig ID, Senior Citizen ID, and Philippine National ID;
 - Valid and active email address;
 - Valid and active contact number (landline or mobile number).
3. Upon completion of the verification procedure, the stockholder will receive an email confirmation which includes the link which the stockholder may use to access the PNB 2023 ASM livestream. Stockholders who opted during the online registration to vote in absentia will likewise receive a link to PNB's secure online voting portal ("Voting Portal") with the stockholder's default username and password.
 4. The validation and verification procedure may take up to three (3) days upon submission of the required documents. Stockholders are encouraged to register early within the Registration Period.
 5. The Voting Portal contains the agenda items reflected on the Notice of the 2023 PNB ASM. Registered stockholders may vote as follows:
 - (a) For items other than the election of directors, registered stockholders have the option to vote "For", "Against", or "Abstain";
 - (b) For election of Directors, the system of cumulative voting shall be followed. Each stockholder is entitled to such number of votes equal to the number of shares he/she/it owns multiplied by the number of directors to be elected. Under this voting system, the stockholder has the option to (i) cast all his/her/its votes in favor of one (1) nominee, or (ii) distribute his/her/its votes among as many nominees as he/she/it may deem fit;
 - (c) Once the registered stockholder has completed voting, he/she/it can submit his/her/its votes by clicking the "Submit" button. Upon submission, the registered stockholder may no longer change his/her/its votes.
 6. The Office of the Corporate Secretary shall tabulate all valid votes cast in absentia and votes cast through proxies. An independent party will validate the voting results, which will be reported by the Corporate Secretary at the meeting. All votes should be submitted no later than 5:00 p.m. on April 20, 2023.

B. Other Information Regarding the 2023 PNB ASM

1. Only those stockholders who have completed the registration and verification procedure within the Registration Period shall be considered in determining the existence of a quorum.
2. The conduct of the ASM will be streamed live. Votes and queries cannot be submitted through the livestreaming link. Registered stockholders may send their queries or comments to pnb_asm@pnb.com.ph on or before April 21, 2023. Queries sent but not addressed during the ASM due to time constraints shall be addressed separately and responded to through email.
3. The proceedings will be recorded in video and audio format. The Minutes of the ASM will be uploaded to the PNB website within five (5) business days upon the adjournment of the ASM.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

One of the lessons learned from the pandemic is that PNB has kept itself focused on its commitment in shaping recovery and helping customers rebuild their financial health and security. PNB has not wavered in its commitment, with the increasingly uncertain business environment, made more complex by technology disruptions, competition and evolving risk and regulations.

PNB continuously subscribes to the highest standards of corporate governance as it is believed that good governance supports long-term value creation. The pages ahead provide a narrative of the Bank’s corporate governance framework and its implementation. This report has been prepared in accordance with the BSP’s Manual of Regulations for Banks (MORB), the Securities and Exchange Commission’s (SEC) Code of Corporate Governance for Publicly Listed Companies, and prevailing best practices prescribed under the ASEAN Corporate Governance Scorecard (ACGS).

Board of Directors

The Board of Directors serves as the governing body elected by the stockholders to exercise the corporate powers of the Bank and conduct all its business. The Board is vested with the focal responsibility of promoting a culture of strong governance in the organization, through adopted policies and displayed practices. It approves and oversees the implementation of the Bank’s governance framework.

Board Committees

The Board of Directors has created eight committees to increase its efficiency and allow deeper focus in specific areas of the Bank’s operations. The scope of authority, duties, and responsibilities of each Board committee are defined, documented and clearly communicated in its respective charters. The extent to which authorities are delegated and the corresponding accountabilities are regularly reviewed and approved by the Board.

The Chairman, Vice Chairman, and President and CEO

The positions of Chairman of the Board and President and Chief Executive Officer are held by separate individuals to achieve an appropriate balance of power and improve the capacity of the Board for decision-making independent of Management. The separation of the roles ensures the fair division of powers, increased accountability, and enhanced governance.

The Chairman of the Board is Federico C. Pascual, who has held the position since 2021. He ensures the effective functioning of the Board, including maintaining a relationship of trust with individual directors. He makes certain that the meeting agenda focuses on strategic matters, including discussions on risk appetite, and key governance concerns.

The Vice Chairman is Leonilo G. Coronel. He has served as Vice Chairman since 2021. He acts as the Chairman of the Board, either in the absence of the Chairman or as required by the Chairman and carries out additional leadership duties.

The Acting President is Florido P. Casuela. He assumed the position on July 5, 2022. As Acting President, he is the overall-in-charge for the management of the business and affairs of the Bank as governed by the strategic direction and risk appetite approved by the Board. He communicates and implements the Bank’s vision, mission, values, and overall strategy.

The complete profile of the Chairman, Vice Chairman, and Acting President can be found on the Profiles of the Board of Directors in the Information Statement.

Board Advisors

As provided for under the Corporate Governance Manual, the Bank may appoint Board Advisors with qualities that complement the existing competencies and skillsets of the Board which enables them to provide advisory support. PNB has four Board Advisors: Florencia G. Tarriela, Christopher J. Nelson, William T. Lim, and Chester Y. Luy.

Board Advisors provide advice and guidance on strategic direction, governance matters, risk management, and other relevant issues that the Board is confronted with. As such, they may attend meetings of the Board and the eight Board committees.

Unlike the Board members, Board Advisors do not have the authority to vote on corporate matters.

Corporate Secretary

The Corporate Secretary assists the Board of Directors and the Board committees in the conduct of their meetings; but more importantly in recording the proceedings of these meetings. She plays a significant role in supporting the Board in discharging its duties and responsibilities. Her functions include the safekeeping and the preservation of the integrity of the minutes of meetings and ensuring that the Board members have accurate information that will enable them to form sound decisions on matters that require their approval. She is also responsible for providing regulators with required periodic reports as well as necessary and relevant information on material transactions.

Board members are given separate and independent access to the Corporate Secretary at all times.

The Corporate Secretary of the Bank is Atty. Ruth Pamela E. Tanghal, a Filipino and a resident of the Philippines. She assumed the position in 2020. She is legally trained, with experience in legal matters, and company secretarial practices.

Chief Compliance Officer

The Chief Compliance Officer (CCO) implements and manages the enterprise-wide compliance program covering domestic and foreign branches, offices, subsidiaries, and affiliates. The Bank's CCO is Atty. Isagani A. Cortes who assumed the position in 2019. He is also the Head of the Global Compliance Group and is the designated Corporate Governance Executive, tasked to assist the Board of Directors in performing its corporate governance oversight functions.

Chief Risk Officer

The Chief Risk Officer (CRO), who directly reports to the Risk Oversight Committee (ROC), is primarily responsible for designing and overseeing the Bank's risk management program. This includes, but not limited to, the risk policies/analysis/methodologies, risk management infrastructure and governance to fully support the Bank's strategic objectives and risk-taking activities. The Head of the Risk Management Group is Juliet S. Dytoc who assumed the position in 2022.

Chief Audit Executive

The Chief Audit Executive (CAE) is responsible for developing and managing a broad, comprehensive program of internal auditing covering the Bank, its subsidiaries, and overseas businesses to provide the Board with independent assessment that key organizational and procedural controls and risk management systems are adequate, effective, and complied with. The CAE of PNB is Analisa I. San Pedro, who has held the position since 2022.

Management Committee

PNB's Management Committee is composed of top-tier professionals who are well-accomplished in their respective fields. The Management Committee executes the Bank's strategy and drives business performance. It is headed by the Acting President, supported by the Chief of Staff.

Legal Vehicles, Business, and Support Groups

As a large, diversified banking group, PNB has two classifications of business vehicles: domestic subsidiaries, and foreign branches, subsidiaries, and offices.

Within the Bank, there are different business and support groups that work in unison to achieve PNB's shared mission of becoming a leading provider of financial solutions. Each of the major groups is led by a Sector or Group Head who reports directly to the President and CEO.

BOARD MATTERS

Board Composition

The Bank has fifteen Board members with a broad range of experience and deep industry expertise. They are elected by the stockholders during the Annual Meeting of the stockholders and hold office for the ensuing year until their successors are elected and qualified. PNB's directors possess all the qualifications and none of the disqualifications under existing laws and BSP regulations.

The Acting President has executive responsibility of day-to-day operations, while the other members are non-executive directors (NEDs) who do not perform any work related to the operations of the Bank.

Among the Board members are five independent directors. They are independent of management and free from any business or other relationship which could materially interfere with the exercise of independent judgment in fulfilling their responsibilities as directors.

The Corporate Governance and Sustainability Committee reviewed the composition and membership of the Board and Board committees and identified the quality, existing competencies, and skillsets of directors aligned with the Bank's strategic direction.

At the PNB's Annual Stockholders' Meeting (ASM) held on April 26, 2022, the stockholders approved the re-election of the then-incumbent fifteen (15) members of the Board of Directors ("Board" or "BOD").

Following the April 2022 ASM, the BOD conducted a series of organizational reviews of the chairmanship, membership and overall composition of the Board Committees. The composition of the eight Board committees has remained compliant with the applicable regulations issued by the Bangko Sentral ng Pilipinas (BSP) and SEC, and the standards set by the ASEAN Corporate Governance Scorecard. The latest composition can be found under the Board Committees section of this report.

On July 5, 2022, Mr. Jose Arnulfo A. Veloso resigned as President and Chief Executive Officer of PNB and, consequently as a member of the BOD, in view of his appointment by the President of the Republic of the Philippines to the Government Service Insurance System as its President and General Manager. Mr. Veloso was a member of the Executive Committee, the Board Strategy and Policy Committee, the Trust Committee, and the Board IT Governance Committee.

In view of Mr. Veloso's resignation, Mr. Florido P. Casuela was appointed by the Board as Acting President effective July 5, 2022.

On December 29, 2022, Mr. Felix Enrico R. Alfiler was elected as the 15th member of the Board as a non-executive director. Prior to his election, Mr. Alfiler served as a Board Advisor of PNB from April 27, 2021 to December 28, 2022; further, he was an Independent Director of PNB from January 1, 2012 to April 26, 2021.

Skills, Competency, and Diversity

PNB is committed to building an open and inclusive culture and recognizes the benefits of having a Board with diverse backgrounds and experience. The current make-up of the Bank's Board reflects diversity in gender, age, knowledge, and skills.

In designing the Board's composition, diversity is considered from various aspects including, but not limited to, age, gender, ethnicity, cultural and educational background, skills, competence and knowledge. The Board also maintains to ensure that there is appropriate representation of women in the Board.

Such diversity will allow the Board to raise challenging questions, contribute to problem-solving, avoid groupthink and ensure that optimal decision-making is achieved.

Consistent with the implementation of the ASEAN Corporate Governance Scorecard, the Bank continuously strives to meet the following:

- At least 50% of the members of the Board have educational background in banking and finance, accounting, economics, or law;
- At least 50% of the members of the Board have relevant skills and experience in the areas of banking and finance, accounting, economics, or law; and
- At least one female independent director.

By December 31, 2022, the Bank met the above-mentioned diversity targets. PNB maintains to have four female directors in the Board, one of whom is independent. The Board members also have diverse educational background, expertise, corporate qualifications, and professional experience including accounting, auditing, aviation and travel, banking and finance, business acumen, consumer goods, economics, general management expertise, tax and legal expertise, manufacturing, real estate, and tobacco.

Nomination and Election of Directors

The criteria for the nomination and election of Board members comprise of knowledge, skills, experience, a record of integrity and good reputation and the ability to promote smooth interaction among Board members. Further, in the case of non-executive directors, the criteria include independence of mind, given their responsibilities to the Board and in light of the Bank's business and risk profile.

External sources were consulted in sourcing potential and qualified directors, including the Institute of Corporate Directors (ICD) and annual reports of other listed companies. As a matter of practice, stockholders were also invited to recommend nominees for election as a director of the Bank.

The Corporate Secretary presented all nominations to the Corporate Governance and Sustainability Committee, together with the profiles of each nominee that included, among others, their qualifications and experiences, academic and professional backgrounds, and expertise relevant and beneficial to the business of the Bank.

Prior to the Annual Stockholders' Meeting (ASM), the Committee pre-screened the qualifications of the nominees, conducted the nomination procedure, and prepared the final list of all qualified candidates.

Meetings and Attendance

Board meetings are held monthly, and the schedule is set before the start of the financial year. The Corporate Secretary issues the annual Board calendar every December for the ensuing year.

Matters requiring decision and approval and matters which are for the Board's information are clearly set out in the detailed agenda. The Corporate Secretary informs the Board members of the agenda of their meetings and distributes materials at least five business days prior to the scheduled meeting. She likewise ensures that the members possess accurate information that enables them to make sound decisions on matters that require their approval. The Chairman encourages openness, clarity and debate at Board meetings and directors participate actively in Board discussions and share their insights on issues and matters tabled.

Two-thirds (2/3) of the directors shall be necessary at all meetings to constitute a quorum for the transaction of any business. In the absence of a quorum at any regular or special meeting, the Board shall adjourn at a later date and shall not transact any business until a quorum is secured.

In 2022, the Board held a total of eighteen meetings: twelve regular meetings, five special meetings, and one organizational meeting. Each Board member complied with the SEC's minimum attendance requirement of 50%.

Name	No. of Meetings Attended	% Present
Federico C. Pascual	18	100.00
Leonilo G. Coronel	18	100.00
Florido P. Casuela	18	100.00

Edgar A. Cua	18	100.00
Estelito P. Mendoza	14	77.78
Isabelita M. Papa	18	100.00
Wilfrido E. Sanchez	18	100.00
Carmen K. Tan	17	94.44
Lucio C. Tan	17	94.44
Lucio C. Tan III	16	88.89
Michael G. Tan	18	100.00
Sheila T. Pascual	16	88.89
Vivienne K. Tan	18	100.00
Domingo H. Yap	18	100.00
Felix Enrico R. Alfiler ^(a)	-	-
Jose Arnulfo A. Veloso ^(b)	10	100.00

^(a) Appointed as member of the Board effective December 29, 2022

^(b) Stepped down from the Board effective July 5, 2022

In addition to the regular and special meetings of the Board, non-executive directors also meet regularly, other than in meetings of the audit, risk oversight, corporate governance, and related party transactions committees, in the absence of senior management, with the external auditor and heads of the internal audit, compliance and risk management functions. The non-executive directors' meeting with the independent directors was held on March 3, 2022, with the external auditors (SGV) wherein the latter presented the result of the 2021 audited financial statement review.

The foregoing information addresses the requirement of Section 49 of the Revised Corporation Code to present to the stockholders the directors' attendance at each Board meeting.

Remuneration

The remuneration and fringe benefits of Board members consisted of per diem for every Board and Board committee meeting and non-cash benefits such as healthcare plan, group life insurance, and group accident insurance.

The total per diem given to the Board, the total compensation of the President and CEO, and the list of the four most highly compensated executive officers were disclosed in the Information Statement sent to all stockholders.

No proposal on remuneration for directors was presented to the stockholders for approval in the 2022 ASM.

Retirement and Term Limit

As a matter of policy, a Board member is expected to remain fit and proper for the position of a director for the duration of his term, in accordance with the requirements and qualifications set out under the Bank's Corporate Governance Manual, Manual of Regulations for Banks (MORB), and other applicable requirements under existing laws and BSP regulations. Towards this end, the Bank believes that adopting a fixed limit on director tenure is counterproductive as it may lead to retirement of qualified and well-seasoned directors.

The director has the burden of proving that he possesses all the minimum qualifications and none of the disqualifications set forth in the MORB. He shall continue to be mentally and physically fit to perform his responsibilities, manifested by his attendance and active participation during Board meetings, continuing training and education, and continued dialogue with other directors and key officers of the Bank, among others. In the event a director no longer has the required fitness, he shall inform the Board of his intent to retire or refrain from seeking re-election.

As for the term limit, an independent director of the Bank may only serve as such for a maximum cumulative term of nine (9) years. After which, the independent director shall be perpetually barred from serving as independent director in the Bank but may continue to serve as a regular director. The nine (9) year maximum cumulative term for independent directors shall be reckoned from 2012. As of December 31, 2022, the Bank has no independent director who has served for more than nine (9) years.

Board Performance Evaluation

Good corporate governance improves Board performance. As such, the Board continuously seeks ways to assess its performance as individual directors and as a collegial body, identifying strengths and areas for improvement, and establishing mechanisms for addressing the results thereof.

The Board of Directors participates in an annual self-assessment exercise to assess their individual and collective performance. This exercise is also designed to determine and measure the adherence of management to corporate governance practices and is also a platform to address and discuss specific areas/components that the Board/director needs to improve on.

The questionnaire covers comprehensive evaluation criteria focused on matters such as the director's time commitment and independence, governance landscape, ethical culture in the organization, risk governance, fitness and propriety of Board and Management, sustainability and internal controls.

The Board performance evaluation is facilitated by the CCO. He consolidates and reviews the responses and presents the summary of results and significant findings to the Corporate Governance and Sustainability Committee and to the Board of Directors.

The Corporate Governance and Sustainability Committee shall then ensure that the results of the Board performance evaluation are shared, discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement.

In compliance with the SEC's Code of Corporate Governance for Publicly Listed Companies, the Bank engages every three years an external entity to assess the structure, processes, dynamics, roles, and overall performance of the Board and further align our governance framework with best practices.

Orientation and Continuing Education

The Board of Directors values ongoing professional development and actively participates in training programs annually to keep abreast of key issues and developments in the industry. Professional development may relate to a particular subject area, committee membership, or key developments in PNB's external environment, market or operations.

The Chairman of the Board ensures the conduct of proper orientation for first-time directors and provide training opportunities for all directors. Board members are encouraged to consult the Chairman if they consider that they personally, or the Board as a whole, would benefit from specific education or training regarding matters that fall within the responsibility of the Board or relate to the business of PNB.

As of December 31, 2022, all directors complied with the annual continuing training requirement. On top of the annual Corporate Governance Seminar conducted by SGV & Co. and hosted by the Lucio Tan Group of Companies, directors have also attended online courses on various topics provided by industry experts, including ICD, the Association of Bank Compliance Officers (ABCOMP), and Center for Global Best Practices (CGBP). Certificates of attendance have been submitted to the SEC and disclosed to the PSE.

Name	Program	Date	Host / Training Institution
Federico C. Pascual	Corporate Governance Seminar	September 14, 2022	SGV & Co.
Leonilo G. Coronel	Corporate Governance Seminar	September 14, 2022	SGV & Co.
Florido P. Casuela	Corporate Governance Seminar	September 14, 2022	SGV & Co.
Edgar A. Cua	Corporate Governance Seminar	September 14, 2022	SGV & Co.
Estelito P. Mendoza	Corporate Governance Seminar	November 11, 2022	CGBP
Isabelita M. Papa	Corporate Governance Seminar	September 14, 2022	SGV & Co.
Wilfrido E. Sanchez	Corporate Governance Seminar	September 14, 2022	SGV & Co.
Carmen K. Tan	Corporate Governance Seminar	September 14, 2022	SGV & Co.
Lucio C. Tan	Corporate Governance Seminar	September 14, 2022	SGV & Co.
Lucio C. Tan III	Corporate Governance Seminar	October 21, 2022	CGBP
Michael G. Tan	Corporate Governance Seminar	September 14, 2022	SGV & Co.
Sheila T. Pascual	Corporate Governance Seminar	September 14, 2022	SGV & Co.
Vivienne K. Tan	Corporate Governance Seminar	September 14, 2022	SGV & Co.

Felix Enrico R. Alfiler *	Corporate Governance Seminar	September 14, 2022*	SGV & Co.
Domingo H. Yap	Corporate Governance Seminar	September 14, 2022	SGV & Co.
Ruth Pamela E. Tanghal	Corporate Governance Seminar	September 14, 2022	SGV & Co.

* Appointed as Member of the Board of Directors effective December 29, 2022. Attended as board advisor.

Shareholdings

A director is required to advise the Corporate Secretary of his or her shareholdings in the Bank within three (3) business days after his or her appointment or any acquisition, disposal, or change in his or shareholdings. In this regard, all directors shall disclose and report to the Bank any dealings in the Bank's shares within three (3) business days of such dealings in order for the Bank to make the necessary disclosures with the Philippine Stock Exchange and the SEC by filing the requisite SEC Form 23-B.

Directors, Management, and employees considered as "insiders" are prohibited from selling or buying a security of PNB or another company while in possession of material information with respect to the issuer or the security that is not generally available to the public.

Name	Shareholdings as of December 31, 2022	% of Shares Held to Total Outstanding Shares of Bank	Shareholdings as of December 31, 2021	% of Shares Held to Total Outstanding Shares of Bank
Federico C. Pascual	39	0.0000025561	39	0.0000025561
Leonilo G. Coronel	1	0.0000000655	1	0.0000000655
Florido P. Casuela	162	0.0000106176	162	0.0000106176
Edgar A. Cua	100	0.0000065541	100	0.0000065541
Estelito P. Mendoza	1,150	0.0000753720	1,150	0.0000753720
Isabelita M. Papa	1	0.0000000655	1	0.0000000655
Wilfrido E. Sanchez	1	0.0000000655	1	0.0000000655
Carmen K. Tan	5,000	0.0003277045	5,000	0.0003277045
Lucio C. Tan	14,843,119	0.9728313639	14,843,119	0.9728313639
Lucio C. Tan III	300	0.0000196623	300	0.0000196623
Michael G. Tan	62,250	0.0040799210	62,250	0.0040799210
Sheila T. Pascual	110	0.0000072095	110	0.0000072095
Vivienne K. Tan	10	0.0000006554	10	0.0000006554
Felix Enrico R. Alfiler *	5	0.0000003277	0	-
Domingo H. Yap	1	0.0000000655	1	0.0000000655

* Appointed as member of the Board of Directors effective December 29, 2022.

Concurrent Directorships

A non-executive director may concurrently serve as director of a maximum of five publicly listed companies. In applying this provision to concurrent directorship in entities within the conglomerate, each entity where the non-executive director is concurrently serving as a director shall be separately considered in assessing compliance with this requirement. As of December 31, 2022, all fifteen directors have complied with the prescribed limit on concurrent directorships.

A director of the Bank must notify the Board of Directors before accepting a directorship in another company.

BOARD COMMITTEES

The Board of Directors has delegated certain functions to eight committees to enable a more focused and specialized attention on specific areas. These are the Board Audit and Compliance Committee (BACC), Board IT Governance Committee (BITGC), Board Oversight RPT Committee (BORC), Board Strategy and Policy Committee (BSPC), Corporate Governance and Sustainability Committee, Executive Committee (EXCOM), Risk Oversight Committee (ROC), and Trust Committee.

Name	Board Audit and Compliance	Board IT Governance	Board Oversight RPT	Board Strategy and Policy	Corporate Governance	Executive	Risk Oversight	Trust
Federico C. Pascual			M	VC	C	M (Non-voting)		M (Non-voting)

Leonilo G. Coronel				M		C	M	M
Florido P. Casuela		M		M		VC	M	M Ex- Officio
Edgar A. Cua	VC	M	M	M	M		C	
Estelito P. Mendoza								
Isabelita M. Papa	C	M		M	M		VC	
Wilfrido E. Sanchez			VC	M	VC	M (Non-voting)	M (Non-voting)	M (Non-voting)
Carmen K. Tan								
Lucio C. Tan								
Lucio C. Tan III		VC		M		M		
Michael G. Tan	M			M		M		
Sheila T. Pascual				M		M		C
Vivienne K. Tan		C		M		M	M	M
Felix Enrico R. Alfiler ^{a)}		M		C		M		M
Domingo H. Yap			C	M	M		M (Non-voting)	
Jose Arnulfo A. Veloso ^{b)}		M		M		M		M

Legend:

C – Chairman

VC – Vice Chairman

M – Member

^{a)} Appointed as member of the Board effective December 29, 2022

^{b)} Stepped down from the Board effective July 5, 2022.

Board Audit and Compliance Committee (BACC)

Mandate:

- Assists the Board in the performance of its oversight responsibility relating to financial reporting process, systems of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations

Structure and membership:

- Chaired by an independent director
- Composed of two independent directors and one non-executive director
- The membership, composition, and independence of the BACC meets the requirements under existing laws, BSP and SEC regulations, and the ASEAN Corporate Governance Scorecard.

Meetings and Attendance:

- In 2022, BACC held a total of twenty meetings: eleven regular meetings, seven special meetings and two joint meetings.
- The committee charter stipulates that meetings shall be held at least four times a year. Special meetings may be convened, as necessary. Meetings can only be held if attended by majority of the members; but the vote of the majority of the quorum, which in no case is less than two members, is required to approve any act in all the meetings of the committee. For matters requiring the Committee's approval and/or endorsement for Board approval, the Chairperson shall call the matter to a vote during the said meeting. In the event the votes are tied, the Chairperson shall cast his or her vote to break the tie.

Name	Role	No. of meetings attended	% Present
Isabelita M. Papa	Chairman, Independent Director	20	100.00
Edgar A. Cua	Vice Chairman, Independent Director	20	100.00
Michael G. Tan	Member, Non-executive Director	20	100.00

Board IT Governance Committee (BITGC)

Mandate:

- Reviews and endorses for approval of the Board the enterprise IT strategic plans of the Bank, its subsidiaries, and affiliates

- Reviews and monitors significant IT concerns including disruption, cyber security, and disaster recovery to ensure that all key risks are identified, managed and reported to the Board

Structure and membership:

- BITGC consists of six members: three non-executive directors, two independent directors, and one executive director

Meetings and Attendance:

- In 2022, BITGC held a total of twelve meetings.
- The committee charter stipulates that meetings shall be held at least every month. Meetings can only be held if attended by a majority of the members less one member; but the vote of the majority of the quorum, which in no case is less than two members, is required to approve any act in all the meetings of the committee. For acts or management recommendations that need urgent approval or endorsement, the Chairperson shall call the matter to a vote during the said meeting. In the event the votes are tied, the Chairperson shall cast his or her vote to break the tie.

Name	Role	No. of meetings attended	% Present
Vivienne K. Tan	Chairman, Non-executive Director	11	91.67
Lucio C. Tan III	Vice Chairman, Non-executive Director	10	83.33
Edgar A. Cua	Member, Independent Director	12	100.00
Isabelita M. Papa	Member, Independent Director	12	100.00
Florido P. Casuela	Member, Executive Director	12	100.00
Felix Enrico R. Alfiler	Member, Non-executive Director	- ^{a)}	-
Jose Arnulfo A. Veloso	Member, Executive Director	5 ^{b)}	83.33

^{a)} Appointed as member of the committee effective December 29, 2022.

^{b)} Stepped down as member of the committee effective July 5, 2022.

Board Oversight RPT Committee (BORC)

Mandate:

- Oversees the evaluation of RPTs that present the risk of potential abuse and evaluates all material RPTs to ensure that these are conducted in the normal course of business

Structure and membership:

- Composed entirely of independent directors
- Chaired by an independent director
- Chairman of the BORC is not the Chairperson of the Board or of any other Board committee
- The Chief Compliance Officer (CCO) and the Chief Audit Executive (CAE) sit as non-voting members of the committee.

Meetings and Attendance:

- In 2022, BORC held a total of fourteen meetings: twelve regular and two special meetings.
- The committee charter stipulates that BORC shall conduct monthly meetings or as necessary. Meetings can only be held if attended by a majority of the members; but the vote of the majority of the quorum, which in no case is less than two members, is required to approve any act in all the meetings of the committee. For acts or management recommendations that need urgent approval or endorsement, the Chairperson shall call the matter to a vote during the said meeting. In the event the votes are tied, the Chairperson shall cast his or her vote to break the tie.

Name	Role	No. of meetings attended	% Present
Domingo H. Yap	Chairman, Independent Director	14	100.00
Wilfredo E. Sanchez	Vice Chairman, Independent Director	8 ^{a)}	100.00
Federico C. Pascual	Member, Independent Director	14	100.00
Edgar A. Cua	Member, Independent Director	14	100.00
Isagani A. Cortes	Non-voting Member	12	85.71
Analisa I. San Pedro	Non-voting Member	14	100.00

^{a)} 8 out of 8; Appointed to the committee as a member on April 26, 2022. Appointed as Vice Chairman on December 29, 2022.

Board Strategy and Policy Committee (BSPC)**Mandate:**

- Serves as the governing Board committee in exercising authority and delegating to Management the implementation of the Board-approved strategic plans and policies

Structure and membership:

- BSPC consists of twelve members: five independent directors, six non-executive directors and one executive director.

Meetings and Attendance:

- In 2022, BSPC held a total of thirty-nine meetings: twenty-two regular meetings, six special meetings and eleven joint meetings.
- The committee charter stipulates that regular meetings shall be held at least every month. Meetings can only be held if attended by a majority of the members. For acts or management recommendations that need urgent approval or endorsement, the Chairperson shall call the matter to a vote during the said meeting. In the event the votes are tied, the Chairperson shall cast his or her vote to break the tie.

Name	Role	No. of meetings attended	% Present
Leonilo G. Coronel	Chairman, Non-executive Director	39	100.00
Federico C. Pascual	Vice Chairman, Independent Director	39	100.00
Florido P. Casuela	Member, Non-executive Director	39	100.00
Edgar A. Cua	Member, Independent Director	39	100.00
Isabelita M. Papa	Member, Independent Director	39	100.00
Sheila T. Pascual	Member, Non-executive Director	36	92.31
Wilfrido E. Sanchez	Member, Independent Director	39	100.00
Lucio C. Tan III	Member, Non-executive Director	29	74.36
Michael G. Tan	Member, Non-executive Director	39	100.00
Vivienne K. Tan	Member, Non-executive Director	39	100.00
Domingo H. Yap	Member, Independent Director	32 ^{a)}	100.00
Felix Enrico R. Alfiler	Member, Non-executive Director	- ^(b)	-
Jose Arnulfo A. Veloso	Member, Executive Director	16 ^(c)	100.00

a) 32 out of 32. Appointed as a member of the committee on April 26, 2022.

b) Appointed as member of the committee effective December 29, 2022.

c) Resigned from PNB effective July 5, 2022.

Corporate Governance and Sustainability Committee**Mandate:**

- Assists the Board in the performance of its governance responsibilities, including the functions of the Nomination and Remuneration Committee, ensuring compliance with, and proper observance of, good corporate governance
- Oversees the consistent implementation of the Bank's sustainability framework

Structure and membership:

- Chaired by the Chairperson of the Board who is an independent director
- Composed entirely of independent directors

Meetings and Attendance:

- In 2022, the committee held a total of fourteen meetings: twelve regular meetings and two special meetings.
- The committee charter stipulates that meetings shall be held at least every month. Meetings can only be held if attended by a majority of the members; but the vote of the majority of the quorum, which in no case is less than two members, is required to approve any act in all the meetings of the committee. For acts or management recommendations that need urgent approval or endorsement, the Chairperson shall call the matter to a vote during the said meeting. In the event the votes are tied, the Chairperson shall cast his or her vote to break the tie.

Name	Role	No. of meetings attended	% Present
Federico C. Pascual	Chairman, Independent Director	14	100.00
Wilfrido E. Sanchez	Vice Chairman, Independent Director	14	100.00
Edgar A. Cua	Member, Independent Director	9 ^(a)	100.00
Domingo H. Yap	Member, Independent Director	13	92.86
Isabelita M. Papa	Member, Independent Director	14	100.00

^(a) 9 out of 9. Elected as a member of the committee effective April 26, 2022

Executive Committee

Mandate:

- Assists the Board in the review of proposals regarding credit facilities, investments in financial assets, borrowings, and other credit or transactional matters in line with the Bank's strategic goals

Structure and membership:

- The membership and composition of the committee complies with the requirements of the Revised Corporation Code and other applicable laws.
- The committee consists of nine members: six non-executive directors, two independent directors, and one executive director.
- Independent directors may be appointed as non-voting members and may assume an advisory capacity to the committee. Non-voting members shall not vote with respect to any determination and proposal requiring the approval or notation of the committee and shall not count towards a quorum at any meeting.

Meetings and Attendance:

- In 2022, the Executive Committee held a total of forty-nine meetings.
- The presence of a majority of the members of the committee shall constitute a quorum. The unanimous vote of all the members present at the meeting shall be required to approve any act in all the meetings of the committee, otherwise the proposal under consideration shall be elevated to the Board for approval. For acts or management recommendations that need urgent approval or endorsement, the Chairperson shall call the matter to a vote during the said meeting. In the event the votes are tied, the Chairperson shall cast his or her vote to break the tie.

Name	Role	No. of meetings attended	% Present
Leonilo G. Coronel	Chairman, Non-executive Director	49	100.00
Florido P. Casuela	Vice Chairman, Executive Director	49	100.00
Sheila T. Pascual	Member, Non-executive Director	45	91.84
Lucio C. Tan III	Member, Non-executive Director	40	81.63
Michael G. Tan	Member, Non-executive Director	48	97.96
Vivienne K. Tan	Member, Non-executive Director	49	100.00
Federico C. Pascual	Non-voting Member, Independent Director	48	97.96
Wilfrido E. Sanchez	Non-voting Member, Independent Director	49	100.00
Felix Enrico R. Alfiler	Member, Non-Executive Director	- ^(a)	-
Jose Arnulfo A. Veloso	Member, Executive Director	22 ^(a)	88.00

^(a) Appointed as member of the committee effective December 29, 2022.

^(b) Stepped down as member of the committee effective July 5, 2022.

Risk Oversight Committee (ROC)

Mandate:

- Assists the Board of Directors in overseeing the risk profile and approving the risk management framework of the Bank, its subsidiaries, and affiliates

Structure and membership:

- Consists of seven members: four independent, two non-executive directors and one executive director
- Chaired by an independent director
- Chairman of ROC is not the Chairperson of the Board or of any other Board committee.

Meetings and Attendance:

- In 2022, ROC held a total of thirty-three meetings: twenty-four regular meetings and nine joint meetings.
- The committee charter stipulates that regular meetings shall be held at least every month. Meetings can only be held if attended by a majority of the members; but the vote of the majority of the quorum is required to approve any act in all the meetings of the committee. For acts or management recommendations that need urgent approval or endorsement, the Chairperson shall call the matter to a vote during the said meeting. In the event the votes are tied, the Chairperson shall cast his or her vote to break the tie.

Name	Role	No. of meetings attended	% Present
Edgar A. Cua	Chairman, Independent Director	33	100.00
Isabelita M. Papa	Vice Chairman, Independent Director	33	100.00
Florido P. Casuela	Member, Executive Director	33	100.00
Leonilo G. Coronel	Member, Non-Executive Director	33	100.00
Wilfrido E. Sanchez	Member, Independent Director	24 ^(a)	100.00
Vivienne K. Tan	Member, Non-Executive Director	32	96.97
Domingo H. Yap	Member, Independent Director	23 ^(b)	95.83

^(a) 24 out of 24: Appointed as member of the committee until April 25, 2022. Re-elected as a member on August 26, 2022

⁽²⁾ Appointed as member of the committee effective on April 26, 2022.

Trust Committee**Mandate:**

- Oversees the fiduciary activities of the Bank and ensures that these are conducted in accordance with applicable laws, rules and regulations, and prudent practices

Structure and membership:

- The committee consists of eight members: two independent directors, four non-executive directors, one executive director, and the Chief Trust Officer.
- No member of the BACC is concurrently designated as a member of the Trust Committee.

Meetings and Attendance:

- In 2022, the Trust Committee held a total of twelve meetings.
- As stipulated in its charter, the committee shall meet at least once every quarter. The presence of a majority of the members of the committee less one member shall constitute a quorum; but the vote of the majority of the quorum, which in no case is less than two members, is required to approve any act in all the meetings of the committee. For acts or management recommendations that need urgent approval or endorsement, the Chairperson shall call the matter to a vote during the said meeting. In the event the votes are tied, the Chairperson shall cast his or her vote to break the tie.

Name	Role	No. of meetings attended	% Present
Sheila T. Pascual	Chairman, Non-executive Director	11 ^(a)	91.67
Leonilo G. Coronel	Member, Non-executive Director	11	91.67
Vivienne K. Tan	Member, Non-executive Director	9	75.00
Federico C. Pascual	Non-voting Member, Independent Director	11	91.67
Wilfrido E. Sanchez	Non-voting Member, Independent Director	11	91.67
Florido P. Casuela	Ex-officio, Executive Director	12 ^(b)	100.00
Felix Enrico R. Alfiler	Member, Non-Executive Director	- ^(c)	-
Joy Jasmin R. Santos	Ex-officio, Chief Trust Officer	12	100.00
Jose Arnulfo A. Veloso	Member, Executive Director	6 ^(d)	100.00

^(a) 5 out of 6 from her election as Chairman effective July 5, 2022

^(b) 6 out of 6 as Chairman; Appointed as ex-officio member effective July 5, 2022

^(c) Appointed as member of the committee effective December 29, 2022.

^(d) Stepped down as member of the committee effective July 5, 2022.

The foregoing information addresses the requirement of Section 49 of the Revised Corporation Code to present to the stockholders the attendance of each director at each Board Committee meeting.

MANAGEMENT COMMITTEE

As the highest-ranking officer in the organization, the Acting President is primarily accountable to the Board of Directors in championing the desired conduct and behavior and promoting the long-term interests of the Bank. He is supported by the Chief of Staff.

The Management Committee (MANCOM) assists the Acting President in the implementation of the overall strategy and oversees the management and affairs of the Bank. The MANCOM ensures that the activities and operations are consistent with the defined strategic objectives, risk strategy, and policies as approved by the Board.

The Chief Legal Counsel handles all legal matters and cases filed for or against the Bank and renders opinions and advice on questions of law. He plays a significant and indispensable role in the management of legal risk. The Chief Compliance Officer (CCO), on the other hand, oversees the design of an appropriate compliance system, promotes its effective implementation, and addresses breaches that may arise. He liaises with government regulatory bodies regarding relevant compliance matters.

Meanwhile, the Chief Risk Officer (CRO) oversees the risk management function and proposes enhancements to internal processes to ensure that the Bank's infrastructure, systems, and processes are robust and effective to fully support strategic objectives and risk-taking activities.

In addition, the Chief Audit Executive (CAE) develops and manages a broad and comprehensive program of internal auditing covering the Bank, its subsidiaries, and overseas businesses to provide the Board with independent assessment on key organizational and procedural controls. The CAE also ensures that risk management systems are adequate, effective, and complied with.

The Chief Information Security Officer (CISO), who reports directly to the ROC, plays a key role in providing leadership and support for information security as well as balancing business and security requirements. The CISO is also responsible for ensuring that information security risks are within acceptable levels. In concurrent capacity, he is the Bank's Data Protection Officer (DPO) tasked to monitor compliance with the Data Privacy Act or Republic Act No. 10173, its implementing rules and regulations, issuances by the National Privacy Commission, and other applicable laws and policies.

The complete background and qualifications of the members of the MANCOM can be found on the Profiles of officers in the Information Statement.

COMPLIANCE

PNB believes that a sound and effective compliance regime is the cornerstone of its strength and market presence, backed by over a century of stability and excellence. The Bank adheres to the values of integrity, ethics, and good governance in the conduct of its business and affairs, exercising prudence in arriving at decisions, enforcing internal discipline and a system of checks and balances in its operating processes, and upholding transparency and accountability to its various stakeholders, including customers, investors, stockholders, and regulators.

The Global Compliance Group (GCG) is responsible for the timely identification and mitigation of risks that may erode the franchise value of PNB, such as risks of legal or regulatory sanctions, material financial loss, or loss to reputation because of its failure to comply with laws, rules, related self-regulatory organization standards, and codes of conduct applicable to PNB's operations. Compliance risk management is an integral part of the Bank's culture and risk governance framework which is the responsibility and shared accountability of all employees, management and the Board of Directors.

GCG is headed by the CCO, who functionally reports to the BACC and administratively, to the President and CEO. GCG is independent from the line of business and is composed of five divisions: Financial Crime Risk, Regulatory Compliance Risk, Compliance Assurance, Compliance Operations and Corporate Governance.

GCG, through the CCO, oversees the overall design and effective implementation of the Compliance Program, which serves as the authoritative codification of GCG's powers, mandate, authority, and formal status within the organization. The program further fosters adherence to banking laws, rules and regulations and is ultimately aimed to promote the safety and soundness of PNB's operations.

Financial Crime Risk

Due to the high risk of money laundering, terrorist financing/weapons of mass destruction, proliferation financing, bribery, and corruption locally and overseas, the mitigation of financial crime risks is crucial in preserving the integrity of the financial system.

A robust financial crime compliance effort provides added protection to the Bank from the risks associated to existing and potential customers. Appropriate governance of all matters pertaining to financial crimes are properly implemented as these concerns are timely presented to the Board Audit and Compliance Committee for its approval or notation. This is to ensure that the institution shall not be used as a conduit for money laundering and terrorist financing by having adequate controls, systems, policies and mechanisms in place.

The Financial Crime Risk Division (FCRD) encompasses five key areas: anti-money laundering, counter terrorist financing, sanctions, anti-bribery and corruption, and tax transparency; and this was expanded to cover not only money laundering, but also other forms of financial crime. To mitigate the different risks, the division ensures an end-to-end robust control framework is in place and is embedded enterprise wide. The division also provides training to upskill and retool employees and to keep them abreast in the changes in policies and procedures set forth by legislation, regulations, banking guidance, and global best practices.

Regulatory Compliance Risk

The Regulatory Compliance Risk Division (RCRD) ensures adherence to banking laws, rules, regulations, and guidelines issued and mandated by the Bank's various regulators. The Division observes ongoing dissemination of regulatory issuances to various units through the appointed Compliance Officer Designates.

Compliance Assurance

The Compliance Assurance Division (CAD)'s primary responsibility is to review and assess a business unit's compliance with applicable rules and regulations, prescribed practices, internal policies and procedures, or ethical standards in relation to regulatory and money laundering/terrorist financing risks. CAD's testing reviews mitigate risks that may erode the franchise value of PNB by providing recommendations on areas of non-compliance and inadequate controls after the proper identification of root causes of these findings. Compliance Assurance's testing coverage is determined by the results of the Risk and Control Self-Assessment (RCSA) performed by the business units and subjected to review and challenge by RCRD and FCRD and Risk Management Group. Special reviews may be conducted as instructed by the Chief Compliance Officer, Senior Management, the Board Audit & Compliance Committee and/or the Board of Directors.

Compliance Operations

The Compliance Operations Division is responsible for the management and oversight of the GCG's administration, issues management, risk assessments, data governance, management information, data analysis, and regulatory reporting.

INTERNAL AND EXTERNAL AUDIT

The Internal Audit Group (IAG), headed by the Chief Audit Executive (CAE), performs the internal audit activities for the Bank which is strictly guided by its conformance with the International Standards for the Professional Practice of Internal Auditing (ISPPIA), and full compliance with the mandate for the third line role instituted by the Bangko Sentral ng Pilipinas (BSP) regarding Internal Audit Function and Internal Control Framework. IAG provides independent, objective assurance and consulting services to evaluate and improve the effectiveness of risk management, control, and governance processes including the evaluation on the effectiveness of Fraud Risk Management Framework of the organization. IAG achieves this through the competent application of systematic and disciplined processes, expertise, and insight.

IAG maintains its independence from the responsibilities of management and reports functionally to the BACC monthly. The BACC is responsible for the establishment of IAG and the appointment, re-appointment, and replacement of the CAE and the Deputy Chief Audit Executive (DCAE). The responsibility of the BACC includes the annual performance review of the CAE, accepting the resignation and/or dismissal subject to due process. It also reviews, evaluates, and approves the Annual Audit Plan as well as the audit reports to the extent that the BACC Chairman may issue directives to the Senior Management to develop and implement necessary corrective actions in a timely manner. Internal audit's independence from the responsibilities of management is

critical to its objectivity, authority, and credibility. It is established through accountability to the governing body; unfettered access to people, resources, and data needed to complete its work; and freedom from bias or interference in the planning and delivery of audit services.

On the other hand, external assurance providers (external auditors) provide additional assurance to: (a) satisfy regulatory expectations that serve to protect the interests of the stakeholders, and (b) satisfy requests by Management and the governing body to complement internal sources of assurance.

The external auditor undertakes an independent audit of the Bank and provides an objective assurance regarding the manner under which the financial statements are prepared and presented to the stockholders. The external auditor also ensures the establishment and maintenance of an environment of good corporate governance as reflected in the financial records and reports of the Bank.

The BACC has the sole authority to select, evaluate, appoint, dismiss, and re-appoint the external auditor (subject to the ratification of the stockholders) and shall approve in advance all audit engagement fees and terms and all audit-related, and tax compliance engagements with the external auditor.

The external auditor is expected to charge only reasonable audit fees. In determining reasonable fees, the following factors may be considered: (a) expected hours needed to complete the scope of work envisioned in the audit plan; (b) complexity of the activities and structure of the Bank; (c) level of internal audit assistance; (d) level of fees being charged by other audit firms; and (e) quality of audit services.

The IAG aligns and collaborates its audit activities and maintains an open communication line with the Bank's external auditors.

RIGHTS OF STOCKHOLDERS

PNB's stockholders have the following rights and privileges, thus: (a) right to inspect corporate books and records; (b) right to information; (c) right to dividends; (d) opportunity to place agenda items prior to and raise questions during the Stockholders' Meeting; and (e) right to vote on all matters that require their consent or approval.

All stockholders have the right to nominate and elect candidates to the Board of Directors. They also have the right to remove and replace directors and vote on certain corporate acts in accordance with the Revised Corporation Code, including, but not limited to: (i) amendment to the Bank's Articles of Incorporation and By-Laws, (ii) authorization on issuance of additional shares, and (iii) transfer or other mode of disposition of all or substantially all assets of the Bank.

The rights and responsibilities of stockholders are discussed in detail in the PNB Corporate Governance Manual and PNB By-Laws, accessible through PNB's website at www.pnb.com.ph.

Stockholders' Meeting

PNB's stockholders are the highest authority in the Bank's governance structure. The Stockholders' Meeting serves as an avenue to make decisions based on the interests of the Bank in a fair and transparent manner.

The Stockholders' Meetings consist of the Annual Stockholders' Meeting (ASM), held once a year, and special meetings which may be held as needed in accordance with the procedure provided in the By-Laws and applicable laws.

Pursuant to the Bank's By-Laws, the ASM shall be held at the principal office of the Bank or any other place within Metro Manila as may be determined by the majority of the Board, on the last Tuesday of April of each year, unless such day is a legal holiday, in which case, the meeting shall be held on the following business day.

Special meetings may be called by the Chairperson of the Board, by the President and CEO, by a majority of the Board, or on the demand, in writing, of the stockholders who own majority of the voting stock.

In light of the COVID-19 pandemic, and to safeguard the health and ensure the safety of the stockholders and stakeholders of the Bank, the ASM was held virtually on April 26, 2022.

Before the ASM

On January 28, 2022, the Board of Directors approved the holding of the ASM on April 26, 2022 through remote communication and allowed voting *in absentia* to provide the stockholders a safer mode of attendance and participation in the Bank's ASM. The Notice of the ASM was disclosed to the PSE Edge on the same day.

The Notice was also published, in print and online format, from March 29, 2022 to March 30, 2022 in The Philippine Star and in the BusinessWorld, and from April 7, 2022 to April 13, 2022 in The Manila Bulletin, The Philippine Star, and the BusinessWorld.

During the ASM

The Bank conducted its 2022 ASM via remote communication and implemented electronic voting *in absentia* to provide the directors, Senior Management, stockholders, and other stakeholders a safer mode of attendance and participation in the ASM and to comply with the Revised Corporation Code of the Philippines and SEC Memorandum Circular No. 6, series of 2020.

All members of the Board, the Chairperson of the Board, the President and Chief Executive Officer (CEO), the Chairman of the Board Audit and Compliance Committee (BACC), the Corporate Secretary, the Chief Compliance Officer (CCO), the Investor Relations Officer, representatives of the external auditors, and other key officers attended the virtual ASM.

The Chairperson of the Board formally opened the 2022 ASM. The Corporate Secretary certified the existence of a quorum for the valid transaction of business at the meeting. Every stockholder qualified to vote was entitled to one vote for each share of stock standing in his or her name on the books of the Bank.

The stockholders voted on the following agenda: (a) approval of the Minutes of Stockholders' Meeting held the previous year; (b) approval of the Annual Report and the Audited Financial Statements (AFS); (c) election of directors; and (d) appointment of the external auditor. All legal acts, resolutions and proceedings of the Board, including approvals on Related Party Transactions (RPTs) endorsed by the Board Oversight RPT Committee (BORC), were included in the agenda of the ASM for ratification of disinterested stockholders.

Stockholders are allowed to elect directors individually. Each resolution deals with only one item; there is no bundling of several items into the same resolution.

At the meeting, the stockholders were encouraged to express their opinions and raise any question, either on the agenda or any other question related to the business and operations of the Bank. All questions were answered by the Board and the Bank's corporate officers and were recorded in the minutes of the meeting.

The Bank engaged its external counsel, Roxas Delos Reyes Laurel Rosario & Gonzales Law Offices, for the validation of proxies and votes cast during the meeting.

After the ASM

The results of the meeting were disclosed to the PSE Edge and on the Bank's website on April 26, 2022. The Minutes of the ASM were uploaded to the Bank's website on April 28, 2022. The Minutes contained the voting results including approving, dissenting, and abstaining votes for all resolutions/each agenda item, questions raised by the stockholders, responses from the Board and officers, and attendance of the Board members and key officers.

DISCLOSURE AND TRANSPARENCY

PNB Website

The official website of PNB serves as an avenue to reach out to clients, investors, stockholders, and various stakeholder groups. As such, the Bank aspires to promote transparency and open communication to the public by ensuring timely and accurate disclosure of relevant and material information including financial statements and reports, materials provided in briefings to analysts and media (i.e., investor presentation materials and briefing notes), downloadable Annual Report, Notice and Minutes of the Annual Stockholders' Meeting, and the the Bank's Articles of Incorporation and By-laws.

Annual and Quarterly Reports

PNB provides complete and accurate information on the Bank's operations and affairs regularly. The annual and quarterly reports are the primary disclosure mechanisms used by the Bank to convey its financial performance in a comprehensive, accurate, reliable, and timely manner. The reports provide a fair and complete picture of PNB's financial condition and the results of business operations. The Management's statement of responsibility regarding the company's financial statements and the fair and truthful preparation thereof is included in this Annual Report.

The reports are also being disclosed in accordance with the reportorial requirements of the SEC and the PSE.

Press Releases and Media Briefings

PNB makes use of print, broadcast and online media as main communication channels because of their extensive reach and accessibility. The bank distributes press releases or announcements through these channels to inform the various stakeholders of the Bank about relevant news and updates. In 2022, PNB issued 16 press releases. As necessary, the Bank holds press briefings and interviews with journalists. The Bank also regularly shares economic views and insights from the Bank Economist to banking and finance beat reporters as part of the Bank's contribution to the reporters' economic reports.

Investor Relations

Investor relations enable the Bank to keep the communication and information open with investors and help to maintain the Bank's foothold in the financial market. Despite the prolonged pandemic, the Bank continued its efforts in deepening its engagement with its stockholders, investors, analysts, and the media through virtual conferences and briefings.

PNB has implemented its Investor Relations Program aimed at promoting investors' awareness and name recognition through participation in domestic and international conferences sponsored by fund managers as well as improving investors' perception of the Bank by keeping them abreast of recent developments in the Bank through constant communications. This program is also designed to effectively address concerns/issues of the stockholders and investors that could materially affect the Bank's reputation, operations, and viability particularly during this period of uncertainties brought about by the global pandemic.

The Investor Relations Program is anchored on the following three main principles:

- Accuracy and Timeliness: committed to provide analysts, credit rating agencies, investors, and stockholders with correct and up-to-date information on developments in the Bank;
- Transparency: committed to disclose relevant information to investors and stockholders in accordance with the prescribed standard of disclosure by regulatory agencies; and
- Consistency and Impartiality: committed to prepare the same, unbiased information and to make said information accessible to all interested analysts, credit rating agencies, investors, and existing stockholders through various modes of communication.

The contact information of the Investor Relations Officer is available at the PNB website.

In 2022, PNB actively participated in various virtual investor events and conferences sponsored by investment bank and financial services companies with discussions focused on PNB's operating results and outlook on growth and asset quality, overall strategy amid the dynamically evolving business environment. In addition, PNB replied to various queries from investors/analysts.

The following were the quarterly briefings held jointly by LT Group, Inc. (LTG) and PNB for the analysts and investors:

Date of Analysts' and Investors' Briefing Hosted by LTG and PNB	Key Discussion Points / Subject
March 18, 2022	Virtual Analysts' Briefing on the LTG Companies' 2021 Full-Year Financial Results
May 13, 2022	Virtual Analysts' Briefing on the LTG Companies' 2022 Three-Month Financial Results
August 12, 2022	Virtual Analysts' Briefing on the LTG Companies' 2022 Six-Month Financial Results

GOVERNANCE POLICIES AND PRACTICES

Corporate Governance Manual

The Bank's Corporate Governance Manual institutionalizes the principles of good corporate governance in PNB. The Corporate Governance Division regularly conducts review and evaluation of the Manual to ensure its continuing suitability, adequacy, and effectiveness.

The Manual clearly defines the roles, responsibilities, and accountabilities of the Board of Directors, together with the types of decisions requiring its approval. The Manual is publicly disclosed and accessible through the Bank's website.

Corporate Governance Confirmation Statement

The Bank adopts a policy of full compliance with the Code of Corporate Governance. PNB has substantially complied with the recommendations of the Code of Corporate Governance for Publicly Listed Companies, except for the following:

- 1) 30% public float requirement to increase liquidity in the market; and
- 2) Disclosure of director remuneration and executive compensation on an individual basis.

The details of the Bank's compliance with the Code of Corporate Governance and the explanation for the abovementioned items can be found in its Integrated Annual Corporate Governance Report, published on the PNB website.

Moreover, the Bank has substantially complied with the provisions and requirements set forth in the Corporate Governance Manual and there were no reported significant deviations from what is expected from its Directors, Board Advisors, officers, and employees.

Code of Ethics for Directors

The Code of Ethics for Directors serves as a guide of principles designed to enable the Board to exercise its powers, duties, and responsibilities in accordance with fit and proper standards. This establishes the minimum standards of conduct expected of all directors. As such, the Code shall be read in conjunction with the Bank's Corporate Governance Manual, Articles of Incorporation, By-Laws, and internal policies and procedures.

The provisions of the Code shall apply to all members of the Board, whether executive, non-executive or independent, of PNB. All members of the Board are expected to observe and uphold the principles set out in the Code.

Code of Conduct for Employees

The Code of Conduct for Employees is designed to prescribe a moral code for employees which would not only instill discipline but also yield higher productivity in the workplace and enhance and safeguard the corporate image of the Bank. The provisions of the Code apply to all employees including its overseas branches and offices and PNB's domestic and foreign subsidiaries.

Each employee is furnished with a copy of the Bank's Code of Conduct. Moreover, they can access the Code through the Bank's intranet.

Each individual accomplishes an Acknowledgement Receipt certifying therein that (i) he/she has been furnished with a copy of the Code, (ii) that he/she has fully read and understood the provisions embodied in the Code, and (iii) that he/she promises to abide with the rules and regulations of the Code.

Any failure to abide with the provisions of the Code is reported by the immediate supervisor and/or Head of Office concerned to the Human Resource Group and/or Corporate Governance and Sustainability Committee. A designated committee may subsequently evaluate the report to determine if any sanction or disciplinary action should be taken against the erring employee or director.

Whistleblowing Mechanism

It is the responsibility of all directors, officers, and employees to report suspected or actual occurrence of fraud and/or violation of any law, rule, policy, and misconduct, in accordance with the Bank's Whistleblower Policy.

Under the policy, a whistleblower may be an employee of the Bank or a third party who discloses, in good faith, any illegal, unethical, or improper behaviors or practices, and misconduct in the Bank. He/She can report any suspected or actual infraction to any of the members of the Bank's Ethical Standards Committee (ESC), President/CEO, Chief Compliance Officer (CCO), Chief Audit Executive (CAE) or Chief Legal Counsel (CLC); or via the dedicated whistleblower hotline and electronic mail which are managed by the ESC Secretariat. Fraud cases involving monetary loss shall be reported directly to the President to ensure the anonymity of the whistleblower.

Whistleblowers are protected from retaliation as Management ensures that his/her identity is kept in strict confidence. Anyone who retaliates against the whistleblower is subject to disciplinary action, including the possibility of termination or dismissal from the Bank service.

The whistleblower may report verbally or in written form any act of harassment, bullying, or adverse personnel action experienced to any of the members of the ESC and the senior officers, as stated above.

The Bank shall grant incentives to whistleblowers who provide credible information leading to the uncovering of financial fraud.

Anti-Bribery and Anti-Corruption

In line with the Bank's commitment to ensure that business dealings are conducted with the highest level of integrity and professionalism, employees are prohibited from engaging in any form of bribery such as the following:

- Giving/offering pecuniary benefits to external parties with the intention to influence the other party to commit a violation for personal and/or business advantage; and
- Accepting/receiving pecuniary benefits from clients, suppliers, service providers in order to facilitate the processing or approval of transactions or service agreements with the Bank despite deficiency and/or non-compliance with the standard requirements and procedures.

Employees who have knowledge of any form of irregular transactions or corrupt practices being entered into by an officer or an employee under the name of the Bank are required to report the same through the offices identified in the Bank's Whistleblower Policy.

Consumer Welfare

Embedding consumer protection practices across the organization is at the forefront of the Bank's corporate responsibility – from the Board of Directors who approves the policies and conducts oversight in the implementation of the Bank's Consumer Protection Risk Management System (CPRMS) and the Consumer Assistance Management System (CAMS) to the Management Committee who ensures that all consumer protection practices are aligned with the approved policies and risk management system and is consistently adhered to by relevant units.

Consumers have the right to be informed of the benefits as well as the risks involved regarding the products and services they availed from the Bank. Throughout the banking relationship, the following standards of conduct are observed: (a) disclosure and transparency, (b) protection of client information, (c) fair treatment, (d) effective recourse, and (e) financial awareness and education.

Consumer assistance mechanisms are made available in various forms: face-to-face support from PNB Branch personnel; account officers and relationship managers; 24x7 customer care hotlines; and electronic or digital channels. Each inquiry, request and/or complaint is acknowledged and processed within the standard turnaround time. From the frontline offices, customer concerns are handled by the resolving offices to provide reasonable resolution to address the same. Escalation of customer concerns is in place to ensure that appropriate courses of action are given to complex complaints. This complaint management process is established, a cross-functional activity involving multiple offices, which provide priority assistance in resolving customer concerns. As part of

this process, monitoring of complaints resolution and validation of implemented resolution have been incorporated to ensure customer satisfaction and retention is achieved. A monthly summary is reported to the Management Committee and to the Risk Oversight Committee for transparency and evaluation.

In 2022, synergy between key point persons from concerned offices with the usual top complaints was established. Monthly reports on Customer Engagement and Consolidated Complaints Report were also enhanced to include key results indicators with Red-Amber-Green (RAG) Rating to establish a measure of success of concerned offices handling customer concerns based on standard parameters.

PNB aims to be the financial partner of consumers in their journey to financial health and wealth. The Bank is committed to equip consumers with the information and tools they need to make wise financial decisions towards achieving their goals.

Creditors' Rights

PNB takes an active role in safeguarding the rights of its creditors. The Bank is committed to honoring its contractual financial obligations as evidenced by good credit standing. Since deposit-taking is one of the Bank's principal banking activities, special premium is placed on the protection of depositors who serve as our main creditors. The Bank recognizes that creditors have the right to safeguard their transactions with the Bank and be heard through appropriate channels when they escalate feedback and concerns.

The Bank provides its depositors with ready access to information that accurately represents the fundamental benefits and risks, as well as the terms and conditions of a financial product or service. Moreover, PNB is one with the Philippine Deposit Insurance Corporation (PDIC) in promoting public confidence and stability in the economy. As such, the Bank advertises PDIC's deposit insurance protection in appropriate and accurate manner by including the official PDIC Insurance Statement (Deposits are insured by PDIC up to Php500,000.00 per depositor) in general advertisements of the Bank and advertisements relating to deposit products and services appearing in print ads, TV, official website, and other forms of marketing communications.

As a matter of practice, PNB respects and upholds the rights of its creditors by observing fair and truthful disclosure of financial and operating results which enable them to evaluate and assess the Bank's performance and credit standing. The annual and quarterly reports are the primary disclosure mechanisms used by the Bank to convey its financial performance in a comprehensive, accurate, reliable, and timely manner. The reports provide a fair and complete picture of the Bank's financial condition and results of business operations.

Outsourcing and Vendor Management

The partnership of the Accreditation and Vendor Management Department of the Corporate Services Division (CSD) and Vendor Risk Monitoring Department (VRMD) of the Risk Management Group was strengthened in 2022. Working hard in coordination with the stakeholders and the business units, PNB was able to maintain an efficient working relationship and safe working environment with its suppliers, vendors, and third-party service providers.

The vendor-onboarding process is on track to comply with the BSP requirements and to ensure that the Bank has chosen the best provider. PNB also continues to develop its processes by streamlining the requirements allowing no controls to be compromised. All concerns have been taken into consideration and was adapted to the process improvement. CSD and VRMD continuously provide guidance to maintain the effectiveness of monitoring and oversight activities.

The outsourcing and vendor management was also partially automated by launching the third-party risk management modules in the Governance, Risk and Compliance (GRC) system. Full implementation of the module is expected to take place in 2023.

Selection Process for Senior Management

The bank recognizes that employees are its most valuable resource. PNB remains consistent in its effort to ensure a steady pool of qualified and competent talents who will sustain the leadership and improve the performance of the Bank resulting in excellent customer service and an increase in stockholder value.

Before a senior officer (with rank of Vice President and up) is appointed, suitable candidates are identified from various sources. Interviews are conducted by the recommending Group/Sector Head, Human Resource Group

Head, President and CEO, and a Director of the Bank to determine the overall qualifications and capabilities of the candidates to include other factors to be considered in the selection. Once a candidate is selected, submission of all requirements will be completed and faithful adherence to all the conditions of regulatory bodies is maintained. The approval of the Board of Directors, as endorsed by the President and the Corporate Governance and Sustainability Committee, is likewise sought.

Succession Management

The Succession Management Program is an evolving process of strategically and systematically identifying, assessing, and developing talents for future critical roles to ensure consistent and effective organizational performance. This program ensures the availability of talents who have the potential and required competencies and are ready to assume vacant positions as the need arises, due to organizational exigencies, particularly for key Management positions.

A Talent Board consisting of senior officers has been created to monitor and review the success and progress of the program. It renders decisions on nominations and acceptance of talents in the Talent Pool. The process involves the following steps:

- (a) Identification of key Management positions;
- (b) Nomination of Candidates - based on results and past performance, competencies, and potential; subject to the initial evaluation of the Talent Board, the respective Sector or Group head nominates possible candidates who may be from within or outside of their respective Group/Sector subject to the acceptance of the concerned officer-candidate prior to processing.
- (c) Conduct of Talent Screening - the process of evaluating and assessing the shortlisted nominees' competencies through online assessment, 360-degree feedback survey, and interviews with the members of the Talent Board or designated interviewers, if necessary. Those who qualify based on the evaluation of the Talent Board shall be recommended for inclusion in the Executive Talent Pool, subject to the approval of the President & CEO;
- (d) Learning and Development - to address the development needs of each talent, an Individual Development Plan (IDP) consisting of on-the-job training, interactional development programs, and classroom training shall be created by the Sector or Group head and/or designated mentor. For a more objective and in-depth assessment of the talent's competencies, he/she may be required to train in the Assessment and Development Center. The training result is made an integral part of the IDP;
- (e) Talent's Progress Review - the progress of the talent is monitored and evaluated;
- (f) Engagement - strategies are employed to sustain the desired level of performance as well as the employee's commitment to the program;
- (g) Placement - the talent review process and the learning and development programs continue until the need or opportunity arises for the talent to assume a key/critical position within the organization.

In-House and External Training Program for Senior Management

While the pandemic has permanently changed the workplace landscape, the Bank's Learning and Development (L&D) team has consistently strived and thrived throughout the year 2022.

The PNB Institute for Banking Excellence (IBE) conducted various trainings in the form of Face-to-Face (F2F) sessions and Virtual instructor-led Trainings (VILT)s using the MS Teams platform. These were for both its technical and soft skills development as PNB was continuing the shift to cater to a hybrid workplace. For highly specialized topics, out-of-house training programs were also made available.

The Learning and Development programs were further supplemented by courses offered in its e-learning platform, LinkedIn Learning, which provides on-demand online learning content available 24/7/365. Regulatory training topics such as the Anti-Money Laundering (AML) Home Study Program and Information Security Awareness Training (ISAT) were integrated in the platform as well.

Mental wellness and related essential skills such as inclusion and gender sensitivity are still priorities. Hence, programs to equip the senior Management with best practices in nurturing and sustaining team well-being amidst uncertainty, high pressure work demands, and compounding stressors have been provided to them.

The mentoring program was also re-launched, guided by the framework for modern mentoring in the context of an Asian culture and following internationally accepted principles and practices. Alongside, programs on Bank

product awareness, risk management, internal audit, digital fluency, and economic outlook were also provided to align with the Bank's sustainable transformation journey.

Remuneration Policy

PNB aims to sustain a strong, performance-conducive environment that would attract, motivate, and retain the best talents. For this purpose, the Bank maintains a Remuneration Policy that commensurately compensates its directors and officers for high levels of performance. Such policy complements the Bank's efforts to hire and develop the best talents through its competitive recruitment program and continuing learning programs.

The PNB Remuneration Policy provides a sustainable compensation structure and fringe benefits program for directors and officers. The policy allows the Bank to be competitive with industry counterparts. It identifies basic compensation, incentives, recognition, and rewards for those who meet their performance targets and goals.

Officers' Compensation and Benefits

The compensation package for officers consists of monetary and non-monetary benefits, fringe benefits, and long-term schemes such as the following:

- Monetary emoluments consist of monthly compensation, guaranteed bonuses equivalent to four (4) monthly basic salary, allowances for business-related expenses, official travel, annual clothing allowance, annual rice subsidy and other monetary allowances, and award upon reaching service milestones of at least ten (10) years and every five (5) years thereafter; and
- Non-monetary benefits consist of healthcare plan for the officer and two (2) of his/her qualified primary dependents, group life insurance, group accident insurance, leave privileges, car plan, and loan facilities such as general-purpose loan, motor vehicle loan, and housing loan.

Performance-Based Remuneration

PNB designed its compensation and benefits package as a competitive tool to attract and retain highly qualified individuals who will support the Bank's implementation of its business directions and to achieve business goals. Hence, provisions of the compensation and benefits policies show the clear linkage with employee contributions which are measured through a balanced scorecard approach in its performance management system. Officers who are unable to meet their targets become ineligible to certain benefits and/or incentive programs such as the car plan benefit, employee loans, and performance bonus to name a few. The same is true for employees who get involved in administrative cases where certain benefits are temporarily withheld in case an administrative sanction is imposed. In case of dismissal, benefits are forfeited and taken back including, but not limited to, the car plan benefit, and the guaranteed bonuses equivalent to a three-month salary.

Retirement

PNB has a Retirement Plan for its employees that provides funds for the payment of separation benefits to employees who are eligible under the Bank's Retirement Plan, including cases of disability or death while on service.

There are three (3) modes of retirement, namely:

- Normal Retirement: an employee shall be compulsorily retired from service and shall be entitled to receive the benefits under the Plan upon reaching 60 years of age or upon completing 35 years of service, whichever comes first;
- Early Retirement: with the consent of the Bank, an employee who has yet to reach the normal retirement requirement age or years of service may opt to avail of the early or optional retirement benefits under the Plan upon reaching (i) 55 years of age and rendering at least 10 years of continuous service; or (ii) completing at least ten (10) years of service; and
- Late Retirement: Any employee may offer his/her service to the Bank beyond the normal retirement date, but not beyond 65 years of age. Such retirement, however, shall be subject to the approval of the Bank on a case-to-case basis.

Employees who intend to resign from service but do not meet the prescribed eligibility requirements are not entitled to any separation pay.

PHILIPPINE NATIONAL BANK is **not soliciting proxies** and a stockholder is NOT required to submit a proxy to PNB. This Proxy form is being provided only for the convenience, and upon request, of a stockholder.

P R O X Y

The undersigned Stockholder of **PHILIPPINE NATIONAL BANK** (“PNB”) does hereby nominate, constitute and appoint _____ with email address _____ as my/our/its proxy, to represent me/us/it and vote all shares registered in my/our/its name in the books of PNB at the Annual Stockholders’ Meeting scheduled on April 25, 2023. I/we hereby confirm and ratify any and all acts lawfully done by my/our/its proxy pursuant hereto.

Any other proxy or proxies issued by me/us/it on or before this date is/are hereby considered revoked and declared null and void and will have no effect whatsoever.

	For	Against	Abstain
1. Approval of the Minutes of the 2022 Annual Stockholders’ Meeting held on April 26, 2022	☐	☐	☐
2. Approval of the 2022 Annual Report	☐	☐	☐
3. Ratification of All Legal Acts, Resolutions and Proceedings of the Board of Directors and Corporate Officers since the 2022 Annual Stockholders’ Meeting	☐	☐	☐
4. Appointment of External Auditor (SGV & Co.)	☐	☐	☐
	VOTE FOR	NUMBER OF VOTES	
5. Election of Directors			
Felix Enrico R. Alfiler	☐		
Maria Almasara Cyd N. Tuaño-Amador (Independent)	☐		
Florido P. Casuela	☐		
Leonilo G. Coronel	☐		
Edgar A. Cua (Independent)	☐		
Estelito P. Mendoza	☐		
Isabelita M. Papa (Independent)	☐		
Sheila T. Pascual	☐		
Wilfrido E. Sanchez (Independent)	☐		
Carmen K. Tan	☐		
Lucio C. Tan	☐		
Lucio C. Tan III	☐		
Michael G. Tan	☐		
Vivienne K. Tan	☐		
Domingo H. Yap (Independent)	☐		

Name of Stockholder : _____

Email Address : _____

Signature : _____

Date : _____

Contact Number : _____



MANAGEMENT REPORT

Item 1. Business

A. Business Development

The Philippine National Bank (“PNB” or the “Bank”), the country’s first universal bank, is one of the largest local private commercial banks in terms of assets, net loans and receivables, capital and deposits. As of December 31, 2022, the Bank has a distribution network of 651 domestic branches and offices and 1,720 automated teller machines (ATM) in the Philippines. In addition, it has the widest international footprint among Philippine banks spanning Asia, Europe, the Middle East and North America with its overseas branches, representative offices, remittance centers and subsidiaries.

In July 2016, PNB celebrated its Centennial Year with the theme, “A Century of Excellence”, signifying a meaningful milestone for an institution that has served generations of Filipinos here and abroad. For over 100 years, PNB stands proud as an institution of stability and security for many Filipinos. With its century of banking history and experience, PNB is poised to move forward to becoming a more dynamic, innovative and service-focused bank, providing service excellence to Filipinos all over the world.

The Bank was established as a government-owned banking institution on July 22, 1916. As an instrument of economic development, the Bank led the industry through the years with its agricultural modernization program and trade finance support for the country’s agricultural exports, pioneering efforts in the Overseas Filipino Workers’ (OFW) remittance business, as well as the introduction of many innovations such as “Bank-on-Wheels”, computerized banking, ATM banking, mobile money changing, domestic traveler’s checks, and electronic filing and payment system for large taxpayers. PNB has the widest overseas office network and one of the largest domestic branch networks among local banks.

On February 9, 2013, the Bank concluded its merger with Allied Banking Corporation (ABC) as approved and confirmed by the Board of Directors (BOD) of PNB and ABC on January 22 and January 23, 2013, respectively. The respective shareholders of PNB and ABC, representing at least two-thirds of the outstanding capital stock of both banks, approved the terms of the Plan of Merger of the two banks on March 6, 2012.

To support the Bank’s efforts to diversify its funding sources to meet the financial needs of its clients, PNB offered Long-Term Negotiable Certificates of Time Deposit (LTNCDs) to extend the maturity profile of the Bank’s liabilities as part of overall liability management and to raise long-term funds for general corporate purposes. In October 2018, PNB received the approval from the Bangko Sentral ng Pilipinas (BSP) to issue up to ₱20.0 billion worth of LTNCDs. In this regard, PNB issued the first tranche of its 5.5-year LTNCDs totaling ₱8.2 billion at 5.75% per annum in February 2019. The original ₱3.0 billion offering was upsized to meet the 2.7x oversubscription arising from the strong demand from both retail and institutional investors. On October 11, 2019, PNB listed the second tranche of LTNCDs totaling ₱4.6 billion which was double the announced issue size of ₱2.0 billion.

In April 2018, PNB successfully issued in Singapore and Hong Kong its 5-year Fixed Rate Senior Notes worth US\$300 million out of its US\$1 billion Medium Term Note (MTN) Program. This marked the first time that PNB tapped the international bond market for medium term dollar funding. Orders for the offering reached approximately US\$1.2 billion at its peak, equivalent to 4x oversubscription. The high demand for the initial issue underscored the international investors’ strong confidence in PNB. In May 2019, the PNB Board of Directors approved the increase in the amount of the Bank’s MTN Program to US\$2 billion. The following month, PNB issued US\$750 million in 5.25-year Fixed Rate Senior Notes priced at 99.47% and carried a yield of 3.39% and a coupon of 3.28%. The transaction was oversubscribed with an orderbook of over US\$3.25 billion. The proceeds of the Notes were used to support PNB’s loan expansion as the Bank took advantage of the country’s sustained economic growth.

In April 2019, PNB, acting through its Tokyo branch, successfully closed and signed a US\$250 million 3-year syndicated term loan facility with a group of international and regional Japanese banks. The facility

was launched originally at US\$200 million and attracted total commitments of US\$370 million at close of syndication, representing an oversubscription of about 2.7x with lending commitments received from 14 Japanese and international banks with operations in Japan. The diversity of the syndicate of lenders is an affirmation of the growing international market's appetite for assets from the Philippines. The success of the transaction is a strong acknowledgment of the capital market's confidence in the credit strength of the Bank.

In May 2019, PNB listed on the Philippine Dealing and Exchange Corporation its maiden offering for fixed rate Philippine Peso bonds, which reached ₱13.87 billion, equivalent to an oversubscription of almost 3x the announced issue size of ₱5 billion.

In July 2019, the Bank successfully issued and listed 276,625,172 common shares priced at ₱43.38 per share from its stock rights offering. The net proceeds from the offering amounted to ₱11.7 billion. Proceeds from the offering were expected to enhance PNB's presence in emerging growth areas.

PNB fully integrated its wholly owned thrift bank subsidiary, PNB Savings Bank (PNBSB), into the Bank through acquisition of PNBSB's assets and assumption of its liabilities in exchange for cash on March 1, 2020. The BODs of PNB and PNBSB approved the integration on September 28 and October 10, 2018, respectively. PNB secured the Monetary Board's approval for the integration on August 29, 2019. Consequently, the 68 PNBSB branches were converted into PNB branches, while the systems integration was completed on June 7, 2020. With the integration, PNB would be able to deliver a more efficient banking experience and serve a wider customer base, while the customers of PNBSB would have access to PNB's diverse portfolio of financial solutions. The consumer lending business, previously operated through PNBSB, would also benefit from PNB's ability to efficiently raise low cost of funds. PNBSB has been renamed as Allied Integrated Holdings Inc. (AIHI) after the Securities and Exchange Commission (SEC) approved the amendments to its Articles of Incorporation and By-Laws on February 23, 2021. The purpose of this company has changed from banking to that of a holding company. The SEC also approved the end of the corporate life of AIHI on December 31, 2022 and the company is now proceeding towards liquidation.

On November 9, 2020, the BOD and Stockholders of PNB Holdings Corporation (PHC) approved the sale of PHC's equity investment in PNB General Insurers Co., Inc. (PNB Gen) to PNB or any suitable 3rd party buyer. Moreover, on December 11, 2020, the Board of Directors of PNB approved the sale of its 100% shares in PNB Gen to Alliedbankers Insurance Corporation (ABIC). Consequently, on December 29, 2020, a Share Purchase Agreement was entered into by PNB and PHC, collectively as "Sellers", and ABIC as "Buyer" for the sale of 100% PNB Gen shares. On January 21 and March 19, 2021, PNB received from ABIC the first two tranches representing 10% and 45%, respectively, of the selling price for the sale of PNB's shares in PNB Gen. On March 31, 2021, ABIC advanced 80% of the last tranche of the selling price. On April 30, 2021, PNB received from ABIC the remaining 20% of the last tranche of the selling price for the sale of PNB's shares in PNB Gen marking the Bank's exit from the nonlife insurance space.

On March 26, 2021, the Bank's BOD approved and confirmed the infusion of additional capital of up to ₱245.0 million to Allianz-PNB Life Insurance, Inc., an affiliate, subject to regulatory and other necessary approvals.

In 2021, the Bank has undertaken a series of transactions to monetize its low-earning assets. On January 13, 2021, the SEC approved the increase in the authorized capital stock of PHC from ₱500.0 million to ₱50.5 billion. On the same date, PNB proceeded with the subscription of an additional 466,770,000 PHC shares in exchange for certain real estate properties with an aggregate fair value of ₱46.7 billion. On April 23, 2021, the Bank's BOD approved the property dividend declaration of up to 239,353,710 common shares of PHC with a par value of ₱100.00 per share, to all stockholders of record as of May 18, 2021. As of December 27, 2021, PNB received the Certificate of Filing the Notice of Property Dividend Declaration issued by the SEC on December 24, 2021.

Amidst the challenging COVID-19 pandemic and varying degrees of community lockdowns in 2020, the Bank has set up a Command Center to oversee its operations and ensure that PNB continues to run business-as-usual providing uninterrupted financial services to its customers as it adjusted to the new business environment. The Bank had a dedicated skeletal workforce to make sure that critical support functions were not disrupted, and at the same time implemented a work-from-home arrangement for its employees with non-critical functions, supported by a robust digital infrastructure that allowed telecommuting.

To provide easy and convenient access to cash for its clients, PNB deployed its “Bank on Wheels” in Metro Manila and some provinces where travel was restricted. Bank on Wheels are mobile ATMs that allow customers to conveniently perform transactions such as cash withdrawal, cash deposit, bills payment, and fund transfer. Furthermore, the Bank provided its customers more options for cash withdrawal through its partnership with RD Pawnshop, one of the leading pawnshop chains in the country. PNB is the provider of the POS network that allows bank customers to conveniently withdraw cash from 100 select RD Pawnshop branches nationwide. In addition, the Bank partnered with Ninja Van Philippines to make it easier and safer for small and medium businesses across the country to receive payments and manage cash flow during COVID-19 and beyond.

Even with the pandemic, PNB was still able to introduce new products for its customers. In February 2020, PNB launched the Ze-Lo Mastercard that allows cardholders to enjoy the perks of a normal Mastercard credit card but with zero annual fees and low interest. Ze-Lo stands for “Zero Annual Fees and Low Interest” representing the two main features of the card. In April 2020, PNB branches started offering the new product of ABIC, Home Protect 2000, a home insurance that covers PNB depositors against loss of residence and contents due to fire, lightning, earthquake, smoke, explosion, vehicle impact, and falling aircraft for a minimal premium. The Bank also introduced an online remittance system, Xchanged USA, for overseas Filipino workers. In September 2021, PNB launched two new global feeder funds, namely: the PNB World Perspectives Equity Feeder Fund and the PNB US Equity Sustainability Leaders Feeder Fund. These feeder funds will allow Filipino investors to invest in US and other globally-traded shares of stocks to further diversify their investments. Likewise, in support of the government’s Personal Equity Retirement Account (PERA) program, PNB, as a product provider, launched its first digital PERA fund, the PNB PERA Bond Fund. On October 2021, the PNB Singapore Mobile App was launched for Filipinos in Singapore to make remittance easier and more convenient for them. The app enables a fully-automated remittance process for all registered clients and potential clients (subject to one-time onsite Know-Your-Customer) based in Singapore. Last March 2022, PNB and CIS Bayad Center, Inc., or Bayad, the country’s biggest and widest multi-channel payment platform, have partnered to make it easier for Filipinos to settle payments electronically. This strategic partnership offers a one-stop-shop solution for the best customer experience. PNB also introduced the PNB CashNet Plus mobile app for corporate clients last April 2022. Clients have the option to log in via biometrics for added security and convenience in accessing their company accounts.

PNB Capital and Investment Corporation (PNB Capital), a wholly-owned subsidiary of the Bank, was also active in capital market transactions in 2021 and 2022. PNB Capital was appointed either as lead/joint lead arranger, issue manager, underwriter, domestic manager and/or bookrunner for the initial public offering, preferred shares and/or bond offerings of the following companies, among others: MerryMart Consumer Corp; Ayala Land’s AREIT Inc., the first real estate investment trust in the Philippines; Retail Treasury Bonds; Petron Corp.; Monde Nissin Corp; San Miguel Corp.; Cirtex Holdings Philippine Corp.; RL Commercial REIT, Inc.; AllDay Marts Inc.; Synergy Grid & Development Phils.; Megawide Construction Corp.; A Brown Co.; Medilines Distributors, Inc.; Keepers Holdings; BankCom; 8990 Holdings; VistaREIT Inc.; North Star Meat Merchants, Inc.; Robinsons Land Corp; Cebu Landmasters; Globe Telecom Inc.; and Arthaland Corp.

In affirmation of the Bank’s well-managed operations, PNB received awards from various organizations and other international award-giving bodies. In June 2019, PNB was recognized for the second straight year by the Institute of Corporate Directors (ICD) for being one of the awardees of its ASEAN Corporate Governance Scorecard. The Bank was also recognized as one of the Golden Arrow Awardees by the ICD on February 19, 2021.

In December 2019, PNB was awarded by the Bureau of Local Government Finance of the Department of Finance for its timely and complete submission of the quarterly report on LGU indebtedness for the fiscal year 2018-2019. The Bank was cited for being a strong partner of the government in ensuring the efficient and responsible borrowing of local government units.

With its proactive response amidst the COVID-19 pandemic, The Asian Banker awarded PNB with Best Managed Bank and Best CEO during its annual Leadership Achievement Awards held on 15 October 2020. PNB was also named Best Bank for Corporate Social Responsibility (CSR) in Asiamoney Best Bank Award for 2020. The Bank bested other domestic and international banks in the CSR category for pioneering a number of initiatives focused on financial literacy, sustainable environment and employee

engagement. In addition, PNB was recognized in Asiamoney's Leader for Women Survey 2020. From among 60 banks in Asia, PNB was one of the banks with the highest percentage of women in the overall workforce, reflecting the Bank's culture of providing equal access to career advancement regardless of gender. Likewise, PNB became the first universal bank in the Philippines to be certified as gender-equal after receiving its Economic Dividends for Gender Equality (EDGE) Certification from DOLE in June 2020.

In April 2021, the employment-related online platform LinkedIn ranked PNB as #1 in the 2021 LinkedIn Top Companies list in the Philippines, a ranking of the 15 best workplaces to grow one's career. PNB was also recognized by Asiamoney as Best Bank for Investment Research during its Private Banking Awards in June 2021. The award is a testament to the Bank's contribution in helping its clients make sound investment decisions by sharing their insights on equities, industries, and the Philippine economy. The award is a milestone for the Bank as this is the first international recognition for its research initiatives. The Bank was also recognized as Best KYC and Customer Onboarding Technology of the Year by The Asian Banker for its Risk Management Awards. The award acknowledges the Bank's new Anti-Money Laundering Monitoring Solution, showing that the Bank does not rely on a single level of protection but has invested and deployed layers to protect customers and their transactions. Further, the Bank's "Own a Philippine Home Loan" (OPHL) product was recognized as Mortgage and Home Loan Product of the Year by The Asian Banking and Finance on its Retail Banking Awards. Moreover, PNB was recognized by the Bangko Sentral ng Pilipinas (BSP) as "Outstanding Regional Partners" in the 2021 BSP Stakeholders Appreciation Ceremony held in July 2021. PNB was likewise honored for "Transparency and Reporting" and gender equality initiatives in the UN Women 2021 Philippine Women's Empowerment Principles Awards.

PNB received two awards from the Philippine Dealing System Holdings Corp (PDS Group) during the 17th PDS Annual Awards held on March 25, 2022, viz.: (1) the Top Fixed-Income Brokering Participant, and (2) one of the Top Five Fixed-Income Cash Settlement Banks. In addition, PNB has been recognized by Asiamoney as the Best Bank for Investment Research in the Philippines for the second consecutive year during its Private Banking Awards on April 25, 2022.

In September 2022, PNB was awarded by the Social Security System as "Best Disbursement Partner" in the Commercial Bank category in its "2022 Balikang Bayan Awards" during its 65th founding anniversary celebration.

In November 2022, PNB was awarded for the second year in a row by a joint program of the European Union and the UN Women as Runner Up for Transparency and Reporting during the UN Women 2022 Philippines Women's Empowerment Principles (WEPs) event. PNB was cited for its commitment to transparency and reporting pertaining to gender data and indicators as well as report on performance and impact of gender on its adaptive policies and programs, tracking performance in progress towards gender equality, and women's economic empowerment.

In December 2022, PNB was awarded by Asia Corporate Excellence and Sustainability Awards (ACES) as one of Asia's Most Influential Companies during the recent ACES Awards 2022 Ceremony and Gala Dinner held in Kuala Lumpur, Malaysia. The award is given to companies that show genuine interest in the well-being of its stakeholders through corporate social responsibility initiatives that are integrated into policies and operations, with a high level of employee and top management involvement on community engagement, environment, and social empowerment programs.

B. Business Description

1. Product and Services

PNB, through its Head Office and 651 domestic branches/offices, 1,720 ATMs nationwide and 72 overseas branches, representative offices, remittance centers and subsidiaries, provides a full range of banking and financial services to corporations, small and medium markets, retail customers, various government units and agencies. PNB's principal commercial banking activities include deposit-taking, lending, trade financing, foreign exchange dealings, bills discounting, fund transfers/remittance servicing, asset management, treasury operations, comprehensive trust services, retail banking and other related financial services.

Its banking activities are undertaken through the following groups within the Bank, namely:

Retail Banking Sector

The core business of the Retail Banking Sector (RBS) principally focuses on the Bank's deposit-taking activities by offering a wide array of deposit products and services such as peso accounts and its variants like interest-bearing savings and time deposit accounts, current accounts, and US dollar and other third-foreign currency accounts. The RBS also provides its broad customer base with other retail products such as credit cards, consumer loans, remittance services, and other bank services. While the main purpose is the generation of lower cost funding for the Bank's operations, RBS also concentrates on the cross-selling of trust products, treasury products, and bancassurance products (both life and nonlife) to existing customers as well as referrals of customers by transforming its domestic and overseas branch distribution channels into a sales-focused organization.

Cards and Payments Solutions Group

The Cards and Payments Solutions Group (CPSG) provides convenient, safe and secure cashless payment solutions and offers. Its wide range of products under the major payment schemes, Mastercard, Visa and UnionPay includes credit, debit, prepaid cards and installment loans. These cater to the diverse and dynamic needs of the Bank's retail and corporate clients.

CPSG is also responsible for forging new partnerships, onboarding of merchants and strengthening its relationships for in-store and online promotions as well as installment programs. Moreover, CPSG continuously develops its digital app offerings to ensure that customers get the best experience using their PNB Cards.

Retail Lending Group

The Retail Lending Group (RLG) was established in mid-2019 under the umbrella of RBS. It serves as the Bank's consumer lending arm following the full integration of its wholly owned thrift bank subsidiary, PNB Savings Bank, into the Bank in March 2020. As part of the Bank's transformation initiatives to ensure operational efficiency as well as harness the maximum potential of the consumer loan business, RLG was spun off from RBS in May 2022 to be directly under the Office of the President. RLG provides consumer loans such as auto loan, real estate loan and contract-to-sell facility.

International Banking and Remittance Group

The International Banking and Remittance Group (IBRG) covers the Bank's overseas offices across Asia, Middle East, North America, and Europe. As part of RBS, the Bank and its subsidiaries (the "Group") ensures that overseas Filipinos are provided with an array of services to suit their needs - from convenient and safe remittance to full banking services in selected jurisdictions, bills payment, deposit account opening, corporate credit and trade, and consumer financing with the Own a Philippine Home Loan (OPHL), which makes it easier even for non-Filipinos to acquire their dream homes in the Philippines. IBRG likewise provides services to sea-based OFWs via payroll processing through manning agency clients. IBRG is also responsible for establishing and strengthening partnerships with remittance agents and tie-ups to further extend the Bank's market reach beyond its brick-and-mortar presence worldwide.

Institutional Banking Sector

The Institutional Banking Sector (IBS) is the primary lending arm responsible for the establishment, expansion, and overall management of the Bank's relationships with its corporate clients. The Corporate Banking Group supports the Sector's large corporate clients, while the Commercial Banking Group oversees relationships with middle market and SME customers located in Metro Manila and provincial areas. Both groups capitalize on growth opportunities with clientele in resilient industries such as infrastructure, power, utilities, and e-commerce, among others.

IBS also contributes significantly to the incremental growth in the Bank's deposits and fee-based income through value-adding services offered by the Institutional Transaction Banking Group (ITBG). The Bank's Ecosystem Division and Cash Management Solutions Division were consolidated into ITBG to capture the entire value chains and nurture anchor clients through a network of tailor fit, end-to-end financial solutions which consist of cash management, credit programs, and trade services.

The Sector's Structuring and Execution Division (SED) has been key to nursing commercial accounts impacted by the protracted pandemic and supply chain crises. SED is also tasked to undertake special projects and various functions such as spearheading Environmental, Social and Governance (ESG)

initiatives for the Sector and providing assistance for accounts that require more intensive workouts or cashflow analysis, among others.

Global Banking and Markets Sector

The Global Banking and Markets Sector (GBMS) oversees the management of the Bank's liquidity and regulatory reserves as well as risk positions on interest rates and foreign exchange arising from its inherent daily operations in deposit-taking, lending, and proprietary trading. Likewise, GBMS provides a wide range of banking products and services to corporations, governments, financial institutions, and individuals. Its functions include developing the Bank's wealth management proposition by providing corporate and high-net-worth individuals access to the financial markets. In addition, GBMS builds partnerships with banks and non-bank financial institutions by offering them banking solutions to address their needs and help attain their objectives. Moreover, GBMS ensures the availability of alternative funding sources for the Bank through trade advance facilities of foreign banks and multilateral funding sources.

Trust Banking Group

PNB Trust Banking Group manages a total of 11 local and 2 global Unit Investment Trust Funds (UITF) to address the investment requirements of various clients, from the ultra-conservative investors to the more aggressive clients who are willing to take bigger risks in their investments. These funds are managed by a team of professional fund managers who have a wealth of training and experience under their belts.

As one of the pioneers in the trust banking business, PNB has a wide clientele base of retail, corporate and institutional clients who benefit from its wide array of trust banking products and services, large distribution network, professional expertise, and sound investment strategies. It is considered as one of the strongest trust entities in the industry on fiduciary services such as Escrow and Transfer Agency. Its personal trust products and services include personal management trust, investment management and estate planning. Corporate trust services and products include corporate trusteeship, portfolio management and administration of employee benefit plans, pension and retirement plans.

Digital Innovations Group

The Digital Innovations Group is tasked to drive the consumer digital strategy of PNB, working with business lines and subsidiaries, support groups and the Information Technology Group (ITG) to provide innovative digital experiences and products for retail consumers. The group provides end-to-end digital business and product development, covering market scoping and assessment, ideation of business models, customer experience definition, and coordination with marketing and business groups to promote the acquisition of digital customers and usage of digital products. It is likewise tasked to execute, deliver and implement digital products and solutions, and manages and provides support to the Bank's mobile, internet banking and other digital platforms, in coordination with PNB ITG and external solutions providers.

2. Competition

In the Philippines, the Bank faces competition in all its principal areas of business, from both domestic banks (private and government-owned) and foreign banks, as well as financing companies, mutual funds and investment banks. The competition that the Bank faces from both domestic and foreign banks was in part a result of the liberalization of the banking industry with the entry of foreign banks under Republic Act (R.A.) 7721 in 1994 and R.A. 10641 in 2014, as well as the mergers and consolidations in the banking industry. As of the latest available data from the BSP, there are 45 universal and commercial banks, of which 16 are private domestic banks, 3 are government banks and 26 are branches or subsidiaries of foreign banks. Some competitor banks have greater financial resources, wider networks and greater market share than PNB. Said banks also offer a wider range of commercial banking services and products; have larger lending limits; and stronger balance sheets than PNB. To maintain its market position in the industry, the Bank offers diverse products and services, invests in technology, leverages on the synergies within the Lucio Tan Group of Companies and builds on relationships with the Bank's other key customers.

The Bank also faces competition in its operations overseas. In particular, the Bank's stronghold in the remittance business in 17 countries in North America, Europe, the Middle East and Asia is being

challenged by competitor banks and non-banks. As of December 31, 2022, the Bank has a distribution network of 651 domestic branches and offices and 1,720 ATMs nationwide. The Bank is one of the largest local private commercial banks in the Philippines in terms of consolidated total assets, net loans and receivables, capital and deposits as well as with regard to branch network. In addition, it has the widest international footprint among Philippine banks spanning Asia, Europe, the Middle East and North America with its overseas branches, representative offices, remittance centers and subsidiaries.

3. Revenue Derived from Foreign Operations

The percentage contributions of the Group's offices in Asia, Canada and USA, United Kingdom and Other European Union Countries to the Group's revenue, for the years 2022, 2021, 2020 are as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Asia (excluding the Philippines)	2%	2%	2%
Canada and USA	1%	1%	1%
United Kingdom & Other European Union countries	0.2%	0.1%	0.4%

4. New Products and Services

In 2022 and 2021, PNB introduced the following new products, among others, for its customers:

a. Bayad Aggregator Biller Integration

The Bank launched its pilot biller with real-time posting capability, Meralco RTP under the Bayad Aggregator. Through this, PNB Digital users are now able to pay their Meralco bills in real-time with a few taps on their mobile phones. The Bank remains committed to onboarding the next Bayad billers (Autosweep RFID, Easytrip, and NBI) from a sea of 438 Bayad billers.

b. Acceptance of SSS RTP Payments via OTC

The Bank, through the collaboration and integration efforts with Social Security System (SSS), was able to simplify payment acceptance and processing of SSS loans and contributions via OTC with the nationwide launch of the SSS real-time posting (RTP) payments. This also opens more opportunities for the Bank to fulfill and upsell other PNB products and services to SSS in the digital space.

c. CCAM 20k Machine

Corporate Cash Accept Machine (CCAM) is an innovative variant of the deposit pick up facility where the Bank through its partnership with a Service Provider (SP) installs a cash accept machine in the corporate client's premises. The first variant with 10,000 notes capacity was launched in February 2020. To support the higher volume of cash deposits from customers, the Bank launched the CCAM with 20,000 notes capacity in 2022.

d. PNB C@shNet Plus Mobile App

The Bank launched the PNB C@shNet Plus Mobile Application, the mobile version of the Corporate Online Banking Platform. The Mobile App promises a superior, convenient, and efficient way of doing online business transactions such as account viewing, monitoring of accounts receivables, and initiation and approval of payments.

e. CMS Client Onboarding via Webinars

The Bank's Cash Management Implementation Team began onboarding clients to the cash management facilities through webinars conducted multiple times in a month. Given the simpler and more intuitive user experience of the improved corporate internet banking platform of the Bank (PNB C@shNet Plus), client onboarding can now be performed outside of the traditional one-on-one implementation. In addition, participants may attend the webinar sessions more than once, should they need a refresher later.

f. Corporate Employee Loan Program (CELP) Platform

The Corporate Employee Loan Program (CELP) is a multipurpose loan facility offered to the employees and members of Accredited Anchor Client / Employer with recourse. Loan proceeds

will be used for the acquisition of brand-new vehicles, purchase of house and/or lot and improvement, and other purposes. The platform helped the Bank save at least 60 minutes (1 hour) of processing per application. With the automated process, the turnaround time of booking decreased from 5-10 days to 3 days.

g. Top Booster Promo

The Bank launched the Top Booster Promo and is open to all New-to-Bank or Existing individual clients who are not employees of PNB and Corporate/Business Accounts without an existing loan availments with PNB, not part of the Lucio Tan Group of Companies, and not owned/held by the government, its political subdivisions, instrumentalities or a government owned and controlled corporation who are willing to maintain an incremental ADB for a period of six (6) months from date of enrollment and earn corresponding cash credits.

h. UITF Mobile

In response to the increasing usage and demand for mobile applications, PNB's Trust Banking Group began transitioning its UITF online facility to the PNB Digital Mobile App. The first module, which allowed existing UITF online clients to view their outstanding UITF investments, was publicly launched in July 2022. The second module was officially launched in November 2022, allowing clients to view their UITF redemption history. Soon, UITF clients will be able to enroll, subscribe, and redeem online through the PNB digital app. PNB has introduced this innovation in order to make every transaction or investment easier for its clients.

5. Related Party Transactions

Please refer to Item 5(e) of the Information Statement.

6. Patents, Trademarks, Licenses, Franchises, Concessions and Royalty Agreements

The Bank's operations are not dependent on any patents, trademarks, copyrights, franchises, concessions, and royalty agreements.

7. Government Approval of Principal Products or Services

Generally, electronic banking (e-banking) products and services require BSP approval. New deposit products require notification to be sent to the BSP. The Bank has complied with the aforementioned BSP requirements.

8. Estimate of Amount Spent for Research and Development Activities

The Bank provides an adequate budget for the development of new products and services which includes hardware and system development, continuous education and market research. Estimated amount spent for 2022, 2021 and 2020 totaled ₱707.6 million, ₱755.5 million and ₱862.4 million, respectively.

9. Number of Employees

The total employees of the Bank as of December 31, 2022, is 8,318, of which 4,452 are classified as Bank Officers and 3,866 as rank-and-file employees, broken down as follows:

	Total
Officers:	
Vice President and up	142
Assistant Manager up to Senior Assistant Vice President	4,310
Rank and file	3,866
Total	8,318

The Bank shall continue to pursue selective and purposive hiring strictly based on business requirements. The Bank has embarked on a number of initiatives to improve operational efficiency.

With regard to the Collective Bargaining Agreement (CBA), the Bank's regular rank and file employees are represented by a Union. Total union membership is 3,243 out of 3,866 rank and file employees or approximately 84% of the total rank and file population. The CBA has been renewed for a three (3)- year period from July 1, 2022 to June 30, 2025.

The Bank has not suffered any strikes, and the Management of the Bank considers its relations with its employees and the Union as harmonious and mutually beneficial. Industrial Peace is continuously being enjoyed by both Management and the Union.

10. Risk Management

Banking

As a financial institution with various allied undertakings with an international footprint, PNB continues to comply with an evolving and regulatory and legislative framework in each of the jurisdictions in which it operates. The nature and the impact of future changes in laws and regulations are not always predictable. These changes have implications on the way business is conducted and corresponding potential impact to capital and liquidity.

Effective risk management is essential to consistent and sustainable performance for all the Bank's stakeholders and is therefore a central part of the financial and operational management of the Group. PNB adds value to clients and therefore the communities in which it operates, generating returns for stockholders by taking and managing risk.

Through its Enterprise Risk Management Framework (ERMF), the Bank manages risks across the enterprise, with the objective of maximizing risk-adjusted returns while remaining within its risk appetite. The BOD of the Bank plays a pivotal role and has the ultimate responsibility in bank governance through their focus on two factors that will ultimately determine the success of the Bank, viz.: (1) responsibility for the Bank's strategic objectives, and (2) assurance that such will be executed by choice of talents.

Strong independent oversight has been established at all levels within the Bank. The Bank's BOD has delegated specific responsibilities to various Board Committees, which are integral to PNB's ERMF and allow executive management, through management committees, to evaluate the risks inherent in the business and to manage them effectively.

There are eight (8) Board Committees, to wit:
Executive Committee (EXCOM)
Board Strategy & Policy Committee (BSPC)
Board Audit & Compliance Committee (BACC)
Board Oversight Related Party Transactions Committee (BORC)
Corporate Governance Committee (CorGov)
Board Information Technology Governance Committee (BITGC)
Risk Oversight Committee (ROC)
Trust Committee (TrustCom)

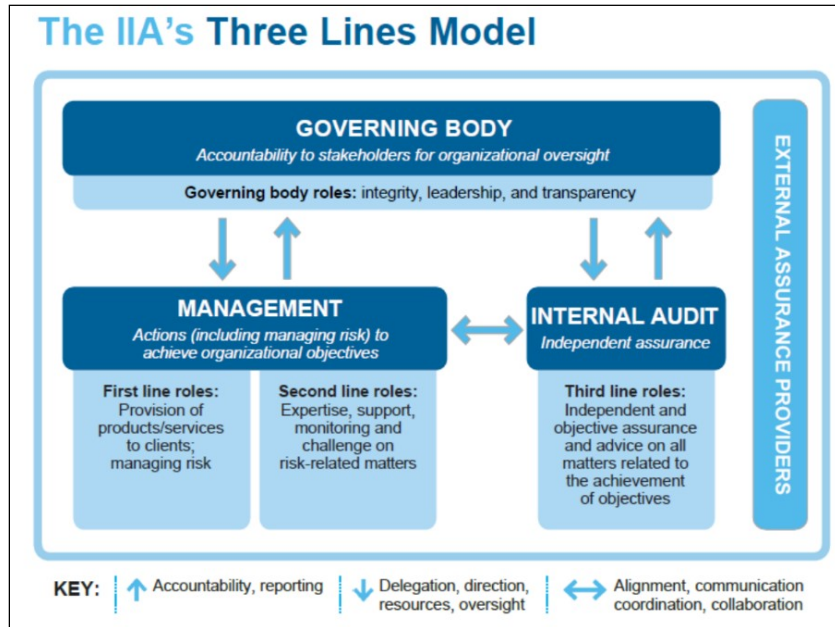
A sound, robust and effective ERMF coupled with global best practices are recognized as a necessity and are the prime responsibility of the BOD and senior management. The approach to risk is founded on strong corporate governance practices that are intended to strengthen the enterprise risk management of PNB while positioning the Group to manage the changing regulatory environment in an effective and efficient manner.

The Management Risk Committee (MRC) is a forum that ensures that the Bank's ERMF is operationalized, and that Senior Management has an enterprise-level view of all material risks and that risk-mitigating actions are properly determined and effectively executed.

Mainly composed of the Bank's Sector and Group heads, the MRC will be responsible for reviewing and monitoring enterprise level risks and assessing risk responses proposed or taken by the relevant risk owner, and for providing inputs to the ERMF process. The committee periodically assesses and ensures that the Bank's risk appetite statements are aligned with the business strategy and the overall objectives.

The approach to managing risk is outlined in the Bank's ERMF which creates the context for setting policies, standards, and establishing the right practices throughout the Group. It defines the risk management processes and sets out the activities, tools, and organizational structure to ensure that material risks are identified, measured, monitored, and managed.

PNB's ERMF, with regular reviews and updates, has served the Bank well and has been resilient through economic cycles. The organization has placed a strong reliance on this risk governance framework and the Three Lines Model: Governing Body, Management, and Internal Audit, which is fundamental to PNB's aspiration to be world-class at managing risk:



The Governing Body's role, through the Board of the Directors, ensures that there is an effective governance structure in place, where the Bank's objectives and activities are aligned with the interests of its stakeholders.

Management refers to the lines of business that are directly involved in managing risks and the support units that provide expertise and insight to the first line in managing risks. Second line roles include the Risk Management Group (RMG), the Enterprise Information & Cyber Security Group (EICSG) and the Global Compliance Group (GCG).

Internal Audit or the third line role, provides independent and objective assurance and advice on the adequacy and effectiveness of the Bank's control, governance, and risk management processes. It reports its findings to Management and the BACC to promote and facilitate continuous improvement.

The risk management framework of the Bank is under the direct oversight of the Head of Risk Management Group and Chief Risk Officer (CRO) who reports directly to the ROC. The CRO is supported by Division Heads with specialized risk management functions to ensure that a robust organization is maintained. The Risk Management Group (RMG) is independent from the business lines and organized into the following divisions: Credit Risk Division, ICAAP & Operational Risk Management Division, Market & ALM Division, Business Continuity Management and Vendor Risk Monitoring Division, Trust Risk Division, Business Intelligence & Warehouse Division, Model Validation Division and Administrative & Support Department.

Each division monitors the implementation of the processes and procedures that support the policies for risk management applicable to the organization. These board approved policies clearly define the kinds of risks to be managed, set forth the organizational structure and provide appropriate training necessary to manage and control risks.

The Bank's governance policies also provide for the validation, audits & compliance testing, to measure the effectiveness and suitability of the risk management structure. The Risk Management Group also functions as Secretariat to both the ROC and the MRC which meet monthly to discuss the immediate previous month's total risk profile according to the material risks defined by the Bank in its Internal Capital Adequacy Assessment Process (ICAAP) document.

Further, each risk division engages with all levels of the organization among its business and support groups. This ensures that the risk management and monitoring is embedded at origination.

The risk management system and the directors' criteria for assessing its effectiveness are revisited on an annual basis and limit settings are discussed with the business units and presented to the ROC for endorsement for final BOD approval.

In line with the integration of the BSP required ICAAP and risk management processes, PNB currently monitors the following material risks:

Pillar 1 Risks:

Credit Risk (includes Counterparty and Country Risks);
Market Risk; and
Operational Risk.

Pillar 2 Risks:

Credit Concentration Risk;
Interest Rate Risk in Banking Book (IRRBB);
Liquidity Risk;
Reputational Risk;
Strategic Business Risk;
Model Risk;
Information Security/ Cyber Security / Data Privacy Risk; and
Information Technology Risk
Human Resource Risk

Pillar 1 Risk Weighted Assets are computed based on the guidelines set forth in BSP Circular No. 538, Series of 2006, using the Standard Approach for Credit and Market Risks and Basic Indicator Approach for Operational Risks. Discussions that follow below are for Pillar 1 Risks with specific discussions relating to Pillar 2 risks mentioned above:

Risk Categories and Definitions

The risk process follows these four main aspects: Identification, Measurement, Evaluation (analysis) and Management (i.e. monitor, control and mitigate). Under the Bank's ERMF, risks are broadly classified and defined into the following categories and are managed according to their characteristics:

Risk Category	Risk Definition	Risk Management Tools
Credit/counterparty Risk and Credit Concentration Risks	Credit/counterparty risk is the risk to earnings or capital that arises from an obligor/s, customer/s or counterparty's failure to perform and meet the terms of its contract. Credit concentration risk arises from excessive exposures to individual counterparties, groups of related counterparties and groups of counterparties with similar characteristics (e.g., counterparties in specific geographical locations, economic or industry sector). Its potential loss implications are large enough relative to a bank's capital, total assets, or	• Trend Analysis (Portfolio / Past Due and NPL Levels) • Monitoring of Compliance to Regulatory and Internal Limits • Stress Testing • Rapid Portfolio Review • CRR Migration • Monitoring of Credit Risk Rating Migration • Movement of Portfolio Concentrations and Demographics Review • Large Exposure Report • Adequacy of Loan Loss

Risk Category	Risk Definition	Risk Management Tools
	overall risk level, to threaten a financial institution's health or ability to maintain its core operations. It is inherent in a bank's assets, liabilities or off-balance sheet items, through the execution or processing of transactions (either product or service), or through a combination of exposures across these broad categories. The potential for loss reflects the size of the position and the extent of loss given a particular adverse circumstance. (BSP MORB Sec 301.6, Series of 2009; BCBS).	- Reserves Review - Specialized Credit Monitoring on Real Estate - Pre- and Post-Credit Risk review
Market Risk	Market risk is the risk to earnings or capital arising from adverse movements in factors that affect the market value of financial instruments, products, and transactions in an institution's overall portfolio, both on or off-balance sheet and contingent financial contracts. Market risk arises from market-making, dealing and position taking in interest rate, foreign exchange, equity, and commodities market. (BSP Cir. No. 544, Series of 2006).	- Value at Risk (VaR) Limits - Utilization monitoring - Stop Loss Limits - Management Triggers - Risk Sensitivity / Duration Report - ROP Exposure Limit - Limit to Derivatives / Structured Products - Stress Testing - BSP Uniform Stress Testing
Liquidity Risk	Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from a financial institution's inability to meet its obligations when they come due. Liquidity risk includes the inability to manage unplanned decreases or changes in funding sources. Liquidity risk also arises from the failure to recognize or address changes in market conditions that affect the Bank's ability to liquidate assets quickly and with minimal loss in value. (BSP Cir. No. 510/545).	- Maximum Cumulative Outflow (MCO) Limits - Liquid Assets Monitoring, Ratios and Gap Analysis - Stress testing - Large Fund Provider Analysis - Funding Liquidity / Contingency Planning
Interest Rate Risk in the Banking Books (IRRBB)	Interest rate risk is the current and prospective risk to earnings or capital arising from movements in interest rates. It arises from differences between the timing of rate changes and the timing of cash flows (repricing risk); from changing rate relationships among different yield curves affecting financial institution (FI) activities (basis risk); from changing rate relationships across the spectrum of maturities (yield curve risk); and from interest-related options embedded in FI products (options risk). The amount at risk is a function of the magnitude and direction of interest rate changes and the size and maturity structure of the mismatch position. (BSP Circ 1044, Series of 2019).	- EAR Limits Measurement and Monitoring - Balance Sheet Profiling - Interest Repricing Gap Analysis - Economic Value of Equity (EVE) - Stress testing - BSP Uniform Stress Testing
Operational Risk	Operational Risk refers to the risk of loss resulting from inadequate or failed internal	Various Internal Control measures

Risk Category	Risk Definition	Risk Management Tools
	processes, people, and systems, or from external events. This definition includes Legal Risk but excludes Strategic and Reputational Risk. Operational Risk is inherent in all activities, products and services, and cuts across multiple activities and business lines within the financial institution and across the different entities in a banking group or conglomerate where the financial institution belongs. (BSP Circular 900, dated 18 January 2016)	• Board-Approved Operating Policies and Procedures Manuals • Board-Approved Product Manuals • Loss Events Report (LER) • Risk and Control Self-Assessment (RCSA) • Key Risk Indicators (KRI) • Fraud Management Program • Statistical Analysis • Monitoring of Trading activities: • Exception Report on Traders' Limit • Exception Report on Rate Tolerance • Monitoring of Pillar II Risks fall under the purview of Operational Risk Management: • Risk Identification • Risk Maps • Risk Measurement and Analysis • ICAAP Risk Assessment
Business Continuity & Disaster Recovery	Business Continuity risk is the risk that an organization cannot maintain state of continued, uninterrupted operation of a business when its primary location of business(es) becomes inoperable due to unforeseen natural and man-made disaster or loss events. Disaster Recovery risk is the risk to the organization where the primary location of its technology assets that enables continuity of business becomes inoperable. (BSP 808 Series of 2013, BIS High-level Principles for Business Continuity 2006).	• BCP Planning (Business Impact Analysis, Risk Assessment, Recovery Strategies & BCP Testing). • Crisis Management Plan • Business Impact Analysis (BIA) • Business Continuity Risk Assessment (BCRA) • Departmental Business Continuity Plan (BCP) • Test Script confirmations • ITG BC-DRP Test Reports • Tabletop Tests • Call Tree Tests • Business Continuity Daily Incident Monitoring
Vendor Risk	Vendor Risk is the risk associated with the engagement with vendors, partners or service providers that may adversely impact the Bank's systems/applications, employee, customer, financial information, reputation, operation, strategic, regulatory and policies.	• Vendor Risk Assessment • Vendor Risk Rating • Performance Evaluation • Vendor Risk Management Monitoring Masterfile • Performance of Due Diligence during Vendor Selection • Periodic review of (existing)

Risk Category	Risk Definition	Risk Management Tools
		vendor/service provider's performance (based on agreed services stated in the agreement), standing, and regulatory compliances.
Reputational Risk	Reputational risk is the current and prospective impact on earnings or capital arising from negative public opinion. This affects the Bank's ability to establish new relationships or services or continue servicing existing relationships. This risk may expose the Bank to litigation, financial loss, or a decline in its customer base. In extreme cases, the Bank loses its reputation and may suffer a bank run. (BSP Cir. No. 510, dated 03 Feb 2006). Reputational Risk also covers Customer Franchise Risk and Consumer Protection Risk. Customer Franchise Risk is defined in the Bank's Policy on ICAAP, as the failure to find, attract, and win new clients, nurture, and retain those the Bank already has, and entice former clients back into the fold as well as the failure to meet client's expectation in delivering the Bank's products and services. Consumer Protection Risk is defined as failure of the bank to deliver its mandate to provide appropriate service and protection to its financial consumers.	• Consolidated Complaints Report • After Call Satisfaction Survey • Public Relations Campaign • Profiling on the mobile and internet banking users • Security measures for Digital Banking • Fraud Management Program • Social Media Management Framework • Media Monitoring Tool • Customer Feedback mechanism
Strategic Business Risks	Strategic business risk is the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes. This risk is a function of the compatibility of the firm's strategic goals, the business strategies developed to achieve those goals, the resources deployed against these goals, and the quality of implementation. (BSP Cir. No. 510, dated 03 Feb 2006).	• Regular ALCO Financial Updates • Seminars and Economic briefings • Banking industry reports and industry research studies • Research Division's economic reports and forecasting and equities reports • Management Profitability Reports • Compliance Updates on new, revised regulations • Retail Bank / Corporate Bank / Retail Lending weekly updates on performance/ volume levels • Annual Strategic Planning Exercise
Model Risk	Model Risk is the risk that a model is not providing accurate output, being used inappropriately or that the implementation of an appropriate model is flawed. It can	• Model validation report • Model inventory • Model exception monitoring database

Risk Category	Risk Definition	Risk Management Tools
	arise in a variety of forms and at different points within the model lifecycle i.e., Model Development, Model Implementation and Model Use. (Financial Services Board 2010 quoted by SGV Seminar on Model Risk Management and Validation for PNB, 03 October 2019).	• Model Risk Assessment (Model Health & Model Materiality)
Information Security/ Cyber Security Risk	Information Security (Infosec) risk is the risk to organizational operations (including mission, functions, image, and reputation), organizational assets, and individuals due to the potential for unauthorized access, use, disclosure, disruption, modification or destruction of information or information assets that will compromise the Confidentiality, Integrity, and Availability (CIA). This covers data or information being processed, in storage or in transit. Cyber Risk is the risk associated with financial loss, disruption or damage to the reputation of an organization from failure, unauthorized or erroneous use of its information systems. (NIST IR 7298 Revision 2, Glossary of Key Information Security Terms, Page Numbers 98 & 100)	• Incident Reporting Management • Information Security Policy Formulation • Risk Assessment • Information Security Management System Implementation • Continuous InfoSec / cyber risk awareness campaigns • Network Security Protection • Limits on Access Privileges • Scanning of outbound and inbound digital traffic • Installation of firewalls, IPS/IDS, enterprise security solution (anti-virus for endpoint, email and internet). • Conduct of internal and 3rd party vulnerability assessments and penetration testing (to include social engineering tests) and follow through on remediation of threats and risks
Data Privacy Risk	Data Privacy Risks are those that could lead to the unauthorized collection, use, disclosure or access of personal data. It includes risks that the confidentiality, integrity and availability of personal data will not be maintained, or the risk that processing will violate the rights of data subjects or the privacy principles (transparency, legitimacy and proportionality). Consequently, the data privacy risks may negatively impact the Bank's reputation and may result to noncompliance issue and financial losses. (Data Privacy Act of 2012 or RA 10173).	• Enterprise-wide Implementation of Data Privacy Management System • Institutionalization of data privacy and protection culture within the group through regular awareness programs • Conduct of Privacy Impact Assessment (PIA) as required by DPA of 2012
Information Technology Risk	Information Technology Risk is any potential adverse outcome, damage, loss, violation, failure or disruption associated with the use of or reliance on computer hardware, software, devices, systems, applications and networks. (BSP Circular 808) It is also a business risk that is associated with the use, ownership, operation, involvement, influence and adoption of IT within the Bank [2]. It	• Risk Awareness Campaigns • IT Risk Assessments • Formal Project Management Program adoption • Vulnerability Assessment and Penetration Testing • Maintenance and upgrades of disaster recovery sites • Business Users / IT joint

Risk Category	Risk Definition	Risk Management Tools
	consists of IT-related events that could potentially impact the business. IT Risk includes Information Security Risk that could result from non-preservation of any or all of the domains of information security; that is, confidentiality, integrity and availability of information asset. (ISACA Risk IT Framework).	- engagement for problem resolution - Technology Operations Management Policies & Guidelines - IT Risk Monitoring - IT Risk Assessment - Project Risk Assessment
Human Resource Risk	Human Resource Risk covers the Bank's risk of financial loss due to the inadequate training, inexperience, or illegal activities of risk-taking behavior of personnel. This risk is closely related to operations risk and its internal control aspects. It highlights the human side of risk-taking and the role and adequacy of code of conduct, personnel policies, training and development programs, ability to recruit and retain employees through adequate compensation and benefits and ability to sustain adequate workforce through succession planning.	- Institutionalize policies covering: - Talent Acquisition/Retention and Career Management; - Remuneration Management; - Performance Appraisal System covering the following main tools: - Sourcing and Screening of Candidates - General Qualification Requirements for Applicants - Screening and Pre-employment Assessment Exams - Selection Interviews - Candidate Matching – ensuring “job fit” through person/position review - Competitive compensation and employee benefits - Compliance with Labor Law on payment of benefits and salaries - Institutionalize the Bank's Performance Appraisal System (e.g., targets versus achievements) - Provide training and/or issue guidelines to ensure that the process is done objectively.

REGULAR CAPITAL REQUIREMENTS UNDER BASEL III – PILLAR 1 CAPITAL ADEQUACY RATIO

The Bank's Capital Adequacy Ratio as of December 31, 2022 stood at 15.38% on a consolidated basis, while the Risk Weighted Assets (RWA) as of the end of 2022 amounted to ₱758.730 billion composed of ₱646.898 billion (Credit Risk Weighted Assets – CRWA), ₱32.855 billion (Market Risk Weighted Assets – MRWA) and ₱78.977 billion (Operations Risk Weighted Assets – ORWA).

The Bank's total regulatory requirements for the four (4) quarters of 2022 are as follows:

Consolidated	Weighted Exposures (As of End of Every Quarter of 2022)			
(Amounts in ₱ millions)	Dec 31	Sept 30	June 30	Mar 31
CRWA	646,898	688,785	653,838	629,456
MRWA	32,855	41,334	43,326	44,143

ORWA	78,977	78,977	78,977	78,977
Total Risk-Weighted Asset	758,730	809,096	776,141	752,576
Common Equity Tier 1 Ratio	14.58%	13.78%	14.53%	14.01%
Capital Conservation Buffer	8.58%	7.78%	8.53%	8.01%
Total Capital Adequacy Ratio	15.38%	14.49%	15.24%	14.69%

Presented below is the full reconciliation of all regulatory capital elements back to the balance sheet in the audited financial statements as of December 31, 2022 attributable to the Bank (amounts in Php thousands):

Accounts	Balance in FRP	Accounting differences and other adjustments	Balance in audited financial statements
Capital stock	₱61,030,594	₱–	₱61,030,594
Additional paid-in capital	32,106,560	–	32,106,560
Surplus reserves	4,373,141	(859)	4,372,282
Surplus	67,697,114	6,779,755	74,476,869
Net unrealized loss on available-for-sale investments	(5,648,377)	(310,898)	(5,959,275)
Remeasurement losses on retirement plan	(2,244,634)	21,689	(2,222,945)
Accumulated translation adjustment	1,051,631	1,262,816	2,314,447
Other equity reserves	390,517	–	390,517
Share in aggregate reserves on life insurance policies	–	136,096	136,096
TOTAL	₱158,756,546	₱7,888,599	₱166,645,145

Credit Risk-Weighted Assets as of December 31, 2022

The Bank adopts the standardized approach in quantifying the risk-weighted assets. Credit risk exposures are risk weighted based on third party credit assessments of Fitch, Moody's, Standard & Poor's and PhilRatings agencies. The ratings of these agencies are mapped in accordance with the BSP's standards. The following are the consolidated credit exposures of the Bank and the corresponding risk weights:

In ₱ Millions	Exposure, Net of Specific Provision	Exposures covered by Credit Risk Mitigants*	Net Exposure	0%	20%	50%	75%	100%	150%
Cash & Cash Items	22,166	-	22,166	22,135	31	-	-	-	-
Due from BSP	94,714	-	94,714	94,714	-	-	-	-	-
Due from Other Banks	28,091	-	28,091	-	14,852	11,587	-	1,652	-
Financial Asset at FVPL	-	-	-	-	-	-	-	-	-
Available for Sale	1,614	-	1,614	-	-	-	-	1,614	-
Held to Maturity (HTM)	111,833	5,717	106,116	64,060	7,861	25,143	-	9,052	-
Unquoted Debt Securities	-	-	-	-	-	-	-	-	-
Loans & Receivables	600,354	5,168	595,186	207	74,633	32,755	-	471,072	16,520
Loans and Receivables Arising from Repurchase Agreements, Securities Lending	64,579	38,250	26,329	26,096	-	233	-	-	-

In ₱ Millions	Exposure, Net of Specific Provision	Exposures covered by Credit Risk Mitigants*	Net Exposure	0%	20%	50%	75%	100%	150%
and Borrowing Transactions									
Sales Contracts Receivable	4,682	-	4,682	-	-	-	-	4,477	205
Real & Other Properties Acquired	10,284	-	10,284	-	-	-	-	-	10,284
Other Assets	26,031	-	26,031	1,431	-	-	-	24,600	-
Total On-Balance Sheet Asset	964,349	49,135	915,215	208,643	97,377	69,718	-	512,467	27,009
Total Risk Weighted Asset - On-Balance Sheet	-	-	-	-	19,475	34,859	-	512,467	40,514
Total Risk Weighted Asset - Off-Balance Sheet Asset	-	-	-	-	-	1,350	-	33,599	-
Counterparty Risk Weighted Asset in Banking Book	-	-	-	-	-	434	-	-	-
Counterparty Risk Weighted Asset in Trading Book				-	-	1,491		470	-

* Credit Risk Mitigants used are cash, guarantees and warrants.

Market Risk-Weighted Assets as of December 31, 2022

The Bank's regulatory capital requirements for market risks of the trading portfolio are determined using the standardized approach ("TSA"). Under this approach, interest rate exposures are charged both for specific risks and general market risk. The general market risk charge for trading and Fair Value through Other Comprehensive Income (FVOCI) portfolio is calculated based on the instrument's coupon and remaining maturity with risk weights ranging from 0% for items with very low market risk (i.e., tenor of less than 30 days) to a high of 12.5% for high risk-items (i.e. tenor greater than 20 years), while capital requirements for specific risk are also calculated for exposures with risk weights ranging from 0% to 8% depending on the issuer's credit rating. On the other hand, the equities portfolio is charged 8% for both specific and general market risk, while foreign exchange (FX) exposures are charged 8% for general market risks only.

Capital Requirements by Market Risk Type under the Standardized Approach

(Amounts in ₱ Million)	Capital Charge (a)	Adjusted Capital Charge (b) b= a*125% 1/	Market Risk Weighted Exposures (c) c= b*10 2/
Interest Rate Exposures	2,520.647	3,150.809	31,508.085
Specific Risk	1,047.803	1,309.753	13,097.531
General Market Risk	1,472.844	1,841.056	18,410.554
Equity Exposures	0.464	0.579	5.796
Foreign Exchange Exposures	107.240	134.049	1,340.494
Total	2,628.351	3,285.437	32,854.375
Notes:			

1/ Capital charge is multiplied by 125% to be consistent with BSP required minimum Capital Adequacy Ratio (CAR) of 10%, which is 25% higher than the Basel minimum of 8%.

2/ Adjusted capital charge is multiplied by 10 (i.e., the reciprocal of the minimum capital ratio of 10%)

The following are the Bank's exposure with assigned market risk capital charge.

Interest Rate Exposures consist of specific risk and general market risk.

Specific Risk

Specific Risk which reflects the type of issuer of the combined portfolio of financial assets designated at Fair Value through Profit or Loss (FVPL) and FVOCI is ₱138,383.947 billion and is composed of securities with various tenors that are subjected to risk weight ranging from 0% to 8%. Five percent (5%) of these securities are issued by the Republic of the Philippines (ROP), while 4% is attributable to debt securities rated AAA to BBB- issued by other entities. The remaining portfolio consists of all other debt securities that are issued by other entities. Three percent (3%) of this combined portfolio is composed of USD-denominated debt securities issued by the Philippines with applicable risk weight of 0.25% to 1.6%. On the other hand, the Bank's holding in peso denominated securities which are estimated at eighty percent (80%) of the portfolio have zero risk weight.

Part IV.1a INTEREST RATE EXPOSURES – SPECIFIC RISK (Amounts in ₱ million)							
	Positions	Risk Weight					Total
		0.00%	0.25%	1.00%	1.60%	8.00%	
PHP-denominated debt securities issued by the Philippine National Government (NG) and BSP	Long	111,043.912					111,043.912
	Short						
FCY-denominated debt securities issued by the Philippine NG/BSP	Long		1,506.231	1,341.051	3,417.113		6,264.395
	Short		–	–	–		
Debt securities/derivatives with credit rating BBB- and above issued by other sovereigns	Long		2,371.217	353.102	1,721.389		4,445.708
	Short		–	–	–		
Debt securities/derivatives with credit rating of AAA to BBB-issued by other entities	Long		860.127	758.166	2,057.996		5,676.289
	Short		–	–	–		
All other debt securities/derivatives that are below BBB- and unrated	Long					10,953.643	10,953.643
	Short						
Subtotal	Long	111,043.912	4,737.575	4,452.319	7,196.498	10,953.643	138,383.947
	Short	–	–	–	–	–	–
Risk Weighted Exposures [Sum of long and short positions times the risk weight]		–	11.844	44.523	115.144	876.291	1,047.803
Specific Risk Capital Charge for Credit-Linked Notes and Similar Products							
Specific Risk Capital Charge for Credit Default Swaps and							

Part IV.1a INTEREST RATE EXPOSURES – SPECIFIC RISK (Amounts in ₱ million)							
	Positions	Risk Weight					
		0.00%	0.25%	1.00%	1.60%	8.00%	Total
Total Return Swaps							
SPECIFIC RISK CAPITAL CHARGE FOR DEBT SECURITIES AND DEBT DERIVATIVES		–	11.844	44.523	115.144	876.291	1,047.803

General Market Risk – Peso

The Bank's total General Market Risk of its Peso debt securities and interest rate derivative exposure is ₱122,370.885 million. In terms of weighted positions, the greater portion (21%) of the Bank's capital charge comes from the Over 2 years to 3 years bucket at ₱25,181.274 million as well as Over 1 year to 2 years bucket (17%) at ₱20,493.656 million or a combined capital charge of ₱696.843 million. The remaining weighted positions (83%) are distributed over the remaining buckets.

Currency: PESO							
PART IV.1d GENERAL MARKET RISK (Amounts in ₱ million)							
Zone	Time Bands		Debt Securities & Debt Derivatives/Interest Rate Derivatives		Risk Weight	Weighted Positions	
			Total Individual Positions				
	Coupon 3% or more	Coupon less than 3%	Long	Short		Long	Short
1	1 month or less	1 month or less	94,839.534	22,001.729	0.00%	0.000	0.000
	Over 1M to 3M	Over 1M to 3M	9,042.074	28,237.665	0.20%	18.084	56.475
	Over 3M to 6M	Over 3M to 6M	10,172.043	2,374.880	0.40%	40.688	9.500
	Over 6M to 12M	Over 6M to 12M	6,448.963	2,761.591	0.70%	45.143	19.331
2	Over 1Y to 2Y	Over 1.0Y to 1.9Y	20,493.656	0.000	1.25%	256.171	0.000
	Over 2Y to 3Y	Over 1.9Y to 2.8Y	25,181.274	0.000	1.75%	440.672	0.000
	Over 3Y to 4Y	Over 2.8Y to 3.6Y	2,374.896	0.000	2.25%	53.435	0.000
3	Over 4Y to 5Y	Over 3.6Y to 4.3Y	2,382.759	0.000	2.75%	65.526	0.000
	Over 5Y to 7Y	Over 4.3Y to 5.7Y	6,800.413	0.000	3.25%	221.013	0.000
	Over 7Y to 10Y	Over 5.7Y to 7.3Y	10.393	0.000	3.75%	0.390	0.000
	Over 10Y to 15Y	Over 7.3Y to 9.3Y	0.000	0.000	4.50%	0.000	0.000
	Over 15Y to 20Y	Over 9.3Y to 10.6Y	0.746	0.000	5.25%	0.039	0.000
	Over 20Y	Over 10.6Y to 12Y	0.000	0.000	6.00%	0.000	0.000
		Over 12Y to 20Y	0.000	0.000	8.00%	0.000	0.000
	Over 20Y	0.000	0.000	12.50%	0.000	0.000	
Total			177,746.751	55,375.866		1,141.161	85.306
Overall Net Open Position							1,055.855
Vertical Disallowance							4.691
Horizontal Disallowance							15.356
TOTAL GENERAL MARKET RISK CAPITAL CHARGE							1,075.903

General Market Risk – US Dollar

The capital charge on the Bank's General Market Risk from dollar-denominated exposures is ₱386.273 million. The exposure is concentrated under the Over 5 year to 7 years' time bucket with risk weight of 3.25% resulting in a capital charge of ₱83.379 million. The balance is distributed across other time buckets up to over 20 years with capital charge ranging from ₱0.037 million to ₱75.117 million.

Currency: USD				
PART IV.1d GENERAL MARKET RISK (Amounts in ₱0.000 million)				
Zone	Time Bands	Debt Securities & Debt Derivatives/Interest Rate Derivatives	Risk Weight	Weighted Positions
		Total Individual Positions		

	Coupon 3% or more	Coupon less than 3%	Long	Short		Long	Short
1	1 month or less	1 month or less	28,858.073	54,255.076	0.00%	0.000	0.000
	Over 1M to 3M	Over 1M to 3M	32,035.502	5,463.990	0.20%	64.071	10.928
	Over 3M to 6M	Over 3M to 6M	6,356.531	4,629.317	0.40%	25.426	18.517
	Over 6M to 12M	Over 6M to 12M	3,284.826	1,393.875	0.70%	22.994	9.757
2	Over 1Y to 2Y	Over 1.0Y to 1.9Y	4,158.244	0.000	1.25%	51.978	0.000
	Over 2Y to 3Y	Over 1.9Y to 2.8Y	4,292.371	0.000	1.75%	75.117	0.000
	Over 3Y to 4Y	Over 2.8Y to 3.6Y	2,578.986	0.000	2.25%	58.027	0.000
3	Over 4Y to 5Y	Over 3.6Y to 4.3Y	1,496.242	0.000	2.75%	41.147	0.000
	Over 5Y to 7Y	Over 4.3Y to 5.7Y	2,565.518	0.000	3.25%	83.379	0.000
	Over 7Y to 10Y	Over 5.7Y to 7.3Y	51.712	0.000	3.75%	1.939	0.000
	Over 10Y to 15Y	Over 7.3Y to 9.3Y	27.304	0.000	4.50%	1.229	0.000
	Over 15Y to 20Y	Over 9.3Y to 10.6Y	0.710	0.000	5.25%	0.037	0.000
	Over 20Y	Over 10.6Y to 12Y	0.000	0.000	6.00%	0.000	0.000
		Over 12Y to 20Y	0.000	0.000	8.00%	0.000	0.000
		Over 20Y	1.052	0.000	12.50%	0.132	0.000
Total			85,707.072	65,742.258		425.475	39.202
Overall Net Open Position							386.273
Vertical Disallowance							3.920
Horizontal Disallowance							0.000
TOTAL GENERAL MARKET RISK CAPITAL CHARGE							390.193

General Market Risk – Third currencies

The Bank is likewise exposed to various third currencies contracts, most of them are in less than 30 days and thus carries a 0% risk weight. The combined general market risk charge for contracts in Australian Dollar (AUD), Singaporean Dollar (SGD), Hong Kong Dollar (HKD), New Zealand Dollar (NZD), Euro (EUR), and Pound Sterling (GBP) is ₪1.043 million with risk weight of 0.20%.

PART IV.1d GENERAL MARKET RISK (Amounts in ₪ million)										
Currency	Time Bands	Total Debt Securities & Debt Derivatives/Interest Rate Derivatives		Risk Weight	Weighted Positions		Overall Net Open Position	Vertical dis allowance	Horizontal dis allowance within	Total General Market Risk Capital Charge
		Long	Short		Long	Short				
AUD	1 month or less	0.000	26.290	0.00%	0.000	0.000				
	Over 1M to 3M	0.000	0.000	0.20%	0.000	0.000				
TOTAL		0.000	26.290		0.000	0.000	0.000	–	–	0.000
SGD	1 month or less	0.000	70.226	0.00%	0.000	0.000				
	Over 1M to 3M	0.000	279.023	0.20%	0.000	0.558				
TOTAL		0.000	349.248		0.000	0.558	0.558	–	–	0.558
JPY	1 month or less	–	186.593	0.00%	–	–				
		–	186.593		–	–	–	–	–	–
HKD	1 month or less	0.000	1,150.449	0.00%	0.000	0.000				
	Over 1M to 3M	0.000	1,261.245	0.20%	0.000	2.522				
	Over 3M to 6M	0.000	441.833	0.40%	0.000	1.767				
TOTAL		0.000	2,853.527		0.000	4.290	4.290	–	–	4.290
KRW	1 month or less	2,865.484	2,865.484	0.00%	–	–				

PART IV.1d GENERAL MARKET RISK (Amounts in ₱ million)										
Currency	Time Bands	Total Debt Securities & Debt Derivatives/Interest Rate Derivatives		Risk Weight	Weighted Positions		Overall Net Open Position	Vertical dis allowance	Horizontal dis allowance within	Total General Market Risk Capital Charge
		Long	Short		Long	Short				
	Over 1M to 3M	0.000	0.000	0.20%	—					
TOTAL		2,865.484	2,865.484		—					
NZD	1 month or less	0.000	0.000	0.00%	0.000	0.000				
	Over 1M to 3M	0.000	14.070	0.20%	0.000	0.028				
TOTAL		0.000	14.070		—	0.028	0.028	—	—	0.028
EUR	1 month or less	34.154	147.918	0.00%	0.000	0.000				
	Over 1M to 3M	0.000	118.334	0.20%	0.000	0.237				
	Over 3M to 6M	3,404.481	3,404.481	0.40%	13.618	13.618				
TOTAL		3,438.635	3,670.733		13.618	13.855	0.237	1.362	—	1.598
GBP	1 month or less	—	40.200	0.00%	0.000	0.000				
	Over 1M to 3M	—	67.001	0.20%	0.000	0.134				
TOTAL		0.000	107.201		0.000	0.134	0.134	—	—	0.134
CAD	1 month or less	0.000	0.000	0.00%	0.000	0.000				
	Over 1M to 3M	0.000	69.653	0.20%	0.000	0.139				
TOTAL		0.000	69.653		0.000	0.139	0.139	—	—	0.139
TOTAL THIRD CURRENCIES										6.747

Equity Exposures

The Bank's holdings are in the form of preferred stocks traded in the Philippine Stock Exchange, with 8% risk weight both for specific and general market risk. The Bank's capital charge for equity weighted positions is ₱0.464 million or total risk-weighted equity exposures of ₱5.796 million.

Item	Nature of Item	Positions	Stock Markets
			Philippines
A.1	Common Stocks	Long	—
		Short	—
A.9	Others	Long	2.898
		Short	—
A.10	TOTAL	Long	2.898
		Short	—
B.	Gross (long plus short) positions (A.10)		2.898
C.	Risk Weights		8%
D.	Specific risk capital (B. times C.)		0.232
E.	Net long or short positions		2.898
F.	Risk Weights		8%
G.	General market risk capital charges (E. times F.)		0.232
H.	Total Capital Charge for Equity Exposures (sum of D. and G.)		0.464
I.	Adjusted Capital Charge for Equity Exposures (H. times 125%)		0.580
J.	TOTAL RISK-WEIGHTED EQUITY EXPOSURES (I. X 10)		5.796

Foreign Exchange Exposures

The Bank's exposure to FX Risk carries a capital charge of ₱1,340.494 million. This includes ₱1.008 million arising from exposure in Non-Deliverable Forwards (NDFs) which carries a 4% risk weight, while ₱1,339.486 million is from FX Exposures with 8% risk weight in FX assets and FX liabilities in USD, and third currencies not limited to Japanese Yen (JPY), Swiss Franc (CHF), GBP, EUR, CAD, AUD, SGD and other minor currencies.

Part IV. 3 FOREIGN EXCHANGE EXPOSURES (as of December 31, 2022)						
	Closing Rate USD/₱:				50.999	
Nature of Item	Currency	In Million USD Equivalent			In Million Pesos	
		Net Long/(Short) Position (excluding options)		Net Delta-Weighted Positions of FX Options	Total Net Long/(Short) Positions	Total Net Long/(Short) Position
		Banks	Subsidiaries /Affiliates			
		1	2	3	4=1+2+3	5
Currency						
A.1 U.S. Dollar	USD	12.658	1.377		14.035	782.526
A.2 Japanese Yen	JPY	2.762	0.340		3.103	173.000
A.3 Swiss Franc	CHF	0.465	0.000		0.465	25.937
A.4 Pound Sterling	GBP	0.043	(0.170)		(0.127)	(7.073)
A.5 Euro	EUR	0.711	0.032		0.743	41.453
A.6 Canadian Dollar	CAD	(0.080)	0.000		(0.080)	(4.455)
A.7 Australian Dollar	AUD	0.027	0.000		0.027	1.511
A.8 Singapore Dollar	SGD	3.042	0.000		3.042	169.634
A.9 Foreign currencies not separately specified above						
Arab Emirates Dirham	AED	0.096	0.000		0.096	5.350
Bahrain Dinar	BHD	0.004	0.000		0.004	0.214
Brunei Dollar	BND	0.001	0.000		0.001	0.029
Yuan Renminbi	CNY	(0.292)	0.000		(0.292)	(16.261)
Hongkong Dollar	HKD	1.893	0.525		2.417	134.774
Korean Won	KRW	0.082	0.000		0.082	4.574
Malaysian Ringgit	MYR	0.003	0.000		0.003	0.190
Norwegian Krone	NOK	0.000	0.000		0.000	0.000
New Zealand Dollar	NZD	(0.040)	0.000		(0.040)	(2.252)
Saudi Riyal	SAR	(0.009)	0.000		(0.009)	(0.478)
Thai Baht	THB	0.003	0.000		0.003	0.163
Taiwan Dollar	TWD	0.002	0.000		0.002	0.129
Indo Rupiah	INR	0.000	0.000		0.000	0.000
A.10 Sum of net long positions						1,339.486
A.11 Sum of net short positions						(30.519)
B. Overall net open positions 1/						1,339.486
C. Risk Weight						8%
D. Total Capital Charge for Foreign Exchange Exposures (B. times C.)						107.159
E. Adjusted Capital Charge for Foreign Exchange Exposures (D. times 125%)						133.949
F. Total Risk-Weighted Foreign Exchange Exposures, Excluding Incremental Risk-Weighted Foreign Exchange Exposures Arising from NDF Transactions (E. times 10)						1,339.486
G. INCREMENTAL RISK-WEIGHTED FOREIGN EXCHANGE EXPOSURES ARISING FROM NDF TRANSACTIONS (Part IV.3A, Item F.)						1.008
H. TOTAL RISK WEIGHTED FOREIGN EXCHANGE EXPOSURES (Sum of F. and G.)						1,340.494

Operational Risk – Weighted Assets

The Bank uses the Basic Indicator Approach in quantifying the risk-weighted assets for Operational Risk. Under the Basic Indicator Approach, the Bank is required to hold capital for operational risk equal to the average over the previous three years of a fixed percentage (15% for this approach) of positive annual gross income (figures in respect of any year in which annual gross income was negative or zero are excluded).

(Amounts in ₱ Million) Consolidated as of December 31, 2022	Gross Income	Capital Requirement (15% x Gross Income)
2019 (Year 3)	41,827	6,274
2020 (Year 2)	43,151	6,473
2021 (Last Year)	41,386	6,208
Average for 3 Years		6,318
Adjusted Capital Charge	Average x 125%	7,898
Total Operational Risk Weighted Asset		78,977

C. Subsidiaries

The following represent the Bank's significant subsidiaries:

Domestic Subsidiaries:

Allied Integrated Holdings Inc. (AIHI) is a wholly owned subsidiary of PNB. It was formerly PNB Savings Bank, which had been converted into a holding company on October 28, 2020 after PNB substantially acquired its assets and liabilities on March 1, 2020 and after its thrift bank license was surrendered to BSP on March 5, 2020.

The SEC duly approved on February 23, 2021 its conversion into a holding company, the change in its corporate name to Allied Integrated Holdings, Inc. (AIHI), as well as the shortening of its corporate life up to December 31, 2022 only, as embodied in its Amended Articles of Incorporation.

Subsequently, on February 10, 2022, the SEC further approved the decrease in the authorized capital stock of AIHI, from ₱15 billion divided into 149,975,000 common shares with a par value of ₱100.00 each and 25,000 preferred shares with a par value of ₱100.00 each, to ₱3 billion divided into 30,000,000 common shares with a par value of ₱100.00 each.

At present, AIHI is mainly tasked with the management of the remaining real estate properties acquired by the former PNB Savings Bank.

AIHI ended the year 2022 with total assets of ₱1.6 billion consisting of ₱1.1 billion in Cash, Real Estate ROPA of ₱236.6 million and Other Assets of ₱227.4 million. Paid Capital Stock was ₱3.0 billion with a Negative Retained Earnings of ₱1.4 billion and a Net Loss of ₱26.4 million in 2022.

PNB Capital and Investment Corporation (PNB Capital), a wholly owned subsidiary of the Bank, is licensed by the SEC to operate as an investment house with a non-quasi-banking license. It was incorporated on July 30, 1997 and commenced operations on October 8, 1997.

As of December 31, 2022, PNB Capital had an authorized capital of ₱2.0 billion or 20,000,000 shares with a par value of ₱100.00 per share and a paid-up capital of ₱1.5 billion equivalent to 15,000,000 shares. Its principal business is to provide investment banking services which include debt and equity underwriting, private placement, loan arrangement, loan syndication, project financing and general financial advisory services, among others. The company is authorized to buy and sell, for its own account, securities issued by private corporations and the Philippine Government. PNB Capital distributes its structured and packaged debt and equity securities by tapping banks, trust companies, insurance companies, retail investors, brokerage houses, funds and other entities that invest in such securities.

Investment banking is a highly regulated industry. Regulatory agencies overseeing PNB Capital include the BSP, the SEC, the Bureau of Internal Revenue, as well as several affiliates, support units and regulatory commissions of these entities.

The primary risks of the company include underwriting, reputational and liability risks. Firstly, underwriting risk pertains to the risk of the market's non-acceptance of securities being offered and underwritten by PNB Capital. In such scenario, the company would have to purchase the offered securities

for its own account. Secondly, reputational risk arises from the possibility that the company may not be able to close mandated deals as committed. Thirdly, liability risk refers to the risk of possible lawsuits filed by the client due to non-performance of committed duties or gross negligence by the company. These primary risks are addressed by:

- ensuring that the staff is well-trained and capable, at the functional and technical level, to provide the services offered;
- understanding the clients' specific needs and goals;
- clarifying and documenting all goals, methodologies, deliverables, timetables and fees before commencing on a project or engagement and including several indemnity clauses to protect PNB Capital from being held liable for actions and situations beyond its control. These indemnity clauses are revised and improved upon after each engagement, as and when new protection clauses are identified;
- having clients fill-up client suitability forms for their investments in instruments underwritten/arranged by PNB Capital; and
- all transactions are properly documented and approved by PNB Capital's Investment Committee and/or its Board of Directors.

As of December 31, 2022, PNB Capital's unaudited total assets and total equity stood at ₱2.4 billion and ₱2.0 billion, respectively. Its unaudited net income for the year ended December 31, 2022 was ₱445.6 million.

PNB-Mizuho Leasing and Finance Corporation (formerly PNB-IBJL Leasing and Finance Corporation), was incorporated on April 24, 1996 under the auspices of the Provident Fund of the Bank as PF Leasing and Finance Corporation. It was largely inactive until it was used as the vehicle for the joint venture between the Bank (60%), Mizuho Leasing Co Ltd., Tokyo (35%), and Industrial Bank of Japan, now called Mizuho Corporate Bank (5%). The corporate name was changed to Japan-PNB Leasing and Finance Corporation ("JPNB Leasing") and the joint venture company commenced operations in February 1998.

On January 31, 2011, PNB increased its equity interest in JPNB Leasing from 60% to 90%. The Bank's additional holdings were acquired from minority partners, IBJ Leasing Co., Ltd. (IBJL) and Mizuho Corporate Bank, which divested their 25% and 5% equity interests, respectively. IBJL remains as an active joint venture partner with a 10% equity interest.

PNB-Mizuho Leasing and Finance Corporation operates as a financing company under Republic Act No. 8556 (the Financing Company Act of 1998, as amended). Its major activities are financial lease (direct lease, sale-leaseback, lease-sublease and foreign currency leasing), operating lease (through wholly-owned subsidiary, PNB-Mizuho Equipment Rentals Corporation), term loans (for productive capital expenditures secured by chattel mortgage), receivable discounting (purchase of short-term trade receivables and installment papers) and Floor Stock Financing (short-term loan against assignment of inventories, e.g., motor vehicles).

Majority of the principal products or services are in peso leases and loans. Foreign currency (USD and JPY) leases and loans are mostly funded by IBJL.

On April 3, 2014, the PNB-IBJL Leasing and Finance Corporation's Board of Directors and stockholders approved the increase of the company's authorized capital from ₱150 million to ₱1.0 billion, representing 10,000,000 shares with a par value of ₱100.00 per share, in preparation for the declaration of stock dividends. On June 27, 2014, PNB-IBJL Leasing and Finance Corporation's Board approved the declaration of 2 shares to 1 share stock dividends to stockholders of record as of June 30, 2014.

On November 28, 2014, PNB and IBJL entered into a Share Sale and Purchase Agreement covering the buy back by IBJL from PNB of 15% equity ownership in JPNB Leasing with a closing date of January 30, 2015.

On January 13, 2015, the SEC approved the increase in its authorized capital stock from ₱150.0 million consisting of 1.5 million shares with a par value of ₱100.00 per share to ₱1.0 billion consisting of 10 million shares with a par value of ₱100.00 per share. Subsequently, the stock dividends declaration was implemented with the issuance of 300,000 new shares on January 23, 2015.

On January 30, 2015, the buyback of the 15% equity of JPNB Leasing by IBJL from PNB was consummated, resulting to an equity ownership as follows: PNB - 75% and IBJL - 25%.

On March 27, 2015, the SEC approved the change of name of Japan-PNB Leasing and Finance Corporation to PNB-IBJL Leasing and Finance Corporation.

On December 15, 2017, the Bank's BOD approved an additional capital infusion of up to ₱400 million to PNB-IBJL Leasing and Finance Corporation. The BSP approved on February 26, 2018 the additional capital infusion of ₱400 million to PNB-IBJL Leasing and Finance Corporation. PNB paid the ₱400 million additional capital infusion on April 6, 2018.

On August 29, 2018, PNB and IBJL entered into a Share Sale and Purchase Agreement covering the buyback by IBJL from PNB of the 25% share or ₱100 million on the additional capital infusion of ₱400 million.

On March 2019, Mizuho Bank Ltd increased its shareholdings in IBJ Leasing Co., Ltd. And as a result, IBJL changed its corporate name to Mizuho Leasing Company, Limited effective October 1, 2019.

On March 3, 2020, the SEC approved the change of name from PNB-IBJL Leasing and Finance Corporation to PNB-Mizuho Leasing and Finance Corporation (PMLFC).

As of December 31, 2022, PMLFC's consolidated unaudited total assets stood at ₱1.75 billion while total equity has a deficit of ₱433.48 million. Its consolidated unaudited net loss for the year ended December 31, 2021 was ₱112.58 million.

On December 23, 2022, the SEC approved the amendment of the Articles of Incorporation of PMLFC for the shortening of its corporate life up to March 31, 2024.

PNB-Mizuho Equipment Rentals Corporation (formerly PNB-IBJL Equipment Rentals Corporation) is a wholly owned subsidiary of PNB-Mizuho Leasing and Finance Corporation. It was incorporated in the Philippines on July 3, 2008 as a rental company and started commercial operations on the same date. It is engaged in the business of renting all kinds of real and personal properties.

On March 11, 2015, the SEC approved the change of name from Japan-PNB Equipment Rentals Corporation to PNB-IBJL Equipment Rentals Corporation.

On March 2019, Mizuho Bank Ltd increased its shareholdings in IBJ Leasing Co., Ltd. and as a result, IBJL changed its corporate name to Mizuho Leasing Company, Limited effective October 1, 2019.

On March 4, 2020, the SEC approved the change of name from PNB-IBJL Equipment Rentals Corporation to PNB-Mizuho Equipment Rentals Corporation.

As of December 31, 2022, it had a paid-up capital of ₱40.0 million and a total capital of ₱20.6 million. Its unaudited total assets and net loss for the year ended December 31, 2022 were ₱880.36 million and ₱13.98 million, respectively.

PNB Securities, Inc. (PNBSec) was incorporated in January 18, 1991 and is a member of the Philippine Stock Exchange, Inc. (PSE) As a securities dealer, it is engaged in the buying and selling of securities listed in the PSE either for its own account as dealer or for account of its customers as broker. It is a wholly-owned subsidiary of PNB and ranked 40th among 124 active members in the PSE with 0.33% market share in terms of value turn-over as of December 31, 2022.

- a. As of December 31, 2022, it has a total paid-up capital of ₱100.0 million with unaudited total assets and total capital of ₱372.7 million and ₱209.4 million, respectively.
- b. PNBSec had no bankruptcy, receivership, or similar proceedings in the past three (3) years.
- c. There are no material reclassification, merger, consolidation, or purchase/sale of a significant asset not in the ordinary course of business.

Relative to its competitors, the company's strength lies in the fact that it is backed up by PNB, a universal bank and considered one of the top commercial banks in the country today.

Inherent to all engaged in the stockbrokerage business, the company is exposed to risks like Operational Risk, Position Risk, Counterparty Risk and Large Exposure Risk. To address, identify, assess and manage the risks involved, the company submits semi-monthly to the SEC and the Capital Markets Integrity Corporation (CMIC) of the PSE the required Risk Based Capital Adequacy (RBCA) Report which essentially measures the broker's net liquid capital considering said risks. Further, PNB's Risk Management Group is overseeing/monitoring the company's risk management/exposures.

Foreign Subsidiaries:

Allied Commercial Bank (ACB) is a majority-owned (99.04%) subsidiary of PNB and was formerly known as Xiamen Commercial Bank. ACB maintains its head office in Xiamen, Fujian, China and has a branch in Chongqing which was established in 2003.

Since its establishment in 1993, until 2017, ACB was allowed to deal only in foreign currency-denominated products and services. In 2017, local currency or CNY denominated products and services were allowed except to local residents. Finally, in 2020, after many years of hard work, ACB obtained a banking license that allows offering services to all market segments with all traditional banking products, denominated in local or foreign currencies.

ACB is a full-service commercial bank specializing in international trade finance and loans to micro, small and medium-sized industries/enterprises. Its deposit products are no less varied and competitive. In 2020, ACB launched its enterprise internet banking system which adds much sought-after convenience to its corporate depositors. This year, ACB recently enhanced its system to automate its credit management. It continues to innovate to deliver financial products and services the banking public needs and deserves.

Allied Banking Corporation (Hong Kong) Limited (ABCHKL) is a majority-owned (51%) subsidiary of PNB as a result of the merger of PNB and Allied Banking Corporation (ABC). ABCHKL is a private limited company incorporated in Hong Kong in 1978. It is a restricted-licensed bank under the Hong Kong Banking Ordinance. ABCHKL provides a full range of commercial banking services such as deposit taking, lending and trade financing, documentary credits, participation in loan syndications and other risks, money market and foreign exchange operations. ABCHKL has a wholly-owned subsidiary, ACR Nominees Limited, which is a private limited company incorporated in Hong Kong that provides non-banking general services to its customers. It is a Trust or Company Service Provider ("TCSP") licensee in Hong Kong.

Philippine National Bank (Europe) PLC, (PNBE) is a wholly owned subsidiary of Philippine National Bank (PNB) Manila. It started in 1976 as Philippine National Bank (PNB) London Branch and was incorporated in 1994 and granted a deposit taking license by the Bank of England in 1997.

In 2014, PNBE merged with Allied Bank Philippines (UK) Plc subsequent to the merger of their parent banks in the Philippines a year earlier with PNBE as the surviving entity.

PNBE is an authorized institution under the Financial Services Act 2012 and is regulated by the Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA).

Following the conclusion of the Brexit transition period in 2020, PNBE continues to provide services to Filipinos in the region through its UK office as well as its web and phone remittance platforms.

PNB Global Remittance and Financial Company (HK) Limited (PNB Global HK), a wholly owned subsidiary of PNB, was established in Hong Kong on July 20, 1976. The Company is engaged in providing remittance services bound to the Philippines. It also grants consumer loans to Filipinos and foreign nationals working in Hong Kong who are interested in purchasing real estate properties located in the Philippines.

PNB Global HK's Main Office is in Wanchai District, while its six branches are strategically situated in Shatin, Yuen Long, Tsuen Wan, North Point, and two in Worldwide House in the Central District of Hong Kong.

PNB International Investments Corporation (PNB IIC) is a non-bank holding company and the parent company of PNB Remittance Centers, Incorporated (PNB RCI). PNB RCI has a network of 19 branches engaged in money transmission in six states of the United States of America.

PNB RCI owns PNB RCI Holding Company, Ltd., the parent company for PNB Remittance Company Canada (PNB RCC). PNB RCC has five branches and one sub-branch servicing the remittance requirements of Filipinos in Canada.

Item 2. Directors and Executive Officers

Please refer to pages 11 to 35 of the Information Statement.

Item 3. Audited Consolidated Financial Statements

The Audited Financial Statements (AFS) of the Bank and its Subsidiaries, which comprise the Statements of Financial Position as of December 31, 2022 and 2021, and the Statements of Income, Statements of Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows for each of the three (3) years in the period ended December 31, 2022, and Notes to the Financial Statements, including a Summary of Significant Accounting Policies and other explanatory information, Independent Auditor's Report and the Statement of Management's Responsibility are filed as part of the Bank's SEC 17-A report for the year ended December 31, 2022.

Item 4. Information on Independent Accountant, Changes in Accounting Principles and Other Related Matters

A. Audit and Other Related Fees

The following are the engagement fees billed and paid for each of the last two fiscal years for the professional services rendered by the Bank's external auditor, SyCip Gorres Velayo and Co. (inclusive of out-of-pocket expenses and value-added tax):

<u>Nature of Service</u>	<u>Description</u>	<u>Professional fees</u> <u>(in ₱ millions)</u>	
		<u>2022</u>	<u>2021</u>
Audit and Audit-Related Services	Audit of the consolidated and separate financial statements of the Bank; audit of the combined financial statements of the trust and managed funds of the Trust Banking Group; audit of foreign subsidiaries; agreed-upon procedures	29.740	22.383
Tax-Related Services	Business tax advisory services	1.016	—
All Other Services	Accounting advisory, consultancy on sustainable finance framework, training, expected credit loss models validation and other services	4.917	0.562
TOTAL		35.673	22.945

There are no fees billed and paid for the last three (3) years for tax accounting performed by the Bank's external auditor.

The approval of the above audit engagement fees is based on the Bank's existing Manual of Signing Authority. All engagements of the external auditor and the corresponding engagement fees are subject to the approval of the BOD as endorsed by the BACC.

The BACC has primary authority to select, evaluate, appoint, dismiss, replace and reappoint the Bank's external auditors, subject to the approval of the BOD and ratification of stockholders, based on fair and transparent criteria such as (i) core values, culture and high regard for excellence in audit quality; (ii) technical competence and expertise of auditing staff; (iii) independence; (iv) effectiveness of the audit process; and (v) reliability and relevance of the external auditor's reports.

B. Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the amendments and improvements to Philippine Financial Reporting Standards (PFRS) which are effective beginning on or after January 1, 2021. The changes in the accounting policies that have or did not have any significant impact on the financial position or performance of the Group are discussed under Note 2 (Summary of Significant Accounting Principles) of the audited financial statements of the Group.

C. Disagreements with Accountants

The Bank and its subsidiaries had no disagreement with its auditors on any matter of accounting principles or practices, financial statements disclosure, or auditing scope procedure.

Item 5. Management's Discussion and Analysis of Financial Condition and Results of Operations

The financial statements have been prepared in accordance with PFRS.

2022 vs 2021

The Group's consolidated total assets stood at ₱1,145.8 billion as of December 31, 2022, 3.8% or ₱45.0 billion lower compared to ₱1,190.8 billion reported as of December 31, 2021. Major changes in assets were registered in the following accounts:

- Cash and cash equivalents and certain interbank loans receivable decreased as follows:

<i>(In Thousands)</i>	December 31, 2022	December 31, 2021	Increase/ (Decrease)	%
Cash and Other Cash Items	₱22,217,915	₱27,552,773	(₱5,334,858)	(19.4)
Due from Bangko Sentral ng Pilipinas	94,701,360	161,001,912	(66,300,552)	(41.2)
Due from Other Banks	26,010,183	27,222,083	(1,211,900)	(4.5)
Interbank Loans Receivable	16,290,101	32,106,088	(15,815,987)	(49.3)
Securities Held under Agreements to Resell	64,523,863	15,796,673	48,727,190	308.5

In 2022, the Group reduced its cash in vaults by ₱6.0 billion to further use in interest-yielding assets.

Please refer to the interim consolidated statements of cash flows for more information relating to cash and cash equivalents.

- Trading and investment securities, which consist of Financial Assets at Fair Value Through Profit or Loss (FVTPL), Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI) and Investment Securities at Amortized Cost, representing 24.1% and 22.6% of the Group's total assets as of December 31, 2022 and 2021, respectively, are higher by ₱7.4 billion or 2.8%, mainly due to net acquisitions of investment securities at amortized cost during the period, partly offset by the mark-to-market losses and net maturities and/or disposals of financial assets at FVOCI and financial assets at FVTPL.
- Loans and Receivables, net of allowance for credit losses, represent 51.8% and 51.0% of the Group's total assets as of December 31, 2022, and 2021, respectively. Loans and Receivables decreased by ₱13.9 billion at ₱593.1 billion as of December 31, 2022 from ₱607.0 billion as of December 31, 2021, mainly due to ₱6.7 billion net payments of loans and receivables and additional provision for impairment, credit and other losses of ₱7.2 billion.
- Property and Equipment and Intangible Assets (including Goodwill) as of December 31, 2022 at ₱12.0 billion and ₱13.1 billion, respectively, decreased by ₱1.5 billion and ₱0.6 billion, respectively, compared to ₱13.5 billion and ₱13.7 billion, respectively, as of December 31, 2021, mainly due to depreciation and amortization during the period.

- Investment in an Associate went down by ₱0.2 billion at ₱2.7 billion as of December 31, 2022, compared to ₱2.5 billion as of December 31, 2021, pertaining mostly to equity share in the net comprehensive loss of the associate for the year.
- Investment Properties as of December 31, 2022, at ₱13.8 billion increased by ₱3.1 billion compared to ₱10.7 billion as of December 31, 2021, due to new foreclosures during the year, offset by disposals of real and other properties during the year.

The Group's consolidated liabilities were at ₱975.9 billion as of December 31, 2022, 5.2% or ₱53.7 billion lower from ₱1,029.6 billion as of December 31, 2021. Major changes in liability accounts were as follows:

- Deposit Liabilities at ₱871.2 billion and ₱894.9 billion, which represent 89.3% and 86.9% of the Group's total liabilities as of December 31, 2022 and 2021, respectively, are lower by ₱23.7 billion or 2.6% mainly due to a decrease in Time Deposits by ₱39.6 billion or 26.1%, and maturity of a Long-Term Negotiable Certificate of Deposit amounting to ₱9.1 billion, partially offset by an increase in Savings Deposits of ₱21.4 billion or 4.3%, and Demand Deposits by ₱3.7 billion or 1.7%.
- Financial Liabilities at FVTPL are ₱0.1 billion higher than the 2021 year-end balance of ₱891.5 million mainly from the increase in negative fair value balance of stand-alone currency forwards as of December 31, 2022.
- Bills and Acceptances Payable is lower by ₱38.0 billion or 71.7% from ₱53.0 billion as of December 31, 2021, to ₱15.0 billion as of December 31, 2022, brought by net settlements of short-term interbank borrowing and repurchase agreements during the year.
- Accrued Taxes, Interest and Other Expenses were higher by ₱1.4 billion, from ₱7.8 billion as of December 31, 2021, to ₱9.1 billion as of December 31, 2022, mainly due to the increase in accrued promotional costs and accrued interest payable.
- Bonds Payable increased by ₱5.0 billion from ₱53.4 billion as of December 31, 2021 to ₱58.4 billion as of December 31, 2022, driven by the revaluation of foreign currency-denominated bonds.
- Income Tax Payable increased by ₱1.4 billion from ₱157.7 million as of December 31, 2021 to ₱1.6 billion as of December 31, 2022 representing higher tax accrual on the taxable income of the Group.

The Group's consolidated total equity stood at ₱169.9 billion as of December 31, 2022 from ₱161.2 billion as of December 31, 2021, or an increase of ₱8.7 billion attributed mainly to the ₱11.6 billion consolidated net income reported for the year ended December 31, 2022 and ₱0.8 billion increase in Accumulated Translation Adjustment, ₱0.8 billion increase in Share in Aggregate Reserves on Life Insurance Policies, ₱0.5 billion reduction in Remeasurement Losses on Retirement Plan and ₱0.3 billion increase in Non-controlling interests.

The increase in the consolidated total equity was offset by a net change in unrealized losses on financial assets at FVOCI amounting to ₱5.3 billion from ₱0.7 billion as of December 31, 2021 to ₱6.0 billion as of December 31, 2022.

2021 vs 2020

As of December 31, 2021, the Group posted total assets of ₱1,190.8 billion, 3.3% or ₱40.3 billion lower compared to ₱1,231.1 billion reported as of December 31, 2020. Major changes in assets were registered in the following accounts:

- Cash and Other Cash Items and Due from Other Banks as of December 31, 2021 at ₱27.6 billion and ₱27.2 billion, respectively, increased by ₱2.5 billion, and ₱7.5 billion compared to ₱25.1 billion, and ₱19.7 billion, respectively, as of December 31, 2020, while Due from Bangko Sentral ng Pilipinas and Interbank Loans Receivable as of December 31, 2021 decreased by ₱41.1 billion, and ₱7.6 billion from ₱202.1 billion and ₱39.7 billion, respectively, as of December 31, 2020.

Please refer to the consolidated statements of cash flows for more information relating to cash and cash equivalents.

- Trading and Investment Securities, which consist of Financial Assets at Fair Value Through Profit or Loss (FVTPL), Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI) and Investment Securities at Amortized Cost, representing 22.6% and 20.5% of the Group's total assets as of December 31, 2021 and 2020, respectively, increased by ₱15.8 billion or 6.3%.
- Loans and Receivables, net of allowance for credit losses, represent 51.0% and 48.7% of the Group's total assets as of December 31, 2021 and December 31, 2020, respectively. Loans and Receivables slightly increased by ₱7.0 billion at ₱607.0 billion as of December 31, 2021 from ₱600.0 billion as of December 31, 2020, mainly due to ₱18.0 billion net releases of loans and receivables, offset by additional provision for impairment, credit and other losses of ₱11.0 billion.
- Property and Equipment and Investment Properties as of December 31, 2021 at ₱13.5 billion and ₱10.7 billion, respectively, decreased by ₱6.4 billion, and ₱3.7 billion compared to ₱19.9 billion and ₱14.4 billion, respectively, as of December 31, 2020 mainly due to loss of control over PNB Holdings Corporation (PNB Holdings), where certain Property and Equipment and Investment Properties with aggregate carrying values of ₱12.6 billion were transferred. In 2021, the investment in PNB Holdings as a subsidiary has been derecognized for financial reporting purposes.
- Investment in an Associate increased by ₱0.2 billion at ₱2.5 billion as of December 31, 2021 compared to ₱2.3 billion as of December 31, 2020, pertaining mostly to equity share in the net income of the associate for the year.
- Deferred Tax Assets decreased by ₱2.6 billion as of December 31, 2021 from ₱9.0 billion to ₱6.4 billion as of December 31, 2020, mainly due to the enactment of the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, which lowered the regular corporate income tax rate from 30% to 25%.
- In 2020, the Group reclassified the ₱7.9 billion assets and ₱6.4 billion liabilities of PNB General Insurers Inc. (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 2020 consolidated statement of financial position. These accounts were zeroed out in 2021 upon the sale of the Group's remaining stake in PNB Gen.
- Goodwill decreased to ₱11.2 billion as of December 31, 2021, from ₱13.4 billion as of December 31, 2020 due to the impairment losses amounting to ₱2.2 billion recorded in 2021.
- Other Assets as of December 31, 2021, at ₱4.8 billion decreased by ₱1.5 billion compared to ₱6.3 billion as of December 31, 2020.

The Group's consolidated total liabilities which stood at ₱1,029.6 billion as of December 31, 2021, decreased by 4.2% or ₱45.6 billion from ₱1,075.2 billion as of December 31, 2020. Major changes in liabilities were registered in the following accounts:

- Deposit Liabilities at ₱894.9 billion and ₱890.3 billion, which represent 86.9% and 82.8% of the Group's total liabilities as of December 31, 2021 and 2020, respectively, increased by ₱4.6 billion mainly due to increase in Demand and Savings Deposits by ₱16.6 billion or 8.3%, and ₱73.0 billion or 17.1%, respectively. Time Deposits decreased by ₱85.0 billion or 35.9%.
- Financial Liabilities at FVTPL increased by ₱0.2 billion or 27.1% from 2020 year-end balance of ₱701.2 million mainly due to mark-to-market adjustments for the period.
- Lease Liabilities in compliance with PFRS 16 increased by ₱2.4 billion from ₱1.4 billion as of December 31, 2020, to ₱3.8 billion as of December 31, 2021, as a result of additional leases entered into by the Group during the year.
- Bills and Acceptances Payable declined by ₱34.2 billion or 39.2% from ₱87.2 billion as of December 31, 2020, to ₱53.0 billion as of December 31, 2021 brought by net settlements of interbank borrowing and repurchase agreements.

- Bonds Payable decreased by ₱10.7 billion, from ₱64.1 billion as of December 31, 2020 to ₱53.4 billion as of December 31, 2021, mainly due to the maturity of the ₱13.9 billion 6.3% fixed rate bonds of PNB in May 2021, partially offset by the ₱3.1 billion revaluation of foreign currency-denominated bonds.
- Accrued Taxes, Interest and Other Expenses were higher by ₱1.3 billion, from ₱6.4 billion as of December 31, 2020, to ₱7.8 billion as of December 31, 2021, mainly due to an increase in accrued other expenses of the Bank.
- Income Tax Payable decreased by ₱0.7 billion from ₱0.9 billion as of December 31, 2020 to ₱0.2 billion as of December 31, 2021 due to the enactment of the CREATE Act.
- Other Liabilities as of December 31, 2021, at ₱15.7 billion decreased by ₱2.2 billion compared to ₱17.9 billion as of December 31, 2020.

The Group's consolidated total equity stood at ₱161.2 billion as of December 31, 2021 from ₱156.0 billion as of December 31, 2020, or an increase of ₱5.2 billion mainly due to the net income attributable to equity holders of the Bank for the year ended December 31, 2021 amounting to ₱31.7 billion, and increases in Surplus Reserves and Accumulated Translation Adjustment by ₱115.3 million and ₱785.5 million, respectively, and decrease in Share in Aggregate Losses on Life Insurance Policies and Remeasurement Losses on Retirement Plan by ₱412.4 million and ₱284.4 million, respectively. The increase in equity was offset by the decline in Net Unrealized Gains on Financial Assets at FVOCI from ₱3.1 billion as of December 31, 2020, to (₱0.7 billion) as of December 31, 2021, and property dividends declaration discussed below.

On April 23, 2021, PNB approved the property dividend declaration of up to 239,353,710 common shares of PNB Holdings, representing 51% ownership, with a par value of ₱100.00 per share, to all stockholders of record as of May 18, 2021, or ₱23.9 billion. On December 24, 2021, the SEC noted the property dividend declaration.

2020 vs 2019

The Group's consolidated total assets stood at ₱1,231.1 billion as of December 31, 2020, 7.8% or ₱88.8 billion higher compared to ₱1,142.3 billion reported as of December 31, 2019. Changes (more than 5%) in assets were registered in the following accounts:

- Cash and Other Cash Items as of December 31, 2020, decreased by ₱5.4 billion from ₱30.5 billion as of December 31, 2019. Due from Bangko Sentral ng Pilipinas, Due from Other Banks, Interbank Loans Receivables and Securities Held Under Agreements to Resell as of December 31, 2020 at ₱202.1 billion, ₱19.7 billion, ₱39.7 billion and ₱15.8 billion, respectively, increased by ₱96.1 billion, ₱2.0 billion, ₱14.9 billion and ₱13.3 billion compared to ₱106.0 billion, ₱17.8 billion, ₱24.8 billion and ₱2.5 billion, respectively, as of December 31, 2019.

Please refer to the consolidated statements of cash flows for more information relating to cash and cash equivalents.

- Trading and investment securities which consist of Financial Assets at Fair Value Through Profit or Loss (FVTPL), Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI) and Investment Securities at Amortized Cost, representing 20.5% and 20.8% of the Group's total assets as of December 31, 2020 and 2019, respectively, increased by ₱15.7 billion or 6.6%, mainly due to purchases of various investment securities, net of maturities and disposals.
- Loans and Receivables represent 48.7% and 57.6% of the Group's total assets as of December 31, 2020 and 2019, respectively. Loans and Receivables decreased by ₱57.9 billion or 8.8%, at ₱600.0 billion as of December 31, 2020 from ₱657.9 billion as of December 31, 2019, mainly due to ₱41.0 billion net paydowns of loans and receivables and additional provision for impairment, credit and other losses of ₱16.9 billion.
- Investment in an Associate decreased by ₱0.3 billion or 11.3%, at ₱2.3 billion as of December 31, 2020

from ₱2.6 billion as of December 31, 2019, mainly due to the additional share in net comprehensive losses of the associate.

- Deferred Tax Assets increased by ₱6.5 billion or 250.2%, at ₱9.0 billion as of December 31, 2020 from ₱2.6 billion as of December 31, 2019 mainly due to the recognition of additional deferred tax assets on allowance for expected credit losses, which the Group has the benefit of tax deductions against future taxable income only upon actual write-offs.
- Intangible Assets decreased by ₱0.3 billion or 11.6%, at ₱2.5 billion as of December 31, 2020 from ₱2.8 billion as of December 31, 2019 due to amortization.
- In 2020, the Bank approved the sale of all its shareholdings in PNB General Insurers Co., Inc. (PNB Gen) to Alliedbankers Insurance Corporation (ABIC), an affiliate. As a result, the Bank 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.
- Other Assets amounted to ₱6.3 billion as of December 31, 2020 or a decrease of ₱1.7 billion or 21.6% from ₱8.1 billion as of December 31, 2019.

The Group's consolidated total liabilities stood at ₱1,075.2 billion as of December 31, 2020 which increased by 8.9% or ₱87.8 billion from ₱987.3 billion as of December 31, 2019. Major changes in liabilities were registered in the following accounts:

- Deposit Liabilities totaling ₱890.3 billion and ₱826.0 billion which represent 82.8% and 83.7% of the Group's total liabilities as of December 31, 2020 and 2019, respectively, increased by ₱64.2 billion or 7.8%. Demand, Savings and Time Deposits went up by ₱27.5 billion or 16.0%, ₱33.8 billion or 8.6%, ₱9.8 billion or 4.3%, respectively. The increase in total deposits was partially offset by the decline in Long-Term Negotiable Certificates of Deposits (LTNCD) by ₱6.9 billion or 19.7% mainly due to maturities in June 2020.
- Financial Liabilities at FVTPL increased by ₱455.6 million or 185.5% from the 2019 year-end balance of ₱245.6 million mainly from the increase in the volume of transactions for the period.
- Lease Liabilities decreased by ₱0.4 million or 24.4% at ₱1.4 billion as of December 31, 2020 mainly due to lease payments.
- Accrued Taxes, Interest and Other Expenses decreased by ₱0.5 billion, from ₱6.9 billion as of December 31, 2019 to ₱6.4 billion as of December 31, 2020, mainly due to lower accrual of expenses.
- Bills and Acceptances Payable increased by ₱31.2 billion or 55.7% from ₱56.0 billion to ₱87.2 billion as of December 31, 2019 and 2020, respectively, brought by the increase in the level of interbank borrowing and repurchase agreements.
- Income Tax Payable increased by ₱326.9 million from ₱576.2 million as of December 31, 2019 to ₱903.0 million as of December 31, 2020.
- Other Liabilities amounted to ₱17.9 billion as of December 31, 2020 or a decrease of ₱11.2 billion or 38.6% from ₱29.1 billion as of December 31, 2019, mainly from the decrease in reclassification of insurance contract liabilities to 'Liabilities of disposal group classified as held for sale' as discussed above.

The Group's consolidated total equity stood at ₱156.0 billion as of December 31, 2020 from ₱155.0 billion as of December 31, 2019, or an increase of ₱1.0 billion attributed mainly to the consolidated net income for the year ended December 31, 2020 amounting to ₱2.6 billion and ₱0.2 billion increase in Other Equity Reserves, offset by the following:

- decline in Net Unrealized Gains on Financial Assets at FVOCI from ₱3.3 billion as of December 31, 2019 to ₱3.1 billion as of December 31, 2020;

- decrease in share in Aggregate Reserves on Life Insurance Policies of ₱1.1 billion;
- decreases in Remeasurement Losses on Retirement Plan and Accumulated Translation Adjustment of ₱0.8 billion and ₱0.2 billion, respectively.

Further, transfer to surplus reserves in 2020 included the appropriation of surplus amounting to ₱4.4 billion for the excess of 1% general loan loss provision over the computed expected credit losses for Stage 1 accounts in accordance with BSP Circular 1011.

Results of Operations

2022 vs 2021

For the year ended December 31, 2022, the Group posted a net income of ₱11.6 billion, ₱20.1 billion lower than the ₱31.7 billion net income last year due to a one-off gain in 2021 as discussed below. Movements in net income are primarily due to the following:

- Net interest income amounted to ₱37.3 billion, higher by 7.1% or ₱2.5 billion compared to last year. Total gross interest income increased by 6.7% or ₱2.8 billion to ₱45.2 billion for the year ended December 31, 2022, reflective of the rising interest rate environment in 2022. Total gross interest expense slightly increased by ₱0.3 billion to ₱7.9 billion in 2022 from ₱7.6 billion in 2021 primarily due to reduced interest cost of bills payable and other borrowings as compared to last year.
- Net service fees and commission income increased by ₱279.5 million or 5.3% at ₱5.6 billion for the year ended December 31, 2022, mainly due to increases in deposit-related, bancassurance, underwriting, remittance fees and interchange fees, partly offset by decreases in loan and credit card-related and trust fees and increases in banking fees and commission.

Other operating income increased by ₱5.6 billion in 2022 or 156.7%, mainly coming from the sale of major investment properties as part of the Group's strategy to monetize the value of its low-earning assets. However, this was offset by the trading and investment securities losses of ₱1.3 billion brought about by the continued hike in benchmark interest rates in 2022 affecting both the Bank and its associate.

In 2021, the Group recognized a one-off ₱33.6 billion gain on loss of control over PNB Holdings Corporation (PNB Holdings) as a subsidiary of the Bank.

- Administrative and other operating expenses amounted to ₱28.4 billion for the year ended December 31, 2022, ₱2.2 billion or 8.5% higher compared to the same period last year, mainly due to the increase of ₱1.4 billion, and ₱1.2 billion, Depreciation and amortization, and Taxes and Licenses, respectively, offset by decreases in Compensation and fringe benefits by ₱0.2 billion and ₱0.2 billion in miscellaneous expenses.
- The Group recorded lower provisions for impairment, credit and other losses at ₱7.2 billion for the year ended December 31, 2022 compared to the ₱12.9 billion provisions recorded for the same period last year when the Group was still continuing to build its loan loss reserves in anticipation of the rise in nonperforming COVID-impacted accounts of the Group.

Total comprehensive income for the year ended December 31, 2022 amounted to ₱8.7 billion, registering a decrease of ₱20.9 billion compared to last year mainly due to the lower net income during the year brought about by the one-off gain of ₱33.6 billion recognized in 2021, and net change in unrealized losses on financial assets at FVOCI, net of tax, and share in changes in net unrealized losses on financial assets at FVOCI of an associate of ₱1.2 billion and ₱0.3 billion, respectively. This is offset by higher accumulated translation adjustment, share in changes in aggregate reserves on life insurance policies, and remeasurement gains (losses) on retirement plan of ₱0.1 billion, ₱0.4 billion, and ₱0.2 billion, respectively.

2021 vs 2020

For the year ended December 31, 2021, the Group recorded net income of ₱31.7 billion, ₱29.1 billion or 12x higher than the ₱2.6 billion net income for the same period last year. Movements in net income are primarily due to the following:

- Net interest income amounted to ₱34.8 billion, lower by 2.7% or ₱1.0 billion compared to the same period last year. Total gross interest income decreased by 9.7% or ₱4.5 billion to ₱42.4 billion from ₱46.9 billion for the same period last year due to lower yields on loans and receivables, trading and investment securities, deposits with banks and interbank receivables. Total gross interest expense likewise decreased by ₱3.6 billion to ₱7.5 billion from ₱11.1 billion for the same period last year primarily due to a reduction in levels of high-cost deposits as compared to the same period last year.
- Net service fees and commission income increased by ₱1.6 billion or 42.9% at ₱5.3 billion for the year ended December 31, 2021 from ₱3.7 billion for the same period last year due to higher loan-related and deposit-related fees, as well as significant bancassurance and underwriting fees recognized during the year. This was supplemented by upward traction on fees from the increasing use of the Bank's digital platform.
- Other income increased to ₱36.9 billion compared to ₱5.8 billion for the same period last year mainly due to the recognition of the gain on remeasurement of the retained interest in PNB Holdings of ₱16.5 billion; and gain on loss of control over PNB Holdings as a subsidiary of ₱16.8 billion in accordance with PFRS 10, *Consolidated Financial Statements*, in 2021 and ₱1.0 billion net gain on sale or exchange of assets. The increase in Other income was offset by declines in trading and investment securities gains - net and foreign exchange gains - net, miscellaneous income of ₱2.6 billion, ₱0.2 billion and ₱0.2 billion, respectively.
- Administrative and other operating expenses amounted to ₱39.0 billion for the year ended December 31, 2021, ₱5.7 billion or 12.8% lower compared to the same period in the previous year, mainly due to the lower provisions for impairment, credit and other losses by ₱4.0 billion.

For the year ended December 31, 2021, the Group recorded net other comprehensive losses of ₱2.1 billion, ₱0.1 billion or 6.6% lower than the ₱2.2 billion net other comprehensive losses for the same period last year. Increases in share in changes in aggregate reserves on life insurance policies, accumulated translation adjustment, remeasurement gains on retirement plan and, net change in unrealized gain (loss) on equity securities at FVOCI of ₱1.5 billion, ₱1.3 billion, ₱1.0 billion, and ₱0.2 billion, respectively, were offset by decreases in net changes in unrealized losses on debt financial assets at FVOCI, including the share of subsidiaries and associates, of ₱3.8 billion.

This resulted in total comprehensive income for the year ended December 31, 2021 amounting to ₱29.6 billion, registering an improvement of ₱29.2 billion compared to the same period last year mainly due to the higher Net income during the year.

2020 vs 2019

- For the year ended December 31, 2020, the Group recorded net income of ₱2.6 billion, ₱7.1 billion or 73.1% lower than the ₱9.8 billion net income in the previous year. The Group recognized significant provisions for impairment, credit and other losses of ₱16.9 billion which resulted in lower net income compared to last year. However, the Group's core income comprising primarily of net interest income recorded substantial improvements in the current period. The results for the current period also included a significant increase in net gains from trading and investment securities.
- Net interest income amounted to ₱35.8 billion, higher by 10.7% or ₱3.5 billion compared to last year, mainly driven by lower funding costs due to the reduction in levels of high-cost deposits during the year. Total gross interest income decreased by 7.1% or ₱3.6 billion to ₱47.0 billion from ₱50.5 billion last year due to aggregate decreases in interest income from loans and receivables, trading and investment securities, and interbank receivables of ₱4.2 billion, offset by the increase in interest income from deposits with banks of ₱0.7 billion. Total gross interest expense decreased to ₱11.1 billion or by ₱7.0 billion from ₱18.2 billion last year primarily due to a decline in interest expense from deposit liabilities, bills payable and other borrowings, partially offset by an increase in interest expense from

bonds payable of 49.3% or ₱1.0 billion from ₱1.9 billion last year to ₱2.9 billion. Net interest margin is at 3.31% in December 31, 2020, higher by 0.01% compared to previous year.

- Net service fees and commission income decreased by ₱0.5 billion or 11.5% at ₱3.7 billion for the year ended December 31, 2020 from ₱4.2 billion last year due to lower transactional volumes and waivers of fees on interbank transfers and overseas remittances.
- Other income increased to ₱5.8 billion compared to ₱4.2 billion last year mainly due to an improvement in net gains on trading and investment securities by ₱2.3 billion.
- Administrative and other operating expenses amounted to ₱44.8 billion for the year ended December 31, 2020, ₱16.1 billion or 56.2% higher compared to the same period last year, mainly due to additional provisions for impairment, credit and other losses amounting to ₱16.9 billion in anticipation of the impact of the COVID-19 pandemic to the Group's loan portfolio.
- Provision for (benefit from) income tax for the year ended December 31, 2020 amounted to ₱1.9 billion net benefit compared to a net provision of ₱2.5 billion in the previous year mainly due to the tax benefit from the recognition of additional deferred tax assets on allowance for credit losses.
- Total comprehensive income for the year ended December 31, 2020 amounted to ₱0.4 billion which is ₱14.1 billion or 97.1% lower than the same period last year mainly due to a decrease in net unrealized gains on financial assets at FVOCI and lower net income for the period attributable to additional provisions for impairment, credit and other losses in anticipation of the impact of the COVID-19 pandemic to the Group's loan portfolio.

Key Performance Indicators

• Capital Adequacy/Capital Management

The Bank's Capital Management Sub-Committee (CMSC) of the Asset Liability Committee (ALCO) was created to specifically handle policies and procedures pertaining to the capital planning and assessment as well as possible equity investments of the Bank.

The CMSC shall be responsible for the following:

- Determine the appropriate level of capital that will support the attainment of the Bank's strategic objectives, meet the minimum regulatory requirements and cover all material risks that the Bank may encounter in the course of its business
- Periodically monitor and assess the capital ratios of the Bank. Monitoring shall include capital ratios with and without the regulatory stress test prescribed by the regulators, based on both the consolidated and solo financial statements of the Bank
- Report to the ALCO the Bank's capital ratio and position based the consolidated and solo financial statements on a monthly basis and to the Board ICAAP Steering Committee on a quarterly basis
- Inform the ALCO/ Board ICAAP Steering Committee on possible breach of ICAAP capital thresholds, particularly during period of stress and activating the Bank's capital contingency plan, if needed
 - The CMSC will evaluate and endorse to the Board the options to improve the Bank's capital adequacy as provided for in the Capital Contingency Plan
 - In case of capital sourcing, the CMSC shall endorse to the Board ICAAP Steering Committee / Board the manner, the amount and time period for capital raising.
- Ensure that the capital ratios resulting from the three-year strategic business plan under the Bank's ICAAP shall meet the minimum regulatory requirement as well as the Bank's internal thresholds.
 - The CMSC shall determine the Bank's internal thresholds and shall endorse the same to the Board ICAAP Steering Committee / Board.

- Undertake the optimal allocation of the capital to the different business groups in accordance with the portfolio diversification policy and subject to the sustainability of earnings, risk weights of assets, among others.

The Bank and its individual regulatory operations have complied with all externally imposed capital requirements throughout the period.

Regulatory Qualifying Capital

Under existing BSP regulations, the determination of the PNB's compliance with regulatory requirements and ratios is based on the amount of the Bank's "unimpaired capital" (regulatory net worth) reported to the BSP, which is determined on the basis of regulatory policies, which differ from PFRS in some respects.

As required under BSP Circular 781, the risk-based capital ratio of a bank, expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10.00% for both solo basis (head office and branches) and consolidated basis (parent bank and subsidiaries engaged in financial allied undertakings but excluding insurance companies). Other minimum ratios include Common Equity Tier (CET) 1 ratio and Tier 1 capital ratios of 6.0% and 7.5%, respectively. A conservation buffer of 2.5%, comprised of CET 1 capital is likewise imposed.

Banks and their subsidiaries are subject to the following risk-based capital adequacy ratios (CARs):

- Common Equity Tier 1 – must be at least 6.0% of risk weighted assets at all time;
- Tier 1 capital must be at least 7.5% of risk weighted assets at all times; and
- Qualifying capital (Tier 1 Capital plus Tier 2 Capital) must be at least 10.0% of risk weighted assets at all times.

Qualifying capital consists of the sum of the following elements, net of required deductions:

- Common equity Tier 1 capital consists of 1) paid up common stock that meet the eligibility criteria, 2) common stock dividends distributable, additional paid in capital resulting from the issuance of common stock included in CET1 capital, 3) deposits for common stock subscription, 4) retained earnings, 5) undivided profits, 6) other comprehensive income (net unrealized gains or losses on AFS and cumulative foreign currency translation) and minority interest on subsidiary banks which are less than wholly-owned
- Additional Tier 1 (AT1) capital consists of instruments issued by the bank that are not included in CET 1 capital that meet the criteria for inclusion in additional tier 1 capital, meet the required loss absorbency features for instrument classified as liabilities and loss absorbency feature at point of non-viability as defined in the BSP guidelines.
- Tier 2 (T2) capital is composed of 1) instruments issued by the Bank (and are not included in AT1 capital) that meet criteria for inclusion in Tier 2 and meet the required loss absorbency feature at point of non-viability as defined in the guidelines, 2) deposits for subscription of T2 capital, 3) appraisal increment reserves on bank premises as authorized by the Monetary Board, 4) general loan loss provision, limited to a maximum of 1.00% of credit risk weighted asset, and minority interest in subsidiaries which are less than wholly owned as defined in the guidelines.

A capital conservation buffer of 2.5% of risk weighted assets, comprised of CET1 capital, shall be required. This buffer is meant to promote the conservation of capital and build-up of adequate cushion that can be drawn down to absorb losses during periods of financial and economic stress.

The Group's consolidated capital adequacy ratio for combined credit, market and operational risks computed based on BSP Circular No. 781 (for 2014) and BSP Circular No. 538 (for 2013 and 2012) were 15.49%, 13.66%, and 15.14% as of December 31, 2022, 2021 and 2020, respectively, above the minimum 10% required by BSP. For the detailed calculation and discussion kindly refer to Item 1, no. 10 – Risk Management.

• **Asset Quality**

The Bank's non-performing loans (gross of unearned and other deferred income and allowance for credit losses) decreased to ₱42.0 billion as of December 31, 2022 compared to ₱65.9 billion as of December 31, 2021. NPL ratios of the Bank net of valuation reserves is at 2.65% as at December 31, 2022, compared to 5.21% at end of 2021. Gross NPL ratio is at 6.19% at end of 2022 compared to 9.97% at end of 2021.

- **Profitability**

	<u>Years Ended</u>	
	<u>12/31/22</u>	<u>12/31/21</u>
Return on equity (ROE) ^{1/}	7.00%	19.98%
Return on assets (ROA) ^{2/}	0.99%	2.62%
Net interest margin (NIM) ^{3/}	3.59%	3.24%

^{1/}Net income divided by average total equity for the period indicated

^{2/}Net income divided by average total assets for the period indicated

^{3/}Net interest income divided by average interest-earning assets

- **Liquidity**

The ratio of liquid assets to total assets as of December 31, 2022 was 27.62% compared to 29.44% as of December 31, 2021. Ratio of current assets to current liabilities was at 64.56% as of December 31, 2022 compared to 65.09% as of December 31, 2021.

- **Cost Efficiency**

The ratio of total operating expenses (excluding provision for impairment, credit and other losses) to total operating income resulted to 54.47% for the year ended December 2022 compared to 59.82% last year.

Known trends, demands, commitments, events, and uncertainties

The Bank presently has more than adequate liquid assets to meet known funding requirements and there are no known trends, demands, commitments, events, or uncertainties that will have a material impact on the Bank's liquidity.

Events that will trigger direct or contingent financial obligation

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 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, Provisions, Contingent Liabilities and Contingent Assets. 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.

Material off-balance sheet transactions, arrangement or obligation

The summary of material off-balance sheet transactions, arrangement or obligations (including contingent obligations) is discussed in Note 41 (Report on the Supplementary Information Required Under BSP Circular No. 1074) of the accompanying Audited Financial Statements of the Group as attached under Exhibit III.

Capital Expenditures

In line with the Bank's digital transformation initiatives and enhancing customer banking experience strategy, technology upgrades and branch physical infrastructure will account for the bulk of the Bank's capital expenditures for 2022. Capital expenditures will be funded from the proceeds of the sale of acquired assets and funds generated from the Bank's operations.

Significant Elements of Income or Loss

Significant elements of the Bank's revenues consist mainly of net interest margin, service fees, net trading gains and gains from disposal of reacquired properties while the Bank's expenses consist mainly of staff cost, depreciation and amortization of assets and provisions for probable losses. Please refer to the discussions on the results of operations for further details.

Seasonal Aspects

There was no seasonal aspect that had a material effect on the Bank's financial condition or results of operations.

Item 6. Market Price, Holders and Dividends

A. Market Price of and Dividends on Registrant's Common Equity and Related Stockholders

1. Market Price

PNB's common shares are listed and traded at the PSE. The high and low sales prices of PNB shares for each quarter for the last two fiscal years are as follows:

	<u>2021</u>		<u>2022</u>	
	High	Low	High	Low
Jan – Mar	29.50	22.55	21.15	18.74
Apr – Jun	31.80	19.96	19.44	17.54
Jul – Sep	23.10	19.82	18.86	16.72
Oct – Dec	22.50	19.00	20.50	16.72

The trading price of each PNB common share as of February 28, 2023 was ₱19.64.

2. Holders

There are 36,179 stockholders as of February 28, 2023, all of whom have the same voting rights. Material information on the voting rights of the stockholders is described in Items 4 and 10 of the Information Statement. As there are 36,179 stockholders, it will be too voluminous to reflect the nationality, number of shares and percentage to total outstanding capital stock of each stockholder. Should any stockholder wish to secure information regarding the nationality, number of shares and percentage of ownership of the stockholders of the Corporation, please advise the Office of the Corporate Secretary and/or the Bank's stock transfer agent. The requested information will be sent personally to the stockholder at their cost.

For the guidance of any stockholder, hereunder are the top twenty (20) holders of common shares, the number of shares held by the same, the percentage to total shares outstanding which constitutes approximately 74.34% of the total outstanding capital stock, and the voting right held by each stockholder:

Name of Stockholder	Nationality	No. of Shares	Percentage of Ownership	Voting Status
1. PCD Nominee Corporation (Filipino)	Filipino	223,090,128	14.6215275571	*
2. Key Landmark Investments, Ltd.	Filipino	133,277,924	8.7351549618	*
3. True Success Profits Limited	Filipino	82,017,184	5.3754799765	*
4. Caravan Holdings Corporation	Filipino	82,017,184	5.3754799765	*
5. Solar Holdings Corporation	Filipino	82,017,184	5.3754799765	*
6. Prima Equities & Investments Corp.	Filipino	71,765,036	4.7035449794	*
7. Leadway Holdings, Inc.	Filipino	65,310,444	4.2805052168	*
8. Infinity Equities, Inc.	Filipino	61,512,888	4.0316099824	*
9. Pioneer Holdings Equities, Inc.	Filipino	34,254,212	2.2450518506	*
10. Multiple Star Holdings Corp.	Filipino	30,798,151	2.0185385055	*
11. Donfar Management Limited	Filipino	30,747,898	2.0152448787	*
12. Uttermost Success, Limited	Filipino	30,233,288	1.9815168766	*
13. Mavelstone International Limited	Filipino	29,575,168	1.9383831001	*
14. Pan Asia Securities Corporation	Filipino	29,510,390	1.9341374918	*
15. Kenrock Holdings Corp.	Filipino	26,018,279	1.7052613973	*

16. Fil-Care Holdings, Inc.	Filipino	25,450,962	1.6680789310	*
17. Fairlink Holdings Corp.	Filipino	25,207,795	1.6521415472	*
18. Purple Crystal Holdings, Inc.	Filipino	24,404,724	1.5995075519	*
19. Kentron Holdings & Equities Corp.	Filipino	24,361,225	1.5966565883	*
20. Fragile Touch Investments, Ltd.	Filipino	22,696,137	1.4875252238	*

- * Pursuant to Article IV, Section 4.9 of the Bank's By-Laws, every stockholder shall be entitled to one (1) vote for each share of common stock in his name in the books of the Bank. The right to vote or direct the voting of the Bank's shares held by the foregoing stockholders is lodged in their respective Boards of Directors.

The foregoing information addresses the requirement of Section 49 of the Revised Corporation Code to present to the stockholders the material information on the current stockholders and their voting rights.

3. Dividends

The Bank's ability to pay dividends is contingent on its ability to set aside unrestricted retained earnings for dividend distribution. In addition, the Bank's declaration of dividends, including computation of unrestricted retained earnings, is subject to compliance with certain rules and regulations prescribed by the BSP as provided under the Manual of Regulations for Banks and subject to compliance with such financial regulatory requirements as may be applicable to the Bank at the time of such declaration.

PNB has adopted the following general policy on the declaration of dividends:

"Dividends shall be declared and paid out of the surplus profits of the Bank at such times and in such amounts as the Board of Directors may determine in accordance with the provisions of law and the regulations of the Bangko Sentral ng Pilipinas and the Securities and Exchange Commission, subject to compliance with such financial regulatory requirements as may be applicable to the Bank."

On April 23, 2021, the Board of Directors approved and confirmed the property dividend declaration of up to 239,353,710 common shares of PNB Holdings Corporation (PHC), with a par value of ₱100.00 per share, to all stockholders of record as of May 18, 2021 (Record Date), subject to regulatory and other necessary approvals.

The property dividend shall be paid at a ratio of 0.156886919 shares of PHC for every one (1) share of PNB. The ratio for property dividend was determined by dividing the total number of outstanding shares declared as property dividends of PHC, which is 239,353,710 common shares, by the total number of outstanding shares of the Bank, which is 1,525,764,850. In case a stockholder is entitled to a fractional PHC share, the Bank shall pay for such fraction in cash based on par value on the payment or settlement date.

On December 27, 2021, the Bank received the Certificate of Filing the Notice of Property Dividend Declaration issued by the Securities and Exchange Commission on December 24, 2021.

The foregoing information addresses the requirement of Section 49 of the Revised Corporation Code to present to the stockholders the dividend policy of the Bank.

4. Recent Sales of Unregistered or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction

There were no sales of unregistered securities within the past three (3) years.

5. Computation of Public Ownership

As of December 31, 2022, PNB's public ownership level is 21.25%, which more than complies with the minimum percentage of 12% for listed companies, in compliance with the public ownership requirement of the PSE.

B. Description of PNB's Securities

- As of February 28, 2023, PNB's authorized capital stock amounted to ₱70,000,000,040.00 divided into 1,750,000,001 common shares having a par value of ₱40.00 per share.
- The total number of common shares outstanding as of February 28, 2023 is 1,525,764,850. This includes the 423,962,500 common shares issued relative to the merger of PNB and ABC.
- As of February 28, 2023, a total of 1,507,684,822 common shares (or 98.82%) are held by Filipino-Private Stockholders while the remaining 18,080,028 common shares (or 1.18%) are held by Foreign-Private Stockholders. PNB has an outstanding capital of ₱61,030,594,000.00.
- The Bank's stockholders have no pre-emptive right to subscribe to any new or additional issuance of shares by the Bank, regardless of the class of shares, whether the same are issued from the Bank's unissued capital stock or in support of an increase in capital (*Article Seven of PNB's Amended Articles of Incorporation*).
- At each meeting of the stockholders, every stockholder entitled to vote shall be entitled to one (1) vote for each share of stock standing in his name in the books of the Bank at the time of the closing of the transfer books for such meeting or on the record date fixed by the Board of Directors (*Section 4.9, Article IV of PNB's Amended By-Laws*).
- Section 23 of the Revised Corporation Code of the Philippines provides that “ *x x x stockholders entitled to vote shall have the right to vote the number of shares of stock standing in their own names in the stock books of the corporation at the time fixed in the bylaws or where the bylaws are silent, at the time of the election. The said stockholder may: (a) vote such number of shares for as many persons as there are directors to be elected; (b) cumulate said shares and give one (1) candidate as many votes as the number of directors to be elected multiplied by the number of the shares owned; or distribute them on the same principle among as many candidates as may be seen fit x x x*”

Item 7. Discussion on Compliance with Leading Practices on Corporate Governance

Please refer to Annex C of the Information Statement.

Item 8. Undertaking

The Bank shall, on written request and without charge, provide stockholders with a copy of the Annual Report on SEC Form 17-A. Such requests should be directed to the Office of the Corporate Secretary, Philippine National Bank, 9/F PNB Financial Center, President Diosdado Macapagal Blvd., Pasay City, Metro Manila, Philippines.



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

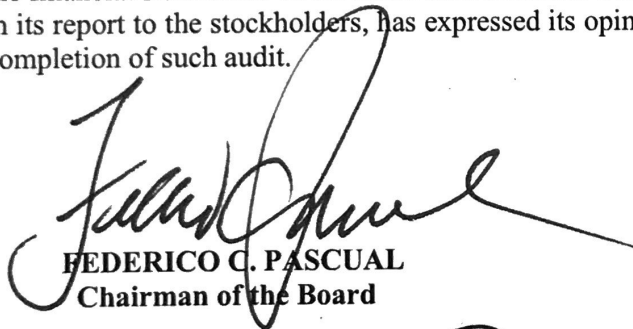
The management of Philippine National Bank (the Bank) is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2022, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated 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.

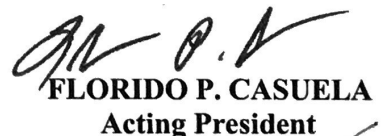
In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease 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


FLORIDO P. CASUELA
Acting President


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

17 MAR 2023 PASAY CITY

SUBSCRIBED AND SWORN to before me this ____ day of March 2023 affiants exhibiting to me their Passport Identification No.

Doc. No. 217
Page No. 45
Book No. 1
Series of 2023

Atty. Jamie O. Real
Commission No. 23-15; Roll No. 68794
Notary Public in and for Pasay City
Until December 31, 2024
9th Floor PNB Financial Center
Pres. Diosdado Macapagal Blvd., Pasay City
PTR No. 8058701/Jan. 05, 2023/Pasay City
IBP Lifetime No. 018651/Dec. 11, 2017/Manila



Names	Passport No.	Date of Issue	Place of Issue
Federico C. Pascual	P68449288	May 21, 2021	DFA NCR South
Florido P. Casuela	P94790338	April 2, 2022	DFA NCR South
Aidell Amor R. Gregorio	P2266954C	November 4, 2022	DFA Manila

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

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COMPANY INFORMATION

	1	2	3

36,192

04/25

12/31

CONTACT PERSON INFORMATION	
NAME	Mr. [REDACTED]
PHONE	[REDACTED]
EMAIL	[REDACTED]
ADDRESS	[REDACTED]
CITY	[REDACTED]
STATE	[REDACTED]
ZIP	[REDACTED]
COUNTRY	[REDACTED]
ORGANIZATION	[REDACTED]
POSITION	[REDACTED]
DATE	[REDACTED]
SIGNATURE	[REDACTED]

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Aidell Amor R. Gregorio		891-6040 to 70	

CONTACT PERSON'S ADDRESS	
CONTACT PERSON'S NAME: _____ ADDRESS: _____ CITY: _____ STATE: _____ ZIP: _____ PHONE: _____ FAX: _____ E-MAIL: _____	

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.



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, 2022 and 2021 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, 2022, 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, 2022 and 2021, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2022 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 in calculating ECL.

Allowance for credit losses on loans and receivables as of December 31, 2022 amounted to ₱38.9 billion and ₱39.4 billion for the Group and the Parent Company, respectively. Provision for credit losses in 2022 amounted to ₱7.2 billion and ₱7.2 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; (c) tested the Group's and the Parent Company's application of internal credit risk rating system 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; 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.

Impairment Testing of Goodwill

As of December 31, 2022, 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, 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. 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.

Recognition of Deferred Tax Assets

As of December 31, 2022, the deferred tax assets of the Group and the Parent Company amounted to ₱6.5 billion and ₱6.6 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 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. We also assessed the timing of the reversal of future taxable and deductible temporary differences.

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, 2022, 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, 2022 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. 9564639, January 3, 2023, Makati City

March 13, 2023



PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION

(In Thousands)

	Consolidated		Parent Company	
	December 31		December 31	
	2022	2021	2022	2021
ASSETS				
Cash and Other Cash Items	₱22,217,915	₱27,552,773	₱22,103,095	₱27,454,459
Due from Bangko Sentral ng Pilipinas (Notes 7 and 17)	94,701,360	161,001,912	94,701,360	161,001,912
Due from Other Banks (Note 33)	26,010,183	27,222,083	17,599,374	19,324,000
Interbank Loans Receivable (Notes 8 and 33)	16,290,101	32,106,088	14,734,743	30,295,755
Securities Held Under Agreements to Resell (Notes 8 and 35)	64,523,863	15,796,673	64,523,863	15,796,673
Financial Assets at Fair Value Through Profit or Loss (FVTPL) (Note 9)	7,347,201	11,167,657	7,195,685	11,010,278
Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI) (Note 9)	158,183,525	167,987,290	157,205,907	167,546,350
Investment Securities at Amortized Cost (Note 9)	110,467,960	89,455,843	110,328,678	89,327,894
Loans and Receivables (Notes 10 and 33)	593,099,915	606,953,751	577,995,018	592,498,761
Property and Equipment (Note 11)	11,973,547	13,472,320	10,619,033	11,812,991
Investments in Subsidiaries and an Associate (Note 12)	2,688,764	2,468,107	20,384,104	27,275,451
Investment Properties (Note 13)	13,794,986	10,735,896	13,264,820	10,178,327
Deferred Tax Assets (Note 30)	6,616,902	6,405,505	6,574,190	6,271,578
Intangible Assets (Note 14)	1,863,922	2,429,434	1,753,616	2,328,957
Goodwill (Note 14)	11,221,410	11,221,410	11,361,768	11,361,768
Other Assets (Note 15)	4,155,522	4,807,920	3,398,996	4,525,498
TOTAL ASSETS	₱1,145,157,076	₱1,190,784,662	₱1,133,744,250	₱1,188,010,652
LIABILITIES AND EQUITY				
LIABILITIES				
Deposit Liabilities (Notes 17 and 33)				
Demand	₱220,043,866	₱216,367,830	₱219,805,641	₱216,040,593
Savings	519,940,535	498,581,535	518,928,640	497,172,862
Time	112,113,308	151,729,554	108,766,087	158,066,350
Long Term Negotiable Certificates	19,130,012	28,245,390	19,130,012	28,245,390
	871,227,721	894,924,309	866,630,380	899,525,195
Financial Liabilities at FVTPL (Notes 18, 23 and 35)	1,039,776	891,531	1,039,776	891,346
Bills and Acceptances Payable (Notes 19, 33 and 35)	14,980,373	52,953,797	13,888,035	51,113,018
Lease Liabilities (Notes 29 and 33)	3,636,391	3,765,391	3,604,077	3,698,410
Accrued Taxes, Interest and Other Expenses (Note 20)	9,117,393	7,765,650	8,487,700	7,504,381
Bonds Payable (Note 21)	58,439,097	53,383,421	58,439,097	53,383,421
Income Tax Payable	983,051	157,735	916,235	89,328
Other Liabilities (Note 22)	15,827,640	15,719,872	14,093,805	13,512,851
	975,251,442	1,029,561,706	967,099,105	1,029,717,950
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY				
Capital Stock (Note 25)	61,030,594	61,030,594	61,030,594	61,030,594
Capital Paid in Excess of Par Value (Note 25)	32,116,560	32,116,560	32,106,560	32,106,560
Surplus Reserves (Notes 10, 25 and 32)	4,929,242	5,147,440	4,929,242	5,147,440
Surplus (Note 25)	73,748,748	61,998,232	73,919,909	62,169,393
Net Unrealized Losses on Financial Assets at FVOCI (Notes 9 and 33)	(5,959,275)	(703,737)	(5,959,275)	(703,737)
Remeasurement Losses on Retirement Plan (Note 28)	(2,222,945)	(2,725,067)	(2,222,945)	(2,725,067)
Accumulated Translation Adjustment (Note 25)	2,314,447	1,503,396	2,314,447	1,503,396
Other Equity Reserves (Notes 12 and 25)	248,830	248,830	390,517	390,517
Share in Aggregate Reserves (Losses) on Life Insurance Policies (Note 12)	136,096	(626,394)	136,096	(626,394)
Other Equity Adjustment	13,959	13,959	—	—
	166,356,256	158,003,813	166,645,145	158,292,702
NON-CONTROLLING INTERESTS (Note 12)	3,549,378	3,219,143	—	—
	169,905,634	161,222,956	166,645,145	158,292,702
TOTAL LIABILITIES AND EQUITY	₱1,145,157,076	₱1,190,784,662	₱1,133,744,250	₱1,188,010,652

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					
	2022	2021	2020	2022	2021	2020
INTEREST INCOME ON						
Loans and receivables (Notes 10, 27 and 33)	₱34,424,531	₱34,157,780	₱37,352,374	₱33,794,036	₱33,449,961	₱37,067,285
Investment securities at amortized cost and FVOCI (Note 9)	8,154,922	5,963,594	6,203,975	8,143,092	5,962,614	6,155,803
Deposits with banks and others (Notes 7, 12 and 33)	1,417,661	1,248,155	2,192,045	1,330,052	1,219,996	1,173,981
Financial assets at FVTPL (Note 9)	292,685	632,492	665,751	284,251	565,447	542,512
Interbank loans receivable and securities held under agreements to resell (Note 8)	954,603	400,356	536,304	896,683	348,153	478,508
	45,244,402	42,402,377	46,950,449	44,448,114	41,546,171	45,418,089
INTEREST EXPENSE ON						
Deposit liabilities (Notes 17 and 33)	5,371,667	4,813,766	7,379,018	5,383,153	4,885,785	7,227,056
Bonds payable (Note 21)	2,111,192	2,231,863	2,904,528	2,111,192	2,231,863	2,904,528
Bills payable and other borrowings (Notes 19, 29 and 33)	433,973	511,921	846,440	363,544	425,080	637,478
	7,916,832	7,557,550	11,129,986	7,857,889	7,542,728	10,769,062
NET INTEREST INCOME	37,327,570	34,844,827	35,820,463	36,590,225	34,003,443	34,649,027
Service fees and commission income (Notes 26 and 33)	6,997,609	6,340,326	4,684,572	5,563,369	5,310,729	4,134,519
Service fees and commission expense	1,429,195	1,051,376	983,186	935,945	846,165	858,182
NET SERVICE FEES AND COMMISSION INCOME	5,568,414	5,288,950	3,701,386	4,627,424	4,464,564	3,276,337
OTHER OPERATING INCOME						
Net gains on sale or exchange of assets (Note 26)	7,775,154	981,462	195,842	7,770,001	974,024	130,493
Foreign exchange gains - net (Note 23)	1,608,281	743,549	919,555	1,149,444	623,493	929,890
Trading and investment securities gains (losses) - net (Notes 9 and 33)	(1,280,783)	731,572	3,337,589	(1,277,759)	600,580	3,456,521
Equity in net earnings (losses) of subsidiaries and an associate (Note 12)	(56,060)	50,789	88,476	747,341	(650,134)	95,939
Miscellaneous (Note 27)	1,136,692	1,070,047	1,244,699	721,433	759,826	906,752
TOTAL OTHER OPERATING INCOME	9,183,284	3,577,419	5,786,161	9,110,460	2,307,789	5,519,595
TOTAL OPERATING INCOME	52,079,268	43,711,196	45,308,010	50,328,109	40,775,796	43,444,959
PROVISION FOR IMPAIRMENT, CREDIT AND OTHER LOSSES (Notes 14 and 16)	7,198,117	12,879,011	16,882,621	7,305,653	13,125,737	16,534,335
OPERATING EXPENSES						
Compensation and fringe benefits (Notes 25, 28 and 33)	9,762,776	9,985,822	10,167,173	9,012,641	9,274,801	9,313,371
Taxes and licenses (Note 30)	5,225,595	3,988,371	4,551,142	5,120,690	3,903,066	4,394,703
Depreciation and amortization (Note 11)	4,225,746	2,845,717	3,154,568	3,909,420	2,499,071	2,607,269
Occupancy and equipment-related costs (Note 29)	1,099,876	1,124,166	990,650	952,932	1,002,093	942,896
Miscellaneous (Note 27)	8,051,942	8,202,755	9,013,439	7,810,430	7,974,555	8,637,974
TOTAL OPERATING EXPENSES	28,365,935	26,146,831	27,876,972	26,806,113	24,653,586	25,896,213
OTHER INCOME						
Gain on loss of control of subsidiaries - net (Note 12)	—	16,807,275	—	—	16,916,842	—
Gain on remeasurement of retained interest (Note 12)	—	16,477,968	—	—	16,383,008	—
TOTAL OTHER INCOME	—	33,285,243	—	—	33,299,850	—
INCOME BEFORE INCOME TAX	16,515,216	37,970,597	548,417	16,216,343	36,296,323	1,014,411
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 30)	4,931,228	5,545,194	(1,866,402)	4,684,025	5,012,561	(1,945,521)
NET INCOME FROM CONTINUING OPERATIONS	11,583,988	32,425,403	2,414,819	11,532,318	31,283,762	2,959,932
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX (Notes 12 and 36)	—	(735,365)	210,669	—	—	—
NET INCOME	₱11,583,988	₱31,690,038	₱2,625,488	₱11,532,318	₱31,283,762	₱2,959,932
ATTRIBUTABLE TO:						
Equity Holders of the Parent Company (Note 31)	₱11,532,318	₱31,630,626	₱2,614,653			
Non-controlling Interests	51,670	59,412	10,835			
	₱11,583,988	₱31,690,038	₱2,625,488			
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 31)	₱7.56	₱20.73	₱1.71			
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company from Continuing Operations (Note 31)	₱7.56	₱21.21	₱1.58			

See accompanying Notes to Financial Statements.



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

	Consolidated			Parent Company		
	Years Ended December 31					
	2022	2021	2020	2022	2021	2020
NET INCOME	₱11,583,988	₱31,690,038	₱2,625,488	₱11,532,318	₱31,283,762	₱2,959,932
OTHER COMPREHENSIVE INCOME (LOSS)						
Items that recycle to profit or loss in subsequent periods:						
Net change in unrealized loss on debt securities at FVOCI, net of tax (Note 9)	(4,764,711)	(3,178,301)	(578,919)	(4,754,670)	(3,158,391)	(639,403)
Share in changes in net unrealized gains (losses) on financial assets at FVOCI of subsidiaries and an associate (Notes 9 and 12)	(885,481)	(558,030)	662,951	(902,788)	(663,471)	556,246
	(5,650,192)	(3,736,331)	84,032	(5,657,458)	(3,821,862)	(83,157)
Accumulated translation adjustment	1,102,022	1,008,640	(257,238)	421,609	(117,264)	(81,646)
Share in changes in accumulated translation adjustment of subsidiaries and an associate (Note 12)	—	—	—	389,442	902,788	(148,044)
	(4,548,170)	(2,727,691)	(173,206)	(4,846,407)	(3,036,338)	(312,847)
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)	762,490	412,444	(1,051,118)	762,490	412,444	(1,051,118)
Remeasurement gains (losses) on retirement plan (Note 28)	495,353	285,632	(725,968)	489,953	500,862	(710,795)
Share in changes in remeasurement gains (losses) of subsidiaries and an associate (Note 12)	7,708	(1,482)	4,632	12,169	(216,477)	(10,030)
Net change in unrealized gain (loss) on equity securities at FVOCI (Note 9)	394,654	(21,809)	(251,071)	401,920	63,722	(83,882)
	1,660,205	674,785	(2,023,525)	1,666,532	760,551	(1,855,825)
OTHER COMPREHENSIVE LOSS, NET OF TAX	(2,887,965)	(2,052,906)	(2,196,731)	(3,179,875)	(2,275,787)	(2,168,672)
TOTAL COMPREHENSIVE INCOME	₱8,696,023	₱29,637,132	₱428,757	₱8,352,443	₱29,007,975	₱791,260
ATTRIBUTABLE TO:						
Equity holders of the Parent Company	₱8,352,443	₱29,354,839	₱445,981			
Non-controlling interests	343,580	282,293	(17,224)			
	₱8,696,023	₱29,637,132	₱428,757			

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 (Notes 9 and 33)	Remeasurement 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, 2022	₱61,030,594	₱32,116,560	₱5,147,440	₱61,998,232	(₱703,737)	(₱2,725,067)	₱1,503,396	₱248,830	(₱626,394)	₱—	₱13,959	₱158,003,813	₱3,219,143	₱161,222,956
Total comprehensive income (loss) for the year	—	—	—	11,532,318	(5,255,538)	502,122	811,051	—	762,490	—	—	8,352,443	343,580	8,696,023
Transfer to surplus reserves (Notes 25 and 32)	—	—	(218,198)	218,198	—	—	—	—	—	—	—	—	—	—
Declaration of dividends by subsidiaries to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	—	(13,345)	(13,345)
Balance at December 31, 2022	₱61,030,594	₱32,116,560	₱4,929,242	₱73,748,748	(₱5,959,275)	(₱2,222,945)	₱2,314,447	₱248,830	₱136,096	₱—	₱13,959	₱166,356,256	₱3,549,378	₱169,905,634
Balance at January 1, 2021	₱61,030,594	₱32,116,560	₱5,032,097	₱54,498,066	₱3,054,403	(₱3,009,452)	₱717,872	₱277,855	(₱1,038,838)	₱88,616	₱13,959	₱152,781,732	₱3,201,276	₱155,983,008
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)
Balance at December 31, 2021	₱61,030,594	₱32,116,560	₱5,147,440	₱61,998,232	(₱703,737)	(₱2,725,067)	₱1,503,396	₱248,830	(₱626,394)	₱—	₱13,959	₱158,003,813	₱3,219,143	₱161,222,956
Balance at January 1, 2020	₱61,030,594	₱32,116,560	₱642,018	₱56,273,492	₱3,250,651	(₱2,229,220)	₱947,562	₱35,466	₱12,280	₱—	₱13,959	₱152,093,362	₱2,882,038	₱154,975,400
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)
Balance at December 31, 2020	₱61,030,594	₱32,116,560	₱5,032,097	₱54,498,066	₱3,054,403	(₱3,009,452)	₱717,872	₱277,855	(₱1,038,838)	₱88,616	₱13,959	₱152,781,732	₱3,201,276	₱155,983,008



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 (Notes 9 and 33)	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, 2022	₱61,030,594	₱32,106,560	₱5,147,440	₱62,169,393	(₱703,737)	(₱2,725,067)	₱1,503,396	₱390,517	(₱626,394)	₱–	₱158,292,702
Total comprehensive income (loss) for the year	–	–	–	11,532,318	(5,255,538)	502,122	811,051	–	762,490	–	8,352,443
Transfer to surplus reserves (Notes 25 and 32)	–	–	(218,198)	218,198	–	–	–	–	–	–	–
Balance at December 31, 2022	₱61,030,594	₱32,106,560	₱4,929,242	₱73,919,909	(₱5,959,275)	(₱2,222,945)	₱2,314,447	₱390,517	₱136,096	₱–	₱166,645,145
Balance at January 1, 2021	₱61,030,594	₱32,106,560	₱5,032,097	₱54,843,588	₱3,054,403	(₱3,009,452)	₱717,872	₱419,542	(₱1,038,838)	₱88,616	₱153,244,982
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)
Balance at December 31, 2021	₱61,030,594	₱32,106,560	₱5,147,440	₱62,169,393	(₱703,737)	(₱2,725,067)	₱1,503,396	₱390,517	(₱626,394)	₱–	₱158,292,702
Balance at January 1, 2020	₱61,030,594	₱32,106,560	₱642,018	₱56,273,735	₱3,250,651	(₱2,229,220)	₱947,562	₱35,466	₱12,280	₱–	₱152,069,646
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	–
Balance at December 31, 2020	₱61,030,594	₱32,106,560	₱5,032,097	₱54,843,588	₱3,054,403	(₱3,009,452)	₱717,872	₱419,542	(₱1,038,838)	₱88,616	₱153,244,982

See accompanying Notes to Financial Statements.



PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

(In Thousands)

	Consolidated			Parent Company		
	Years Ended December 31					
	2022	2021	2020	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income tax from continuing operations	₱16,515,216	₱37,970,597	₱548,417	₱16,216,343	₱36,296,323	₱1,014,411
Income (loss) before income tax from discontinued operations (Note 36)	—	(626,763)	299,251	—	—	—
Income before income tax	16,515,216	37,343,834	847,668	16,216,343	36,296,323	1,014,411
Adjustments for:						
Net gains on sale or exchange of assets (Note 26)	(7,775,154)	(981,462)	(195,842)	(7,770,001)	(974,024)	(130,493)
Provision for impairment, credit and other losses (Notes 14 and 16)	7,198,117	12,967,152	16,912,402	7,305,653	13,125,737	16,534,335
Unrealized foreign exchange losses (gains) on bonds payable	4,979,818	3,113,544	(2,728,233)	4,979,818	3,113,544	(2,728,233)
Depreciation and amortization (Note 11)	4,225,746	2,894,759	3,184,141	3,909,420	2,499,071	2,607,269
Unrealized foreign exchange losses (gains) on bills and acceptances payable	1,522,200	2,220,574	(1,059,619)	1,511,555	2,214,671	(1,059,379)
Net losses (gains) on financial assets at FVOCI (Note 9)	1,069,547	(1,578,197)	(2,455,265)	1,069,547	(1,578,197)	(2,454,698)
Amortization of premium (discount) on investment securities	(935,770)	294,421	(182,716)	(936,131)	296,554	(176,196)
Accretion to interest income of loss on loan modifications (Note 27)	(369,152)	(351,502)	(901,748)	(369,152)	(351,502)	(901,748)
Net losses (gains) on financial assets at FVTPL (Note 9)	211,235	846,625	(882,374)	208,212	977,617	(1,001,823)
Amortization of transaction costs on borrowings (Notes 17 and 21)	105,480	116,898	229,420	105,480	116,898	229,420
Equity in net losses (earnings) of subsidiaries and an associate (Note 12)	56,060	(50,789)	(88,476)	(747,341)	650,134	(95,939)
Gain on loss of control of subsidiaries - net (Note 12)	—	(16,807,275)	—	—	(16,916,842)	—
Gain on remeasurement of retained interest (Note 12)	—	(16,477,968)	—	—	(16,383,008)	—
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)	(4,854,939)	(891,301)	1,126,878	(4,656,651)	(859,213)	1,134,547
Financial assets at FVTPL	3,609,221	11,812,813	(9,475,736)	3,606,381	9,959,744	(9,776,160)
Loans and receivables	4,448,687	(13,325,214)	36,534,525	4,995,515	(16,184,925)	(16,207,664)
Other assets	(243,157)	1,398,479	(896,061)	(1,340,408)	(368,189)	(963,256)
Increase (decrease) in amounts of:						
Financial liabilities at FVTPL	148,245	190,292	455,620	148,430	190,544	468,810
Deposit liabilities	(23,726,210)	4,603,064	64,182,479	(32,924,438)	5,943,796	117,646,115
Accrued taxes, interest and other expenses	1,518,737	246,627	(2,376,061)	1,139,793	681,686	(1,903,084)
Other liabilities	616,446	(7,663,779)	(5,509,215)	1,084,236	(1,511,065)	(2,764,403)
Net cash generated from (used in) operations	8,320,373	19,921,595	98,309,392	(2,463,739)	20,939,354	101,059,436
Income taxes paid	(2,050,109)	(2,285,669)	(1,648,621)	(1,802,246)	(1,841,579)	(1,461,890)
Net cash provided by (used in) operating activities	6,270,264	17,635,926	96,660,771	(4,265,985)	19,097,775	99,597,546
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from:						
Disposal/maturities of financial assets at FVOCI	643,902,197	212,598,365	159,923,105	643,888,779	210,574,683	157,339,947
Maturities/early redemptions of investment securities at amortized cost	141,160,199	39,790,071	61,359,649	141,171,532	39,085,249	61,359,649
Disposal of investment properties	6,844,641	293,738	210,936	6,842,374	214,782	161,736
Disposal of property and equipment	108,253	201,593	36,750	32,546	301,198	1,322
Disposal of investment in a subsidiary (Note 12)	—	1,001,558	521,817	—	1,001,558	—
Return of investment (Note 12)	—	—	—	7,500,000	—	—
Cash dividends from a subsidiary (Note 12)	—	—	—	1,092,000	—	—
Acquisitions of:						
Financial assets at FVOCI	(638,254,305)	(224,330,405)	(169,859,472)	(637,154,487)	(224,330,405)	(169,859,472)
Investment securities at amortized cost	(162,392,791)	(33,372,543)	(56,875,400)	(162,392,791)	(33,372,543)	(57,227,468)
Software cost (Note 14)	(881,572)	(655,455)	(283,472)	(848,426)	(612,515)	(268,768)
Property and equipment (Note 11)	(547,083)	(1,120,741)	(1,231,247)	(535,981)	(675,730)	(1,027,671)
Additional investments in an associate (Note 12)	(392,000)	(245,000)	—	(392,000)	(245,000)	—
Net cash used in investing activities	(10,452,461)	(5,838,819)	(6,197,334)	(796,454)	(8,058,723)	(9,520,725)

(Forward)



	Consolidated			Parent Company		
	Years Ended December 31					
	2022	2021	2020	2022	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES						
Settlement of bills and acceptances payable	(P277,002,294)	(P273,753,842)	(P136,717,622)	(P274,908,050)	(P272,556,037)	(P118,473,479)
Proceeds from issuances of bills and acceptances payable	237,506,670	237,327,616	168,973,402	236,171,512	236,637,024	155,926,201
Payment of principal portion of lease liabilities (Note 29)	(1,113,225)	(1,231,287)	(664,156)	(1,068,038)	(1,213,912)	(649,402)
Settlement of bonds payable	—	(13,870,000)	—	—	(13,870,000)	—
Net cash provided by (used in) financing activities	(40,608,849)	(51,527,513)	31,591,624	(39,804,576)	(51,002,925)	36,803,320
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS						
	(44,791,046)	(39,730,406)	122,055,061	(44,867,015)	(39,963,873)	126,880,141
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR						
Cash and other cash items	27,552,773	25,135,724	30,500,927	27,454,459	25,038,434	29,642,159
Due from Bangko Sentral ng Pilipinas	161,001,912	202,129,356	105,981,801	161,001,912	202,129,356	101,801,597
Due from other banks	27,222,083	19,733,300	17,758,143	19,324,000	12,131,726	10,835,106
Interbank loans receivable (Note 8)	30,453,378	38,939,572	22,943,529	29,042,376	37,464,504	22,274,306
Securities held under agreements to resell	15,796,673	15,819,273	2,517,764	15,796,673	15,819,273	1,149,984
	262,026,819	301,757,225	179,702,164	252,619,420	292,583,293	165,703,152
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	22,217,915	27,552,773	25,135,724	22,103,095	27,454,459	25,038,434
Due from Bangko Sentral ng Pilipinas	94,701,360	161,001,912	202,129,356	94,701,360	161,001,912	202,129,356
Due from other banks	26,010,183	27,222,083	19,733,300	17,599,374	19,324,000	12,131,726
Interbank loans receivable (Note 8)	9,782,452	30,453,378	38,939,572	8,824,713	29,042,376	37,464,504
Securities held under agreements to resell	64,523,863	15,796,673	15,819,273	64,523,863	15,796,673	15,819,273
	P217,235,773	P262,026,819	P301,757,225	P207,752,405	P252,619,420	P292,583,293
OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS						
Interest paid	P7,312,461	P7,690,053	P11,936,540	P7,256,130	P7,670,243	P11,494,829
Interest received	43,082,036	42,928,178	47,391,100	42,297,774	42,075,051	44,519,365
Dividends received	—	—	—	1,092,000	—	—

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, 2022 and 2021, the shares of PNB are held by the following:

	2022	2021
LT Group, Inc. (LTG) (indirect ownership through its various holding companies)	59.83%	59.83%
PCD Nominee Corporation *	15.85%	15.94%
Other stockholders owning less than 10% each	24.32%	24.23%
	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 651 and 670 domestic branches as of December 31, 2022 and 2021, respectively. As of the same dates, the Parent Company has 72 and 70 overseas branches, representative offices, remittance centers and subsidiaries, respectively, 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

2.1 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 which include its Head Office in Pasay City, Philippines, and all of its domestic and foreign branches, 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 (₱000), unless otherwise stated.

2.2 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).

2.3 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).

2.4 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 (see definition of 'control' in 2.12 *Investments in Subsidiaries, Associates and Joint Ventures*). 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'.



2.5 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.

2.5.1 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).

2.5.2 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.

2.6 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, 2022. 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 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 Philippine Accounting Standards (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 are applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when an entity first applies the amendment.
- Amendments to PAS 37, *Onerous Contracts: Cost of Fulfilling a Contract*
The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly-related cost 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
 - Amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards: Subsidiary as a first-time adopter*
The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported in the parent’s consolidated financial statements, based on the parent’s date of transition to PFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.
 - Amendment to PFRS 9, *Financial Instruments: Fees in the ‘10 per cent’ test for derecognition of financial liabilities*
The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf.
 - Amendment to PAS 41, *Agriculture: Taxation in fair value measurements*
The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.



2.7 Business Combinations

The Group accounts for business combinations using the acquisition method. Under this method, the Group measures the acquisition cost as the aggregate of the acquisition-date 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 (see related accounting policy under 2.13.3 *Intangible Assets*). 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.

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).

2.8 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.

2.9 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.

2.10 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.



2.11 Financial Instruments

2.11.1 Initial Recognition of Financial Instruments

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.

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

2.11.2 Classification and Subsequent Measurement of Financial Instruments

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 (losses) - 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’.

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 investment 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 (see related accounting policy under 2.11.5 *Impairment of Financial Assets*).

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 (see related accounting policy under *2.11.5 Impairment of Financial Assets*).

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.

2.11.3 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.

2.11.4 Derecognition of Financial Instruments

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.

2.11.5 Impairment of Financial Assets

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 2.11.4 *Derecognition of Financial Instruments*.



If a loan or credit exposure has been renegotiated or modified without 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.

2.11.6 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'.

2.12 Investments in Subsidiaries, Associates and Joint Ventures

The Group's subsidiaries pertain to investees where the Group demonstrates control. 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.

The Group's associate pertains to the investee 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 the statement of financial position at cost plus post-acquisition changes in the share in the net assets of the investee less accumulated impairment losses, if any (see related accounting policy under 2.13.5 *Impairment of Nonfinancial Assets*). The Group reflects its share in the results of operations of the investee and any impairment losses in the statement of income. When there has been a change recognized in the investee'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 investee to the extent of the interest of the Group in the investee. Once the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognized,



only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee.

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 an associate, the Group measures and recognizes any retained investment at its fair value. Any resulting difference between the aggregate of the investee'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, associate or joint venture that did not result in a loss of control or significant influence, as applicable, 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 investment.

2.13 Other Nonfinancial Assets

2.13.1 Property and Equipment

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 related accounting policy under 2.16.5 *Expenditures on Nonfinancial Assets*).

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 (see related accounting policy under 2.13.5 *Impairment of Nonfinancial Assets*).

For right-of-use assets included under 'Property and equipment', see related accounting policy under 2.18.1 *Group as a Lessee Under Lease Contracts*.

2.13.2 Investment Properties and Chattel Mortgage Properties

The Group initially measures investment properties and chattel mortgage properties initially at cost, including transaction costs (see related accounting policy under 2.16.5 *Expenditures on Nonfinancial Assets*). 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 (see related accounting policy under *2.13.5 Impairment of Nonfinancial Assets*).

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.

2.13.3 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. 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.

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 (see related accounting policy under *2.16.5 Expenditures on Nonfinancial Assets*).

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 (see related accounting policy under *2.13.5 Impairment of Nonfinancial Assets*).

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 (see related accounting policy under *2.13.5 Impairment of Nonfinancial Assets*).

2.13.4 Derecognition of Nonfinancial Assets

The Group derecognizes a nonfinancial asset when it has 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 a nonfinancial asset in the statement of income under 'Net gains (losses) on sale or exchange of assets' in the period the asset is derecognized.



2.13.5 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 cash-generating unit (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.

2.14 Equity

2.14.1 Capital Stock

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.



2.14.2 Reserves Recorded in Equity

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 (see related accounting policy under 2.17.1 *Retirement Under Defined Benefit Plan*).
- 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 (see related accounting policy under 2.5.2 *FCDU and Overseas Branches and Subsidiaries*).
- Net unrealized gains (losses) on financial assets at FVOCI – comprises changes in fair value of financial assets at FVOCI (see related accounting policy under 2.11.2 *Classification and Subsequent Measurement of Financial Instruments*).

2.14.3 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.

2.14.4 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.

2.15 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.



2.15.1 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.

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 'Interest income' over the expected life of the loan.

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.

2.15.2 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.

2.15.3 Credit Card Revenues

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.

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 'Interest income' the unearned and other deferred income over the installment terms using the effective interest method.

2.15.4 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.



2.15.5 Gain on Sale or Exchange of Assets

The Group recognizes gain on sale or exchange of assets upon completion of the earning process upon transfer of control and when the collectability of the sales price is reasonably assured.

2.15.6 Other Income

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' (see related accounting policy under 2.18.2 *Group as a Lessor Under Lease Contracts*).

Dividend income

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

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.

2.16 Expenditures

2.16.1 Borrowing Costs

The Group recognizes borrowing costs as 'Interest 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.

2.16.2 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.

2.16.3 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.



2.16.4 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
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.

2.16.5 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.

2.17 Employee Benefits

2.17.1 Retirement Under 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.

2.17.2 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.

2.17.3 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.



2.18 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.

2.18.1 Group as a Lessee Under Lease Contracts

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 (see related accounting policy under 2.13.5 *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.



2.18.2 Group as a Lessor Under Lease Contracts

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.

2.19 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'.

2.20 Contingencies

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.

2.21 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.



2.21.1 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.

2.21.2 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.



2.22 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.

2.23 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.

2.24 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.

2.25 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.

2.26 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.

2.27 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, 2023

- 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.

The amendments to the Practice Statement provide non-mandatory guidance. Early adoption of the amendments is permitted as long as this fact is disclosed.

- 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.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
The amendments clarify:
 - That only covenants with which an entity must comply on or before the reporting date will affect a liability’s classification as current or non-current;
 - That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
 - 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, 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on its current practice and whether existing loan agreements may require renegotiation.



- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*
The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right-of-use retained. The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Earlier adoption is permitted and that fact must be disclosed.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*
PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts 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. A few scope exceptions will apply. The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

On December 15, 2021, the FSRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two years after its effective date as decided by the International Accounting Standards Board (IASB).

PFRS 17 is effective for reporting periods beginning on or after 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 FSRSC 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.

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.



3.1 Judgments

3.1.1 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.

3.1.2 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.

3.1.3 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.

3.1.4 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. 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 an independent valuation company (refer to Note 5 for the fair values of financial instruments).

3.1.5 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 (refer to Note 34).

3.1.6 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.

3.2 Accounting Estimates

3.2.1 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.

In response to the changing credit environment due to the protracted COVID-19 pandemic, as well as the effects of the Russia-Ukraine conflict, rising interest rates, inflation, and other 'black swan' events (see further discussion of these events under *3.2.2 Recognition of Deferred Tax Assets*) which may potentially occur, the Group reviews on a monthly basis its loan portfolio, particularly for accounts that have shown or are beginning to show increases in credit risk. The Group performs comprehensive review of the default profile of its accounts to determine if there are factors or indicators not captured in the risk rating model. If there are noted weaknesses in the model, where possible, the Group recalibrates the parameter estimates to the ECL models to incorporate internal default experience, as well as most recent available external data affecting each segment of the Group's loan portfolio.

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 and other stress scenarios to ensure that changes in economic conditions are captured in the ECL calculations.

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



3.2.2 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.

The Group reassesses its business plan, as well as tax strategies, in the next three to five years, considering various economic scenarios including recovery outlook and effects on specific industries and trade of the protracted COVID-19 pandemic, Russia-Ukraine conflict, rising interest rates, inflation, and other 'black swan' events (such as longer lasting supply shock inflation pressure, credit rating downgrade, deep recession in the USA and Europe, and emergence of a new pandemic).

Refer to Note 30.3 for the carrying amount of recognized and unrecognized deferred tax assets.

3.2.3 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 present value of retirement obligation is disclosed in Note 28.

3.2.4 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. Similar with its considerations discussed under 3.2.2 *Recognition of Deferred Tax Assets*, the Group revisits its business plan and applies judgment to reassess the projections of future cash flows as of December 31, 2022, considering various economic scenarios and recovery outlook.

The carrying values of the Group's goodwill, accumulated impairment losses, and key assumptions used in determining VIU are disclosed in Note 14.3.



4. Financial Risk Management Objectives and Policies

4.1 Risk Management Framework

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.

4.2 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 adequacy of capital for credit risk via the Capital Adequacy Ratio (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.

4.2.1 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.



4.2.2 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.

4.2.3 Collateral and Other Credit Enhancements

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 Acquired Assets 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.

4.2.4 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 2022			
	Maximum Exposure	Fair Value of Collateral	Net Exposure	Financial Effect of Collateral
Securities held under agreements to resell	₱64,523,863	₱64,334,349	₱189,514	₱64,334,349
Loans and receivables:				
Receivables from customers*:				
Corporates	516,315,998	289,977,781	425,412,218	90,903,780
Local government units (LGU)	2,770,555	—	2,770,555	—
Credit Cards	13,094,453	—	13,094,453	—
Retail small and medium enterprises (SME)	4,735,190	3,594,278	2,821,798	1,913,392
Housing Loans	24,241,178	37,042,606	7,118,628	17,122,550
Auto Loans	5,570,015	11,420,518	1,765,068	3,804,947
Others	11,392,943	4,991,456	8,436,551	2,956,392
Other receivables	14,979,583	—	14,979,583	—
	₱657,623,778	₱411,360,988	₱476,588,368	₱181,035,410

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



	Consolidated			
	2021			
	Maximum Exposure	Fair Value of Collateral	Net Exposure	Financial Effect of Collateral
Securities held under agreements to resell	₱15,796,673	₱15,800,317	₱—	₱15,796,673
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 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	—
	₱622,025,558	₱292,447,377	₱500,427,015	₱121,598,543

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

	Parent Company			
	2022			
	Maximum Exposure	Fair Value of Collateral	Net Exposure	Financial Effect of Collateral
Securities held under agreements to resell	₱64,523,863	₱64,334,349	₱189,514	₱64,334,349
Loans and receivables:				
Receivables from customers:				
Corporates	504,070,752	268,623,811	424,982,412	79,088,340
LGU	2,770,555	—	2,770,555	—
Credit Cards	13,094,453	—	13,094,453	—
Retail SME	3,936,250	2,483,707	2,672,892	1,263,358
Housing Loans	23,326,606	35,629,579	7,118,628	16,207,978
Auto Loans	5,570,015	11,420,518	1,765,068	3,804,947
Others	11,300,587	4,802,742	8,436,552	2,864,035
Other receivables	13,925,800	—	13,925,800	—
	₱642,518,881	₱387,294,706	₱474,955,874	₱167,563,007

	Parent Company			
	2021			
	Maximum Exposure	Fair Value of Collateral	Net Exposure	Financial Effect of Collateral
Securities held under agreements to resell	₱15,796,673	₱15,800,317	₱—	₱15,796,673
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	—
	₱608,295,434	₱286,623,893	₱500,176,869	₱108,118,565

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.



4.2.5 Credit Risk Concentrations

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.

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.

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 2022				
	Loans and receivables*	Trading and investment securities	Other financial assets**	Total
Philippines	₱552,755,901	₱237,143,001	₱120,952,612	₱910,851,514
Asia (excluding the Philippines)	26,641,314	21,914,099	36,745,688	85,301,101
United Kingdom	2,096,234	6,708,736	22,039,442	30,844,412
USA and Canada	8,707,036	8,378,067	13,190,193	30,275,296
Other European Union Countries	2,079,196	–	8,654,970	10,734,166
Middle East	66,026	1,854,783	10,145	1,930,954
Oceania	523,802	–	2,788	526,590
	₱592,869,509	₱275,998,686	₱201,595,838	₱1,070,464,033

*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 2021				
	Loans and receivables*	Trading and investment securities	Other financial assets**	Total
Philippines	₱556,478,910	₱200,906,568	₱176,809,453	₱934,194,931
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
	₱606,228,885	₱268,610,790	₱236,276,778	₱1,111,116,453

*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)



Parent Company				
2022				
	Loans and receivables	Trading and investment securities	Other financial assets*	Total
Philippines	₱550,597,430	₱236,170,294	₱122,538,534	₱909,306,258
Asia (excluding the Philippines)	14,013,140	21,911,976	28,306,396	64,231,512
United Kingdom	2,091,414	6,554,432	21,273,903	29,919,749
USA and Canada	8,624,015	8,238,785	12,349,620	29,212,420
Other European Union Countries	2,079,196	—	7,132,780	9,211,976
Middle East	66,026	1,854,783	9,567	1,930,376
Oceania	523,797	—	—	523,797
	₱577,995,018	₱274,730,270	₱191,610,800	₱1,044,336,088

*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	₱554,890,216	₱200,470,439	₱178,478,647	₱933,839,302
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
	₱592,498,761	₱267,884,522	₱226,554,682	₱1,086,937,965

*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)

Concentration by industry

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

Consolidated				
2022				
	Loans and receivables*	Trading and investment securities	Other financial assets***	Total
Primary target industry:				
Financial intermediaries	₱119,769,773	₱19,521,101	₱73,230,975	₱212,521,849
Wholesale and retail	87,945,351	—	—	87,945,351
Electricity, gas and water	77,714,165	9,306,111	—	87,020,276
Manufacturing	59,847,311	166,728	—	60,014,039
Transport, storage and communication	40,563,305	—	50	40,563,355
Agriculture, hunting and forestry	5,192,944	—	—	5,192,944
Public administration and defense	1,626,592	—	—	1,626,592
Secondary target industry:				
Government	2,794,558	196,640,202	127,597,960	327,032,720
Real estate, renting and business activities	92,957,909	14,283,283	13,884	107,255,076
Construction	27,005,540	—	—	27,005,540
Others**	77,452,061	36,081,261	752,969	114,286,291
	₱592,869,509	₱275,998,686	₱201,595,838	₱1,070,464,033

*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			Total
	2021			
	Loans and receivables*	Trading and investment securities	Other financial assets***	
Primary target industry:				
Financial intermediaries	₱126,158,573	₱43,483,287	₱53,561,402	₱223,203,262
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
	₱606,228,885	₱268,610,790	₱236,276,778	₱1,111,116,453

*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			
	2022			
	Loans and receivables	Trading and investment securities	Other financial assets**	Total
Primary target industry:				
Financial intermediaries	₱119,250,013	₱19,518,028	₱63,259,871	₱202,027,912
Wholesale and retail	82,372,415	—	—	82,372,415
Electricity, gas and water	77,715,031	9,306,111	—	87,021,142
Manufacturing	57,490,538	164,780	—	57,655,318
Transport, storage and communication	39,696,751	—	—	39,696,751
Agriculture, hunting and forestry	5,031,731	—	—	5,031,731
Public administration and defense	1,626,592	—	—	1,626,592
Secondary target industry:				
Government	2,770,555	196,519,177	127,597,960	326,887,692
Real estate, renting and business activities	89,266,907	13,141,082	—	102,407,989
Construction	26,938,899	—	—	26,938,899
Others*	75,835,586	36,081,092	752,969	112,669,647
	₱577,995,018	₱274,730,270	₱191,610,800	₱1,044,336,088

*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	₱126,812,309	₱43,479,276	₱43,973,406	₱214,264,991
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
	₱592,498,761	₱267,884,522	₱226,554,682	₱1,086,937,965

*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.

4.2.6 Credit Quality Per Class of Financial Assets

Loans and receivables

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 of the following:

- Non-Retail Portfolio – 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, Specialized Lending (e.g., Project Finance), Large Corporates, Middle Market and Commercial SME, government-owned and controlled corporations and LGUs.
- Retail Portfolio – consists of exposures to individual person/s or to a small business, and are not usually managed on an individual basis but as groups of exposures with similar credit risk characteristics. This includes Credit Cards, Consumer Loans and Retail SME, among others.

The credit quality of the 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).

The Group developed specific borrower rating models to capture specific and unique risk characteristics of each of the Non-Retail Portfolio segments. The BRR 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 BRR 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 BRR system
High S&P Equivalent Global Rating: AAA to BBB-	<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. <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. <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. <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. <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. <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.
Standard S&P Equivalent Global Rating: BB+ to BB-	<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. <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. <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



Credit quality	26-Grade BRR system
Substandard S&P Equivalent Global Rating: B+ to CCC-	<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. <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.
Impaired S&P Equivalent Global Rating: D	<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.

For the Retail 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, 2022 and 2021:

	Consolidated			
	2022			
	Stage 1	Stage 2	Stage 3	Total
Subject to CRR				
Non-Retail – Corporate				
High	₱210,563,413	₱–	₱–	₱210,563,413
Standard	198,909,684	30,731,562	–	229,641,246
Substandard	29,953,399	31,163,671	–	61,117,070
Impaired	–	–	26,950,431	26,950,431
	439,426,496	61,895,233	26,950,431	528,272,160
Subject to Scoring and Unrated				
Non-Retail	2,849,194	11,760,556	1,183,962	15,793,712
Corporate	95,980	11,723,793	1,118,268	12,938,041
LGU	2,753,214	36,763	65,694	2,855,671
Retail	41,072,586	1,411,135	13,920,882	56,404,603
Auto Loans	4,955,770	102,179	1,970,279	7,028,228
Housing Loans	18,930,297	643,627	9,015,408	28,589,332
Retail SME	4,029,128	349,415	2,025,819	6,404,362
Credit Card	13,157,391	315,914	909,376	14,382,681
Others	9,376,862	1,546,960	1,987,431	12,911,253
	53,298,642	14,718,651	17,092,275	85,109,568
	₱492,725,138	₱76,613,884	₱44,042,706	₱613,381,728

	Consolidated			
	2021			
	Stage 1	Stage 2	Stage 3	Total
Subject to CRR				
Non-Retail – Corporate				
High	₱213,838,798	₱–	₱–	₱213,838,798
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

(Forward)



	Consolidated			
	2021			
	Stage 1	Stage 2	Stage 3	Total
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	42,972,853	1,081,229	18,382,820	62,436,902
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
	60,629,141	1,616,329	21,946,814	84,192,284
	₱528,213,165	₱26,466,882	₱75,137,364	₱629,817,411

	Parent Company			
	2022			
	Stage 1	Stage 2	Stage 3	Total
Subject to CRR				
Non-Retail - Corporate				
High	₱208,384,303	₱—	₱—	₱208,384,303
Standard	189,504,524	30,731,541	—	220,236,065
Substandard	29,953,399	31,143,373	—	61,096,772
Impaired	—	—	27,951,509	27,951,509
	427,842,226	61,874,914	27,951,509	517,668,649
Subject to Scoring and Unrated				
Non-Retail	2,759,254	11,758,770	1,099,592	15,617,616
Corporate	6,040	11,722,007	1,033,898	12,761,945
LGU	2,753,214	36,763	65,694	2,855,671
Retail	39,685,909	1,376,404	12,960,913	54,023,226
Auto Loans	4,955,770	102,179	1,970,279	7,028,228
Housing Loans	18,020,708	640,238	9,002,446	27,663,392
Retail SME	3,552,040	318,073	1,078,812	4,948,925
Credit Card	13,157,391	315,914	909,376	14,382,681
Others	9,284,464	1,546,960	1,987,432	12,818,856
	51,729,627	14,682,134	16,047,937	82,459,698
	₱479,571,853	₱76,557,048	₱43,999,446	₱600,128,347

	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
	₱516,241,105	₱26,271,157	₱73,251,651	₱615,763,913



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

Consolidated					
2022					
	Less than 30 days	31 to 90 days	91 to 180 days	More than 180 days	Total
Housing Loans	₱297,214	₱599,308	₱595,871	₱8,202,270	₱9,694,663
Auto Loans	60,850	74,690	65,801	1,869,429	2,070,770
Retail SME	61,162	21,090	47,949	1,814,702	1,944,903
Credit Card	1,455	102,596	233,163	630,629	967,843
LGU	7,650	—	—	58,044	65,694
Others	719,429	108,294	49,980	1,254,343	2,132,046
Total	₱1,147,760	₱905,978	₱992,764	₱13,829,417	₱16,875,919

Consolidated					
2021					
	Less than 30 days	31 to 90 days	91 to 180 days	More than 180 days	Total
Housing Loans	₱463,159	₱365,760	₱798,478	₱9,453,732	₱11,081,129
Auto Loans	106,552	111,726	179,743	2,499,658	2,897,679
Retail SME	292,832	147,427	72,810	965,495	1,478,564
Credit Card	2,338	76,839	263,944	2,092,666	2,435,787
LGU	—	—	—	24,916	24,916
Others	247,220	107,395	111,504	1,542,905	2,009,024
Total	₱1,112,101	₱809,147	₱1,426,479	₱16,579,372	₱19,927,099

Parent Company					
2022					
	Less than 30 days	31 to 90 days	91 to 180 days	More than 180 days	Total
Housing Loans	₱296,922	₱594,491	₱566,398	₱8,176,282	₱9,634,093
Auto Loans	60,850	74,690	65,801	1,869,429	2,070,770
Retail SME	61,162	15,774	37,869	968,460	1,083,265
Credit Card	1,455	102,596	233,163	630,629	967,843
LGU	7,650	—	—	58,044	65,694
Others	712,413	107,503	38,672	1,163,289	2,021,877
Total	₱1,140,452	₱895,054	₱941,903	₱12,866,133	₱15,843,542

Parent Company					
2021					
	Less than 30 days	31 to 90 days	91 to 180 days	More than 180 days	Total
Housing Loans	₱352,533	₱361,041	₱794,227	₱9,403,925	₱10,911,726
Auto Loans	106,552	111,726	179,743	2,499,658	2,897,679
Retail SME	197,544	133,337	70,980	797,201	1,199,062
Credit Card	2,338	76,839	263,944	2,092,666	2,435,787
LGU	—	—	—	24,916	24,916
Others	231,381	103,750	98,761	1,542,905	1,976,797
Total	₱890,348	₱786,693	₱1,407,655	₱16,361,271	₱19,445,967

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 allowance for credit losses, excluding receivables from customers, which are monitored using external ratings.

Consolidated 2022						
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated	Total
Due from BSP ^{1/}	P=	P=	P=	P=	P=	P=
Due from other banks	3,256,692	18,388,027	3,259,226	24,903,945	1,116,136	26,020,081
Interbank loans receivables	1,570,626	2,684,871	—	4,255,497	12,035,973	16,291,470
Securities held under agreements to resell	—	21,206,949	17,234,682	38,441,631	26,084,420	64,526,051
Financial assets at FVOCI						
Government securities	3,309,749	553,668	114,076,366	117,939,783	—	117,939,783
Private debt securities	590,542	251,592	159,681	1,001,815	14,429,055	15,430,870
Quoted equity securities	—	—	58,170	58,170	734,046	792,216
Unquoted equity securities	—	—	388,884	388,884	23,631,772	24,020,656
Investment securities at amortized cost						
Government securities	145,147	7,950,608	69,892,792	77,988,547	208,886	78,197,433
Private debt securities	—	8,876,965	1,158,512	10,035,477	26,082,900	36,118,377
Financial assets at amortized cost						
Loans and receivables - Others ^{2/}	—	—	—	—	19,188,611	19,188,611

^{1/} '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.

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

Consolidated 2021						
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated	Total
Due from BSP ^{1/}	P=	P=	P=	P=	P=	P=
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 ^{2/}	—	—	—	—	16,870,479	16,870,479

^{1/} '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.

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



Parent Company						
2022						
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated	Total
Due from BSP ^{1/}	₱–	₱–	₱–	₱–	₱94,701,360	₱94,701,360
Due from other banks	961,707	15,816,731	154,079	16,932,517	676,730	17,609,247
Interbank loans receivables	–	2,684,871	0	2,684,871	12,051,241	14,736,112
Securities held under agreements to resell	–	21,206,949	17,234,682	38,441,631	26,084,420	64,526,051
Financial assets at FVOCI						
Government securities	2,938,253	553,668	114,168,823	117,660,744	–	117,660,744
Private debt securities	590,542	68	159,681	750,291	14,429,054	15,179,345
Quoted equity securities	–	–	–	–	734,046	734,046
Unquoted equity securities	–	–	–	–	23,631,772	23,631,772
Investment securities at amortized cost						
Government securities	5,865	7,950,608	69,892,792	77,849,265	208,886	78,058,151
Private securities	–	8,876,965	1,158,512	10,035,477	26,082,900	36,118,377
Financial assets at amortized cost						
Loans and receivables - Others ^{2/}	–	–	–	–	17,925,091	17,925,091

^{1/} '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.

^{2/} 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 ^{1/}	₱–	₱–	₱–	₱–	₱161,001,912	₱161,001,912
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 ^{2/}	–	–	–	–	16,817,233	16,817,233

^{1/} '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.

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

4.3 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 Global Markets Group. Likewise, the RMG monitors the static liquidity via the MCO under normal and stressed scenarios.

The table below shows the liquidity information of financial assets and financial liabilities 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					Total
	2022					
	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	
Financial Assets						
COCI	₱22,217,915	₱–	₱–	₱–	₱–	₱22,217,915
Due from BSP and other banks	125,113,662	–	–	–	–	125,113,662
Interbank loans receivable	8,876,452	1,313,106	2,441,537	4,108,738	–	16,739,833
Securities held under agreements to resell	60,878,039	3,784,201	–	–	–	64,662,240
Financial assets at FVTPL:						
Government securities	199,530	1,080,139	296,110	1,053,949	6,650,083	9,279,811
Private debt securities	12,016	20,983	18,250	51,248	3,224,192	3,326,689
Equity securities	2,898	–	–	–	–	2,898
Derivative assets:						
Gross contractual receivable	40,036,455	7,664,954	10,332,430	3,259,807	15,337	61,308,983
Gross contractual payable	(39,050,764)	(7,542,887)	(10,098,003)	(3,240,344)	–	(59,931,998)
Financial assets at FVOCI:						
Government securities	87,743,403	3,614,649	9,339,616	9,486,786	141,544,530	251,728,984
Private debt securities	3,417,893	1,165,367	283,912	2,883,129	42,342,083	50,092,384
Equity securities	1,614,229	–	–	–	23,198,643	24,812,872
Investment securities at amortized cost						
Government securities	6,043,708	10,034,076	6,717,704	2,835,413	149,213,141	174,844,042
Private debt securities	1,243,241	6,416,993	11,655,875	10,450,844	37,189,899	66,956,852
Financial assets at amortized cost:						
Receivables from customers	95,928,952	75,907,926	32,255,624	14,027,383	528,529,464	746,649,349
Other receivables	7,226,808	903,926	1,587,116	786,924	8,683,837	19,188,611
Other assets	50,539	–	–	792	19,000	70,331
Total financial assets	₱421,554,976	₱104,363,433	₱64,830,171	₱45,704,669	₱940,610,209	₱1,577,063,458
Financial Liabilities						
Deposit liabilities:						
Demand	₱222,499,667	₱–	₱–	₱–	₱–	₱222,499,667
Savings *	359,730,732	–	–	–	–	359,730,732
Time and LTNCDs *	138,445,541	96,585,595	26,246,991	16,416,245	21,787,715	299,482,087
Financial liabilities at FVTPL:						
Derivative liabilities:						
Gross contractual payable	27,156,350	38,707,232	17,167,707	557,813	–	83,589,102
Gross contractual receivable	(26,737,134)	(38,304,103)	(16,951,759)	(556,330)	–	(82,549,326)
Bills and acceptances payable	8,334,542	3,571,275	30,000	43,936	3,145,035	15,124,788
Bonds payable	–	–	17,771,674	685,787	42,883,029	61,340,490
Accrued interest payable and accrued other expenses payable						
other expenses payable	2,996,291	146,218	167,140	59,077	480,280	3,849,006
Other liabilities	6,529,727	481,672	443,923	982,544	1,784,517	10,222,383
Total financial liabilities	₱738,955,716	₱101,187,889	₱44,875,676	₱18,189,072	₱70,080,576	₱973,288,929

* High-yield savings accounts are included under time deposits

	Consolidated					Total
	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	
Financial Assets						
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	12,277	18,030	188,283	55,245	4,094,719	4,368,554
Equity securities	5,045	—	—	—	—	5,045
(Forward)						



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
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
Total financial assets	₱452,786,996	₱98,785,798	₱92,753,812	₱96,158,966	₱859,686,494	₱1,600,172,066
Financial Liabilities						
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	1,380,858	419,761	439,484	74,873	421,666	2,736,642
Other liabilities	6,022,785	1,091,687	276,512	313,888	2,388,506	10,093,378
Total financial liabilities	₱779,012,254	₱112,745,312	₱22,433,256	₱26,290,564	₱89,512,010	₱1,029,993,396

* High-yield savings accounts are included under time deposits

Parent Company						
2022						
	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						
COCI	₱22,103,095	₱–	₱–	₱–	₱–	₱22,103,095
Due from BSP and other banks	111,505,536	–	–	–	–	111,505,536
Interbank loans receivable	8,343,252	515,186	2,202,032	4,108,738	–	15,169,208
Securities held under agreements to resell	60,878,039	3,784,201	–	–	–	64,662,240
Financial assets at FVTPL:						
Government securities	199,530	1,080,139	296,110	1,053,949	6,650,083	9,279,811
Private debt securities	12,015	19,521	16,338	47,874	3,066,295	3,162,043
Equity securities	–	–	–	–	–	–
Derivative assets:						
Gross contractual receivable	40,036,392	7,664,843	10,330,480	3,259,807	15,337	61,306,859
Gross contractual payable	(39,050,764)	(7,542,887)	(10,098,003)	(3,240,344)	–	(59,931,998)
Financial assets at FVOCI:						
Government securities	87,589,100	3,614,649	9,331,816	9,478,986	141,160,507	251,175,058
Private debt securities	3,417,893	1,161,551	279,351	805,777	42,009,216	47,673,788
Equity securities	1,167,175	–	–	–	23,198,643	24,365,818
Investment securities at amortized cost:						
Government securities	6,043,708	10,034,076	6,717,704	2,834,979	149,073,174	174,703,641
Private debt securities	1,243,240	6,416,993	11,655,875	10,450,844	37,189,899	66,956,851
Financial assets at amortized cost:						
Receivables from customers	91,699,945	72,873,522	30,410,181	12,306,340	524,244,914	731,534,902
Other receivables	6,061,538	884,433	1,524,007	780,377	8,674,736	17,925,091
Other assets	49,981	–	–	–	1,479	51,460
Total financial assets	₱401,299,675	₱100,506,227	₱62,665,891	₱41,887,327	₱935,284,283	₱1,541,643,403
Financial Liabilities						
Deposit liabilities:						
Demand	₱221,728,550	₱–	₱–	₱–	₱–	₱221,728,550
Savings *	358,566,639	–	–	–	–	358,566,639
Time and LTNCDs *	136,408,742	94,156,313	23,621,363	16,100,141	21,651,079	291,937,638

(Forward)



Parent Company						
2022						
	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 liabilities at FVTPL:						
Derivative liabilities:						
Gross contractual receivable	₱27,156,350	₱38,707,232	₱17,167,707	₱557,813	₱–	₱83,589,102
Gross contractual payable	(26,737,134)	(38,304,103)	(16,951,759)	(556,312)	–	(82,549,308)
Bills and acceptances payable	7,298,446	3,565,575	23,537	43,936	3,100,957	14,032,451
Bonds payable	–	–	17,771,674	685,787	42,883,029	61,340,490
Accrued interest payable and accrued other expenses payable	3,017,246	136,048	161,180	1,283	478,314	3,794,071
Other liabilities	6,054,793	462,927	192,156	956,649	1,753,787	9,420,312
Total financial liabilities	₱733,493,632	₱98,723,992	₱41,985,858	₱17,789,297	₱69,867,166	₱961,859,945

* High-yield savings accounts are included under time deposits

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
Financial Assets						
COCI	₱27,454,459	₱–	₱–	₱–	₱–	₱27,454,459
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
Total financial assets	₱433,494,872	₱96,038,923	₱90,466,533	₱93,986,099	₱852,161,797	₱1,566,148,224

Financial Liabilities						
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	1,355,922	417,706	436,059	60,189	419,695	2,689,571
Other liabilities	5,422,424	987,104	236,490	233,850	2,029,972	8,909,840
Total financial liabilities	₱783,579,650	₱110,328,989	₱19,183,281	₱24,938,582	₱88,629,111	₱1,026,659,613

* High-yield savings accounts are included under time deposits



4.3.1 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, 2022 and 2021, LCR reported to the BSP with certain adjustments is shown in the table below:

	Consolidated		Parent Company	
	2022	2021	2022	2021
LCR	246.25%	188.31%	240.35%	177.54%

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, 2022 and 2021, NSFR reported to the BSP with certain adjustments is shown in the table below (amounts, except ratios, are expressed in millions):

	Consolidated		Parent Company	
	2022	2021	2022	2021
Available stable funding	₱852,706	₱867,468	₱843,395	₱862,121
Required stable funding	621,402	630,819	621,765	639,013
NSFR	137.22%	137.51%	135.65%	134.91%

4.4 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.

4.4.1 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.

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 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.

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 profit or loss (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 2022 and 2021, 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.

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.

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 29, 2022	₱1.98	₱130.50	₱0.00	₱132.48
Average Daily	6.77	161.09	0.00	167.09
Highest	25.45	889.57	0.00	895.51
Lowest	0.87	118.10	0.00	131.61

* *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, 2021	₱3.67	₱87.21	₱42.28	₱133.17
Average Daily	6.93	401.78	39.50	448.21
Highest	24.90	670.75	48.48	701.79
Lowest	0.88	87.21	23.49	133.17

* *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*

4.4.2 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					
	2022					
	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	₱57,044,759	₱12,537,877	₱3,792,192	₱7,078,521	₱40,258,194	₱120,711,543
Interbank loans receivable and securities held under agreements to resell	69,845,933	4,825,901	2,118,690	4,023,440	—	80,813,964
Receivables from customers and other receivables - gross**	38,027,100	45,572,755	34,155,255	35,259,733	188,411,533	341,426,376
Total financial assets	₱164,917,792	₱62,936,533	₱40,066,137	₱46,361,694	₱228,669,727	₱542,951,883
Financial Liabilities*						
Deposit liabilities:						
Savings	₱114,430,938	₱82,873,557	₱27,876,786	₱50,253,238	₱244,506,016	₱519,940,535
Time***	57,117,230	30,218,746	11,043,959	9,460,545	4,272,828	112,113,308
Bonds payable	—	—	16,696,885	—	41,742,212	58,439,097
Bills and acceptances payable	9,382,521	3,640,490	17,418	369,964	1,569,980	14,980,373
Total financial liabilities	₱180,930,689	₱116,732,793	₱55,635,048	₱60,083,747	₱292,091,036	₱705,473,313
Repricing gap	(₱16,012,897)	(₱53,796,260)	(₱15,568,911)	(₱13,722,053)	(₱63,421,309)	(₱162,521,430)
Cumulative gap	(16,012,897)	(69,809,157)	(85,378,068)	(99,100,121)	(162,521,430)	

* 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					
	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
Financial Assets*						
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
Financial Liabilities*						
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



Parent Company						
2022						
	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	₱53,592,812	₱10,577,151	₱3,520,771	₱6,789,024	₱37,820,976	₱112,300,734
Interbank loans receivable and securities held under repurchase agreement	69,014,896	4,333,680	2,118,690	3,791,340	–	79,258,606
Receivable from customers and other receivables - gross**	38,027,100	45,572,755	34,155,255	35,259,733	188,411,533	341,426,376
Total financial assets	₱160,634,808	₱60,483,586	₱39,794,716	₱45,840,097	₱226,232,509	₱532,985,716
Financial Liabilities*						
Deposit liabilities:						
Savings	₱113,443,295	₱82,873,557	₱27,876,786	₱50,253,238	₱244,481,764	₱518,928,640
Time***	59,700,130	28,124,706	8,370,715	8,430,094	4,140,440	108,766,085
Bonds payable	–	–	16,696,885	–	41,742,212	58,439,097
Bills and acceptances payable	9,231,579	3,540,473	–	–	1,115,983	13,888,035
Total financial liabilities	₱182,375,004	₱114,538,736	₱52,944,386	₱58,683,332	₱291,480,399	₱700,021,857
Repricing gap	(₱21,740,196)	(₱54,055,150)	(₱13,149,670)	(₱12,843,235)	(₱65,247,890)	(₱167,036,141)
Cumulative gap	(21,740,196)	(75,795,346)	(88,945,016)	(101,788,251)	(167,036,141)	

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

* 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, 2022 and 2021:

Consolidated				
	2022		2021	
	Statement of Income	Equity	Statement of Income	Equity
+50bps	(₱352,749)	(₱352,749)	(₱75,953)	(₱75,953)
-50bps	352,749	352,749	75,953	75,953
+100bps	(705,498)	(705,498)	(151,907)	(151,907)
-100bps	705,498	705,498	151,907	151,907



	Parent Company			
	2022		2021	
	Statement of Income	Equity	Statement of Income	Equity
+50bps	(P372,994)	(P372,994)	(P118,226)	(P118,226)
-50bps	372,994	372,994	118,226	118,226
+100bps	(745,988)	(745,988)	(236,452)	(236,452)
-100bps	745,988	745,988	236,452	236,452

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 excluding those under the FCDU, categorized by currency (amounts in Philippine peso equivalent).

	Consolidated					
	2022			2021		
	USD	Others*	Total	USD	Others*	Total
Assets						
COCI and due from BSP	P84,087	P220,965	P305,052	P215,072	P493,719	P708,791
Due from other banks	15,808,462	6,252,360	22,060,822	14,159,849	4,403,189	18,563,038
Interbank loans receivable and securities held under agreements to resell	1,055,631	1,963,052	3,018,683	1,824,404	2,314,037	4,138,441
Loans and receivables	27,845,651	9,647,963	37,493,614	27,522,800	11,002,833	38,525,633
Financial assets at FVTPL	631	1,708	2,339	171,178	1,506	172,684
Financial assets at FVOCI	836,677	1,359,428	2,196,105	519,881	1,569,257	2,089,138
Investment securities at amortized cost	145,145	512,077	657,222	133,824	174,946	308,770
Other assets	123,263	1,119,773	1,243,036	5,819,720	1,223,698	7,043,418
Total assets	45,899,547	21,077,326	66,976,873	50,366,728	21,183,185	71,549,913

(Forward)



	Consolidated					
	2022			2021		
	USD	Others*	Total	USD	Others*	Total
Liabilities						
Deposit liabilities	₱8,239,094	₱7,994,078	₱16,233,172	₱8,006,094	₱7,778,145	₱15,784,239
Derivative liabilities				130	93	223
Bills and acceptances payable	11,984,358	16,950	12,001,308	49,117,805	276,958	49,394,763
Accrued interest payable	93,140	82,035	175,175	53,461	14,072	67,533
Other liabilities	26,256,370	2,199,950	28,456,320	1,115,069	2,211,066	3,326,135
Total liabilities	46,572,962	10,293,013	56,865,975	58,292,559	10,280,334	68,572,893
Net Exposure	(₱673,415)	₱10,784,313	₱10,110,898	(₱7,925,831)	₱10,902,851	₱2,977,020

* 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					
	2022			2021		
	USD	Others*	Total	USD	Others*	Total
Assets						
COCI and due from BSP	₱67,296	₱212,487	₱279,783	₱36,108	₱236,932	₱273,040
Due from other banks	10,753,272	1,465,566	12,218,838	8,612,030	1,123,695	9,735,725
Interbank loans receivable and securities held under agreements to resell	722,689	725,368	1,448,057	1,825,466	473,239	2,298,705
Loans and receivables	24,638,723	38,217	24,676,940	24,993,494	993,679	25,987,173
Financial assets at FVTPL	216	—	216	169,672	—	169,672
Financial assets at FVOCI	836,677	1,205,124	2,041,801	519,881	1,410,078	1,929,959
Investment securities at amortized cost	5,863	512,077	517,940	5,875	174,946	180,821
Other assets	11,811,574	—	11,811,574	17,127,983	—	17,127,983
Total assets	48,836,310	4,158,839	52,995,149	53,290,509	4,412,569	57,703,078
Liabilities						
Deposit liabilities	2,280,526	4,472,986	6,753,512	2,198,873	4,037,877	6,236,750
Derivative liabilities	—	—	—	37	—	37
Bills and acceptances payable	11,927,528	—	11,927,528	48,863,921	—	48,863,921
Accrued interest payable	86,968	408	87,376	48,907	262	49,169
Other liabilities	25,952,250	1,841,698	27,793,948	822,886	1,695,641	2,518,527
Total liabilities	40,247,272	6,315,092	46,562,364	51,934,624	5,733,780	57,668,404
Net Exposure	₱8,589,038	(₱2,156,253)	₱6,432,785	₱1,355,885	(₱1,321,211)	₱34,674

* 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 ₱55.76 to USD1.00 as of December 31, 2022 and ₱51.00 to USD1.00 as of December 31, 2021.

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, 2022 and 2021:

	2022			
	Consolidated		Parent Company	
	Statement of Income	Equity	Statement of Income	Equity
+1.00%	(₱15,101)	₱6,734	₱77,524	(₱85,890)
-1.00%	15,101	(6,734)	(77,524)	85,890
	2021			
	Consolidated		Parent Company	
	Statement of Income	Equity	Statement of Income	Equity
+1.00%	(₱84,457)	₱79,258	₱8,360	(₱13,559)
-1.00%	84,457	(79,258)	(8,360)	13,559

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 uses 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: • quoted market prices; • prices provided by independent parties; or • prices derived using acceptable valuation models
Debt securities	For quoted securities – based on market prices from debt exchanges For unquoted securities ¹ – estimated using either: • quoted market prices of comparable investments; or • discounted cash flow methodology
Equity securities	For quoted securities – based on market prices from stock exchanges For unquoted securities – estimated using either: • quoted market prices of comparable investments ²; or • adjusted net asset value method ³ and applying a discount for lack of marketability
Loans and receivables	For loans with fixed interest rates – estimated using the discounted cash flow methodology ⁴ 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) ⁵ using either: • market data approach ⁶; or • replacement cost approach ⁷
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 ⁸

Notes:

¹ 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)

² using the most relevant multiples (e.g., earnings, book value)

³ 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

⁴ using the current incremental lending rates for similar loans

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

⁶ 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

⁷ estimating the investment required to duplicate the property in its present condition

⁸ 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				
	2022				
	Carrying Value	Level 1	Level 2	Level 3	Total
Measured at fair value:					
Financial Assets					
Financial assets at FVTPL:					
Government securities	₱4,371,671	₱27,009	₱4,344,662	₱—	₱4,371,671
Private debt securities	1,610,681	146,495	1,464,186	—	1,610,681
Derivative assets	1,361,951	—	1,361,951	—	1,361,951
Equity securities	2,898	2,898	—	—	2,898
Financial assets at FVOCI:					
Government securities	117,939,783	55,867,413	62,072,370	—	117,939,783
Equity securities	24,812,872	233,298	1,128,254	23,451,320	24,812,872
Private debt securities	15,430,870	244,224	15,186,646	—	15,430,870
	₱165,530,726	₱56,521,337	₱85,558,069	₱23,451,320	₱165,530,726
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	₱1,039,776	₱—	₱1,039,776	₱—	₱1,039,776
Fair values are disclosed:					
Financial Assets					
Financial assets at amortized cost:					
Investment securities at amortized cost*	₱110,467,960	₱14,695,749	₱96,707,252	₱—	₱111,403,001
Receivables from customers**	578,120,332	—	—	610,493,878	610,493,878
	₱688,588,292	₱14,695,749	₱96,707,252	₱610,493,878	₱721,896,879
Nonfinancial Assets					
Investment property:					
Land***	₱12,508,051	₱—	₱—	₱29,868,859	₱29,868,859
Buildings and improvements***	1,286,935	—	—	3,510,670	3,510,670
	₱13,794,986	₱—	₱—	₱33,379,529	₱33,379,529
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	₱112,113,308	₱—	₱—	₱112,113,308	₱112,113,308
LTNCDs	19,130,012	—	18,922,562	—	18,922,562
Bonds payable	58,439,097	39,955,398	16,878,070	—	56,833,468
Bills payable	7,702,325	—	—	7,625,229	7,625,229
	₱197,384,742	₱39,955,398	₱35,800,632	₱119,738,537	₱195,494,567

* 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					
2021					
	Carrying Value	Level 1	Level 2	Level 3	Total
Measured at fair value:					
Financial Assets					
Financial assets at FVTPL:					
Government securities	₱7,956,013	₱3,309,163	₱4,646,850	₱—	₱7,956,013
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
	₱179,154,947	₱78,049,702	₱77,440,188	₱23,665,057	₱179,154,947
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	₱891,531	₱—	₱891,531	₱—	₱891,531
Fair values are disclosed:					
Financial Assets					
Financial assets at amortized cost:					
Investment securities at amortized cost*	₱89,455,843	₱17,676,548	₱77,195,379	₱—	₱94,871,927
Receivables from customers**	593,615,093	—	—	627,304,434	627,304,434
	₱683,070,936	₱17,676,548	₱77,195,379	₱627,304,434	₱722,176,361
Nonfinancial Assets					
Investment property:					
Land***	₱9,582,916	₱—	₱—	₱26,914,713	₱26,914,713
Buildings and improvements***	1,152,980	—	—	3,030,859	3,030,859
	₱10,735,896	₱—	₱—	₱29,945,572	₱29,945,572
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	₱151,729,554	₱—	₱—	₱151,729,554	₱151,729,554
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	45,843,901	—	—	45,860,995	45,860,995
	₱279,202,266	₱38,997,788	₱44,041,796	₱197,590,549	₱280,630,133

* 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					
2022					
	Carrying Value	Level 1	Level 2	Level 3	Total
Measured at fair value:					
Financial Assets					
Financial assets at FVTPL:					
Government securities	₱4,371,671	₱27,008	₱4,344,663	₱—	₱4,371,671
Private debt securities	1,464,186	—	1,464,186	—	1,464,186
Derivative assets	1,359,828	—	1,359,828	—	1,359,828
Financial assets at FVOCI:					
Government securities	117,660,744	55,415,814	62,244,930	—	117,660,744
Equity securities	24,365,818	233,128	681,370	23,451,320	24,365,818
Private debt securities	15,179,345	244,224	14,935,121	—	15,179,345
	₱164,401,592	₱55,920,174	₱85,030,098	₱23,451,320	₱164,401,592
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	₱1,039,776	₱—	₱1,039,776	₱—	₱1,039,776

(Forward)



Parent Company					
2022					
	Carrying Value	Level 1	Level 2	Level 3	Total
Fair values are disclosed:					
Financial Assets					
Financial assets at amortized cost					
Investment securities at amortized cost*	₱110,328,678	₱14,556,467	₱96,707,252	₱—	₱111,263,719
Receivables from customers**	564,069,218	—	—	596,443,214	596,443,214
	674,397,896	14,556,467	96,707,252	596,443,214	707,706,933
Nonfinancial Assets					
Investment property:					
Land***	₱11,953,099	₱—	₱—	₱29,264,637	₱29,264,637
Buildings and improvements***	1,311,721	—	—	3,316,776	3,316,776
	₱13,264,820	₱—	₱—	₱32,581,413	₱32,581,413
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	₱108,766,087	₱—	₱—	₱108,766,087	₱108,766,087
LTNCDs	19,130,012	—	18,922,562	—	18,922,562
Bonds payable	58,439,097	39,955,398	16,878,070	—	56,833,468
Bills payable	6,609,988	—	—	6,532,891	6,532,891
	₱192,945,184	₱39,955,398	₱35,800,632	₱115,298,978	₱191,055,008

* 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	₱7,956,013	₱3,309,163	₱4,646,850	₱—	₱7,956,013
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
	₱178,556,628	₱77,735,984	₱77,561,738	₱23,258,906	₱178,556,628
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	₱891,346	₱—	₱891,346	₱—	₱891,346
Fair values are disclosed:					
Financial Assets					
Financial assets at amortized cost					
Investment securities at amortized cost*	₱89,327,894	₱17,548,599	₱77,195,379	₱—	₱94,743,978
Receivables from customers**	579,021,317	—	—	612,711,110	612,711,110
	₱668,349,211	₱17,548,599	₱77,195,379	₱612,711,110	₱707,455,088
Nonfinancial Assets					
Investment property:					
Land***	₱9,053,906	₱—	₱—	₱25,982,290	₱25,982,290
Buildings and improvements***	1,124,421	—	—	2,761,872	2,761,872
	₱10,178,327	₱—	₱—	₱28,744,162	₱28,744,162
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	₱158,066,350	₱—	₱—	₱158,066,350	₱158,066,350
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
	₱283,698,283	₱38,997,788	₱44,041,796	₱202,086,566	₱285,126,150

* 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)



As of December 31, 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value measurements.

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, 2022 and the range of values indicating the highest and lowest level input used in the valuation techniques.

		2022		2021	
	Significant Unobservable Input	-2%	+2%	-2%	+2%
Equity securities	Discount for lack of marketability	₱555,656	(₱555,656)	₱550,659	(₱550,659)

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

6.1 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;
- Treasury - 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:

2022						
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Net interest margin						
Third party	₱1,067,003	₱27,860,354	₱8,535,524	₱20,517	(₱155,828)	₱37,327,570
Inter-segment	20,436,564	(13,698,864)	(6,737,700)	—	—	—
Net interest margin after inter-segment transactions	21,503,567	14,161,490	1,797,824	20,517	(155,828)	37,327,570
Other income	5,008,794	8,159,543	(128,555)	3,629,778	(488,667)	16,180,893
Segment revenue	26,512,361	22,321,033	1,669,269	3,650,295	(644,495)	53,508,463
Other expenses	13,047,668	9,261,629	628,690	2,069,057	(644,495)	24,362,549
Segment result	₱13,464,693	₱13,059,404	₱1,040,579	₱1,581,238	₱—	29,145,914
Unallocated expenses						12,630,698
Income before income tax						16,515,216
Income tax						4,931,228
Net income						11,583,988
Non-controlling interests						51,670
Net income for the year attributable to equity holders of the Parent Company						₱11,532,318
Other segment information:						
Capital expenditures	₱166,520	₱26,621	₱19,998	₱9,628	₱—	₱222,767
Unallocated capital expenditure						1,205,888
Total capital expenditure						₱1,428,655
Depreciation and amortization	₱1,308,317	₱399,629	₱45,770	₱351,829	₱—	₱2,105,545
Unallocated depreciation and amortization						2,120,201
Total depreciation and amortization						₱4,225,746
Provision for (reversal of) impairment, credit and other losses	₱840,755	₱5,281,808	(₱8,104)	₱1,083,658	₱—	₱7,198,117

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

2021						
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Net interest margin						
Third party	₱471,810	₱28,638,348	₱5,631,755	₱128,036	(₱25,122)	₱34,844,827
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	₱6,727,385	₱2,729,249	₱4,457,002	₱34,887,599	₱—	48,801,235
Unallocated expenses						10,830,638
Income before income tax						37,970,597

(Forward)



2021						
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Income tax						P5,545,194
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
Depreciation and amortization	P810,644	P341,467	P21,707	P452,128	P-	P1,625,946
Unallocated depreciation and amortization						1,219,771
Total depreciation and amortization						P2,845,717
Provision for (reversal of) impairment, credit and other losses	P4,355,124	P8,171,174	(P600,974)	P953,687	P-	P12,879,011
2020						
	Retail Banking	Corporate Banking	Treasury	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	P6,357,492	(P2,951,803)	P7,531,901	P653,036	P-	11,590,626
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						P2,614,653
Other segment information:						
Capital expenditures	P631,935	P3,521	P12,986	P202,179	P-	P850,621
Unallocated capital expenditure						664,098
Total capital expenditure						P1,514,719
Depreciation and amortization	P949,266	P102,145	P3,281	P503,681	P-	P1,558,373
Unallocated depreciation and amortization						1,596,195
Total depreciation and amortization						P3,154,568
Provision for impairment, credit and other losses	P3,054,829	P13,223,352	P269,915	P334,525	P-	P16,882,621

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



As of December 31, 2022						
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Segment assets	₱699,718,901	₱318,631,627	₱102,166,641	₱69,835,932	(₱45,196,025)	₱1,145,157,076
Unallocated assets						—
Total assets						₱1,145,157,076
Segment liabilities	₱680,567,910	₱227,645,082	₱21,889,505	₱93,262,996	(₱48,114,051)	₱975,251,442
Unallocated liabilities						—
Total liabilities						₱975,251,442

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

As of December 31, 2021						
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Segment assets	₱730,811,300	₱264,879,265	₱113,978,883	₱95,128,444	(₱21,793,763)	₱1,183,004,129
Unallocated assets						7,780,533
Total assets						₱1,190,784,662
Segment liabilities	₱726,607,402	₱214,925,795	₱15,636,431	₱85,879,581	(₱21,417,503)	₱1,021,631,706
Unallocated liabilities						7,930,000
Total liabilities						₱1,029,561,706

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

6.2 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, capital expenditures, and revenues by geographic region of the Group follows:

	Non-current Assets*		Liabilities		Credit Commitments	
	2022	2021	2022	2021	2022	2021
Philippines	₱536,693,910	₱562,892,766	₱930,350,192	₱980,065,000	₱43,941,525	₱45,038,930
Asia (excluding Philippines)	18,796,243	21,098,989	33,199,104	39,749,446	—	—
USA and Canada	2,079,055	1,576,258	11,598,988	9,629,585	—	—
United Kingdom	797	1,002	103,158	117,675	—	—
	₱557,570,005	₱585,569,015	₱975,251,442	₱1,029,561,706	₱43,941,525	₱45,038,930

	Capital Expenditures			Revenues		
	2022	2021	2020	2022	2021	2020
Philippines	₱1,394,685	₱1,728,280	₱1,511,914	₱59,259,052	₱83,243,604	₱56,002,435
Asia (excluding Philippines)	33,178	45,649	1,726	1,221,488	1,561,499	867,185
USA and Canada	792	2,267	1,079	839,476	694,003	348,775
United Kingdom	—	—	—	105,279	106,259	202,787
	₱1,428,655	₱1,776,196	₱1,514,719	₱61,425,295	₱85,605,365	₱57,421,182

* Gross of allowance for impairment and credit losses (Note 16) and unearned and other deferred income (Note 10)

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	
	2022	2021	2022	2021
Demand deposit (Note 17)	₱74,701,360	₱81,273,307	₱74,701,360	₱81,273,307
Term deposit facility (TDF)	20,000,000	79,728,605	20,000,000	79,728,605
	₱94,701,360	₱161,001,912	₱94,701,360	₱161,001,912

TDFs bear annual interest rates ranging from to 5.00% to 6.43% in 2022, from 1.50% to 1.88% in 2021 and 1.62% to 3.80% in 2020.

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

8.1 Interbank Loans Receivables

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

	Consolidated			Parent Company		
	2022	2021	2020	2022	2021	2020
Peso-denominated	1.5% - 6.4%	1.0% - 2.0%	0.0% - 3.7%	1.5% - 6.4%	1.0% - 2.0%	0.0% - 3.7%
Foreign currency-denominated	0.4% - 5.3%	0.0% - 1.5%	0.0% - 2.2%	0.4% - 5.3%	0.0% - 1.5%	0.0% - 2.2%

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

	Consolidated		Parent Company	
	2022	2021	2022	2021
Interbank loans receivable	₱16,291,470	₱32,112,667	₱14,736,112	₱30,302,334
Less: Allowance for credit losses (Note 16)	1,369	6,579	1,369	6,579
	16,290,101	32,106,088	14,734,743	30,295,755
Less: Interbank loans receivable not considered as cash and cash equivalents	6,507,649	1,652,710	5,910,030	1,253,379
	₱9,782,452	₱30,453,378	₱8,824,713	₱29,042,376

8.2 Securities Held Under Agreements to Resell

Securities held under agreements to resell bear interest ranging from 2.00% to 5.50%, from 1.50% to 2.50%, and from 2.00% to 3.25% in 2022, 2021 and 2020, respectively. As of December 31, 2022 and 2021, allowance for credit losses on securities held under agreements to resell amounted to ₱2.2 million and ₱3.6 million, respectively (refer to Note 16.2).

The fair value of the treasury bills pledged under these agreements as of December 31, 2022 and 2021 amounted to ₱64.3 billion and ₱16.0 billion, for the Group and the Parent Company (refer to Note 35).



8.3 Interest Income on Interbank Loans Receivable and Securities Held Under Agreements to Resell

In 2022, 2021 and 2020, interest income on interbank loans receivable and securities held under agreements to resell amounted to ₱954.6 million, ₱400.4 million, and ₱536.3 million, respectively, for the Group and ₱896.7 million, ₱348.2 million, and ₱478.5 million, respectively, for the Parent Company.

9. Trading and Investment Securities

This account consists of:

	Consolidated		Parent Company	
	2022	2021	2022	2021
Financial assets at FVTPL	₱7,347,201	₱11,167,657	₱7,195,685	₱11,010,278
Financial assets at FVOCI	158,183,525	167,987,290	157,205,907	167,546,350
Investment securities at amortized cost	110,467,960	89,455,843	110,328,678	89,327,894
	₱275,998,686	₱268,610,790	₱274,730,270	₱267,884,522

9.1 Financial Assets at FVTPL

This account consists of:

	Consolidated		Parent Company	
	2022	2021	2022	2021
Government securities	₱4,371,671	₱7,956,013	₱4,371,671	₱7,956,013
Private debt securities	1,610,681	1,841,548	1,464,186	1,692,224
Derivative assets (Notes 23 and 35)	1,361,951	1,365,051	1,359,828	1,362,041
Equity securities	2,898	5,045	—	—
	₱7,347,201	₱11,167,657	₱7,195,685	₱11,010,278

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

	Consolidated			Parent Company		
	2022	2021	2020	2022	2021	2020
Government securities	1.4% - 8.0%	1.4% - 9.5%	2.6% - 8.0%	1.4% - 8.0%	1.4% - 9.5%	2.6% - 8.0%
Private debt securities	4.9% - 6.9%	4.9% - 6.9%	4.9% - 7.0%	4.9% - 6.9%	4.9% - 6.9%	4.9% - 7.0%

9.2 Financial Assets at FVOCI

This account consists of:

	Consolidated		Parent Company	
	2022	2021	2022	2021
Government securities (Note 19)	₱117,939,783	₱120,453,593	₱117,660,744	₱120,466,974
Private debt securities (Note 19)	15,430,870	23,115,479	15,179,345	23,115,479
Equity securities				
Quoted	792,216	669,585	734,046	621,415
Unquoted (Note 33)	24,020,656	23,748,633	23,631,772	23,342,482
	₱158,183,525	₱167,987,290	₱157,205,907	₱167,546,350



Unquoted equity securities include the Parent Company's retained 49.00% interest in PNB Holdings Corporation (PNB Holdings) amounting to ₱23.2 billion and ₱23.0 billion as of December 31, 2022 and 2021, respectively (refer to Note 12.4). The fair value was determined using the adjusted 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 effective interest rates of debt securities at FVOCI range from:

	Consolidated			Parent Company		
	2022	2021	2020	2022	2021	2020
Government securities	0.2% - 26.2%	0.1% - 18.3%	0.2% - 18.3%	0.2% - 26.2%	0.1% - 18.3%	0.2% - 18.3%
Private debt securities	0.5% - 6.4%	0.4% - 6.9%	2.0% - 6.9%	0.5% - 6.4%	0.4% - 6.9%	2.0% - 6.9%

As of December 31, 2022 and 2021, 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 ₱2.5 billion and ₱32.8 billion, respectively (refer to Note 19.1). 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	
	2022	2021	2021	2021
Balance at the beginning of the year	(₱703,737)	₱3,054,403	(₱703,737)	₱3,054,403
Changes in fair values:				
Debt securities	(5,808,581)	(1,696,025)	(5,799,196)	(1,673,631)
Equity securities	394,654	(21,809)	401,920	63,722
Provisions for (reversals of) credit losses (Note 16)	(12,566)	66,752	(12,069)	64,122
Realized losses (gains)	1,058,318	(1,540,192)	1,058,318	(1,540,192)
Share in net unrealized gains (losses) of subsidiaries and an associate (Note 12)	(885,481)	(558,030)	(902,788)	(663,471)
	(5,957,393)	(694,901)	(5,957,552)	(695,047)
Income tax effect (Note 30)	(1,882)	(8,836)	(1,723)	(8,690)
	(₱5,959,275)	(₱703,737)	(₱5,959,275)	(₱703,737)

As of December 31, 2022 and 2021, the allowance for credit losses on debt securities at FVOCI (included in 'Net unrealized gain (loss) on financial assets at FVOCI') amounted to ₱121.6 million and ₱134.2 million, respectively, for the Group, and ₱119.5 million and ₱131.5 million, respectively, for the Parent Company (refer to Note 16.2). Movements in ECL on debt securities at FVOCI are mostly driven by movements in the corresponding gross figures.



9.3 Investment Securities at Amortized Cost

This account consists of:

	Consolidated		Parent Company	
	2022	2021	2022	2021
Government securities (Notes 19 and 32)	₱78,197,433	₱34,133,294	₱78,058,151	₱34,005,345
Private debt securities	36,118,377	59,144,715	36,118,377	59,144,715
	114,315,810	93,278,009	114,176,528	93,150,060
Less allowance for credit losses (Note 16)	3,847,850	3,822,166	3,847,850	3,822,166
	₱110,467,960	₱89,455,843	₱110,328,678	₱89,327,894

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

	Consolidated			Parent Company		
	2022	2021	2020	2022	2021	2020
Government securities	0.8% - 7.5%	0.1% - 7.4%	0.1% - 7.8%	0.8% - 7.5%	0.1% - 7.4%	0.1% - 7.8%
Private debt securities	0.8% - 8.3%	0.4% - 6.9%	0.3% - 8.3%	0.8% - 8.3%	0.4% - 6.9%	0.3% - 8.3%

In 2022 and 2021, 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, 2022 and 2021, 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 ₱5.5 billion and ₱5.6 billion, respectively, with corresponding carrying values of ₱5.5 billion and ₱5.3 billion, respectively (refer to Note 19.1). As of December 31, 2022 and 2021, government securities amounting to ₱1.6 billion are deposited with the BSP in compliance with trust regulations (refer to Note 32).

9.4 Interest Income on Investment Securities at Amortized Cost and FVOCI

This account consists of:

	Consolidated			Parent Company		
	2022	2021	2020	2022	2021	2020
Continuing operations:						
Financial assets at FVOCI	₱4,442,846	₱2,698,223	₱2,453,720	₱4,432,605	₱2,698,419	₱2,407,180
Investment securities at amortized cost	3,712,076	3,265,371	3,750,255	3,710,487	3,264,195	3,748,623
	8,154,922	5,963,594	6,203,975	8,143,092	5,962,614	6,155,803
Discontinued operations (Note 36):						
Financial assets at FVOCI	—	11,135	38,756	—	—	—
Investment securities at amortized cost	—	8,695	43,478	—	—	—
	—	19,830	82,234	—	—	—
	₱8,154,922	₱5,983,424	₱6,286,209	₱8,143,092	₱5,962,614	₱6,155,803

9.5 Trading and Investment Securities Gains (Losses) - net

This account consists of:

	Consolidated			Parent Company		
	2022	2021	2020	2022	2021	2020
Continuing operations:						
Financial assets at FVTPL						
Government securities	(₱146,580)	₱—	₱395,156	(₱146,580)	₱—	₱395,156
Private debt securities	(64,458)	(825,476)	561,385	(61,631)	(954,145)	673,706
Equity securities	(197)	2,323	(71,685)	—	—	(64,507)
Derivatives (Note 23)	—	(23,472)	(2,532)	—	(23,472)	(2,532)

(Forward)



	Consolidated			Parent Company		
	2022	2021	2020	2022	2021	2020
Financial assets at FVOCI						
Government securities	₱-	₱1,510,133	₱2,031,425	₱-	₱1,510,133	₱2,031,425
Private debt securities	(1,058,318)	30,057	423,839	(1,058,318)	30,057	423,272
Equity securities	-	2	-	-	2	-
Investment securities at amortized cost	(11,230)	38,005	1	(11,230)	38,005	1
	(1,280,783)	731,572	3,337,589	(1,277,759)	600,580	3,456,521
Discontinued operations (Note 36):						
Financial assets at FVTPL						
Investment in unit investment trust funds (UITF)	-	-	43	-	-	-
Equity securities	-	-	7	-	-	-
Financial assets at FVOCI						
Government securities	-	-	8,829	-	-	-
Investment securities at amortized cost	-	-	294	-	-	-
	-	-	9,173	-	-	-
	(₱1,280,783)	₱731,572	₱3,346,762	(₱1,277,759)	₱600,580	₱3,456,521

Trading gains on investment securities at amortized cost pertain to investments which were redeemed by the respective issuers prior to their contractual maturity.

10. Loans and Receivables

10.1 Breakdown of Loans and Receivables

This account consists of:

	Consolidated		Parent Company	
	2022	2021	2022	2021
Receivables from customers:				
Loans and discounts	₱579,484,209	₱597,979,601	₱567,288,274	₱586,259,980
Credit card receivables	14,382,681	13,156,945	14,382,681	13,156,945
Customers' liabilities on letters of credit and trust receipts	10,378,461	8,315,300	10,248,556	8,143,281
Customers' liabilities on acceptances (Note 19)	7,272,876	7,109,896	7,272,876	7,109,896
Bills purchased (Note 22)	1,220,029	1,364,543	935,960	1,087,961
Lease contracts receivable (Note 29)	873,878	2,615,992	-	5,850
	613,612,134	630,542,277	600,128,347	615,763,913
Less unearned and other deferred income	756,049	1,118,244	612,582	856,408
	612,856,085	629,424,033	599,515,765	614,907,505
Other receivables:				
Accrued interest receivable	6,911,100	6,053,656	6,807,292	5,962,235
Sales contract receivables	6,240,309	6,029,384	6,198,127	5,980,029
Accounts receivable	5,478,103	4,191,402	4,380,640	3,579,515
Miscellaneous	559,099	596,037	539,032	1,295,454
	19,188,611	16,870,479	17,925,091	16,817,233
	632,044,696	646,294,512	617,440,856	631,724,738
Less allowance for credit losses (Note 16)	38,944,781	39,340,761	39,445,838	39,225,977
	₱593,099,915	₱606,953,751	₱577,995,018	₱592,498,761

Included in 'Surplus reserves' is the amount of ₱4.2 billion and ₱4.5 billion as of December 31, 2022 and 2021, 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* (refer to Note 25.3).



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

	Consolidated								
	2022								
	Corporate Loans	LGU	Credit Cards	Retail SMEs	Housing Loans	Auto Loans	Other Loans	Other Receivables	Total
Receivables from customers:									
Loans and discounts	₱523,188,581	₱2,855,671	₱-	₱ 5,688,129	₱28,589,332	₱7,028,228	₱12,134,268	₱-	₱579,484,209
Credit card receivables	-	-	14,382,681	-	-	-	-	-	14,382,681
Customers' liabilities on letters of credit and trust receipts	9,756,981	-	-	74,244	-	-	547,236	-	10,378,461
Customers' liabilities on acceptances (Note 19)	7,254,333	-	-	10,482	-	-	8,061	-	7,272,876
Lease contracts receivable (Note 29)	251,200	-	-	622,678	-	-	-	-	873,878
Bills purchased (Note 22)	989,512	-	-	8,829	-	-	221,688	-	1,220,029
	541,440,607	2,855,671	14,382,681	6,404,362	28,589,332	7,028,228	12,911,253	-	613,612,134
Other receivables:									
Accrued interest receivable	-	-	-	-	-	-	-	6,911,100	6,911,100
Sales contract receivables (Note 33)	-	-	-	-	-	-	-	6,240,309	6,240,309
Accounts receivable	-	-	-	-	-	-	-	5,478,103	5,478,103
Miscellaneous	-	-	-	-	-	-	-	559,099	559,099
	541,440,607	2,855,671	14,382,681	6,404,362	28,589,332	7,028,228	12,911,253	19,188,611	632,800,745
Less: Unearned and other deferred income	444,999	10,479	-	104,108	309	(62,106)	256,303	1,957	756,049
Allowance for credit losses (Note 16)	24,679,610	74,637	1,288,228	1,565,064	4,347,845	1,520,319	1,262,007	4,207,071	38,944,781
	₱516,315,998	₱2,770,555	₱13,094,453	₱4,735,190	₱24,241,178	₱5,570,015	₱11,392,943	₱14,979,583	₱593,099,915

	Consolidated								
	2021								
	Corporate Loans	LGU	Credit Cards	Retail SMEs	Housing Loans	Auto Loans	Other Loans	Other Receivables	Total
Receivables from customers:									
Loans and discounts	₱537,441,467	₱4,332,372	₱-	₱7,551,964	₱30,917,379	₱8,838,908	₱8,897,511	₱-	₱597,979,601
Credit card receivables	-	-	13,156,945	-	-	-	-	-	13,156,945
Customers' liabilities on letters of credit and trust receipts	8,236,285	-	-	79,015	-	-	-	-	8,315,300
Customers' liabilities on acceptances (Note 19)	7,107,448	-	-	2,448	-	-	-	-	7,109,896
Lease contracts receivable (Note 29)	768,872	-	-	1,841,270	-	-	5,850	-	2,615,992
Bills purchased (Note 22)	1,123,658	-	-	48,973	-	-	191,912	-	1,364,543
	554,677,730	4,332,372	13,156,945	9,523,670	30,917,379	8,838,908	9,095,273	-	630,542,277
Other receivables:									
Accrued interest receivable	-	-	-	-	-	-	-	6,053,656	6,053,656
Sales contract receivables (Note 33)	-	-	-	-	-	-	-	6,029,384	6,029,384
Accounts receivable	-	-	-	-	-	-	-	4,191,402	4,191,402
Miscellaneous	-	-	-	-	-	-	-	596,037	596,037
	554,677,730	4,332,372	13,156,945	9,523,670	30,917,379	8,838,908	9,095,273	16,870,479	647,412,756
Less: Unearned and other deferred income	603,496	12,659	-	184,765	(190)	74,135	240,624	2,755	1,118,244
Allowance for credit losses (Note 16)	25,630,373	78,695	2,407,927	1,815,980	3,432,766	1,478,746	967,208	3,529,066	39,340,761
	₱528,443,861	₱4,241,018	₱10,749,018	₱7,522,925	₱27,484,803	₱7,286,027	₱7,887,441	₱13,338,658	₱606,953,751

	Parent Company								
	2022								
	Corporate Loans	LGU	Credit Cards	Retail SMEs	Housing Loans	Auto Loans	Other Loans	Other Receivables	Total
Receivables from customers:									
Loans and discounts	₱512,843,742	₱2,855,671	₱-	₱4,855,370	₱27,663,392	₱7,028,228	₱12,041,871	₱-	₱567,288,274
Credit card receivables	-	-	14,382,681	-	-	-	-	-	14,382,681
Customers' liabilities on letters of credit and trust receipts	9,627,076	-	-	74,244	-	-	547,236	-	10,248,556
Customers' liabilities on acceptances (Note 19)	7,254,333	-	-	10,482	-	-	8,061	-	7,272,876
Bills purchased (Note 22)	705,443	-	-	8,829	-	-	221,688	-	935,960
	530,430,594	2,855,671	14,382,681	4,948,925	27,663,392	7,028,228	12,818,856	-	600,128,347
Other receivables:									
Accrued interest receivable	-	-	-	-	-	-	-	6,807,292	6,807,292
Sales contract receivables	-	-	-	-	-	-	-	6,198,127	6,198,127
Accounts receivable	-	-	-	-	-	-	-	4,380,640	4,380,640
Miscellaneous	-	-	-	-	-	-	-	539,032	539,032
	530,430,594	2,855,671	14,382,681	4,948,925	27,663,392	7,028,228	12,818,856	17,925,091	618,053,438
Less: Unearned and other deferred income	397,855	10,479	-	8,545	-	(62,106)	256,303	1,506	612,582
Allowance for credit losses (Note 16)	25,961,987	74,637	1,288,228	1,004,130	4,336,786	1,520,319	1,261,966	3,997,785	39,445,838
	₱504,070,752	₱2,770,555	₱13,094,453	₱3,936,250	₱23,326,606	₱5,570,015	₱11,300,587	₱13,925,800	₱577,995,018



	Parent Company								
	2021								
	Corporate Loans	LGU	Credit Cards	Retail SMEs	Housing Loans	Auto Loans	Other Loans	Other Receivables	Total
Receivables from customers:									
Loans and discounts	₱529,367,021	₱4,332,372	₱—	₱6,281,693	₱30,022,079	₱8,838,908	₱7,417,907	₱—	₱586,259,980
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
	₱517,966,207	₱4,241,018	₱10,749,018	₱5,750,965	₱26,607,300	₱7,286,027	₱6,420,782	₱13,477,444	₱592,498,761

As of December 31, 2022, the Parent Company has completed the purchase of certain loans from PNB-Mizuho Leasing and Finance Corporation (PMLFC), a joint venture company owned by the Parent Company and Mizuho Leasing Co., Ltd., with a total amount of ₱116.3 million.

10.2 Lease Contract Receivables

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

	Consolidated		Parent Company	
	2022	2021	2022	2021
Minimum lease payments				
Due within one year	P446,485	P1,232,961	P—	P5,850
Due beyond one year but not over five years	196,987	643,821	—	—
Due beyond five years	—	14,344	—	—
	643,472	1,891,126	—	5,850
Residual value of leased equipment				
Due within one year	107,634	505,784	—	—
Due beyond one year but not over five years	122,772	219,082	—	—
	230,406	724,866	—	—
Gross investment in lease contract receivables (Note 29)	P873,878	P2,615,992	P—	P5,850

10.3 Interest Income on Loans and Receivables

As of December 31, 2022 and 2021, 69.5% and 69.4%, respectively, of the total receivables from customers of the Group were subject to interest repricing. As of December 31, 2022 and 2021, 70.5% and 68.3%, 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 1.1% to 9.0% in 2022, from 1.0% to 9.0% in 2021 and from 1.1% to 9.0% in 2020 for foreign currency-denominated receivables, and from 1.1% to 31.5% in 2022, from 1.1% to 31.5% in 2021 and from 1.1% to 21.0% in 2020 for peso-denominated receivables.

Sales contract receivables bear fixed interest rates per annum ranging from 4.2% to 20.2% in 2022 and from 3.3% to 21.0% in 2021 and 2020.



11. Property and Equipment

11.1 Details of Property and Equipment

The composition of and movements in property and equipment follow:

Consolidated 2022								
	Land	Building	Furniture, Fixtures and Equipment	Long-term Leasehold Land	Construction in-progress	Leasehold Improvements	Right-of- Use Asset – Bank Premises (Note 33)	Total
Cost								
Balance at beginning of year	P5,143,242	P3,634,023	P8,719,235	P571,906	P378,559	P2,008,756	P5,390,721	P25,846,442
Additions	–	45,380	300,223	–	135,284	66,196	803,905	1,350,988
Disposals	(413)	–	(459,135)	–	–	–	–	(459,548)
Transfers/others	(1,647)	7,965	(158,870)	24,225	(195,456)	(164,710)	(367,364)	(855,857)
Balance at end of year	5,141,182	3,687,368	8,401,453	596,131	318,387	1,910,242	5,827,262	25,882,025
Accumulated Depreciation and Amortization								
Balance at beginning of year	–	2,053,670	5,558,050	62,882	–	1,885,809	1,644,824	11,205,235
Depreciation and amortization	–	182,676	1,117,484	5,769	–	160,907	1,205,712	2,672,548
Disposals	–	–	(386,208)	–	–	–	–	(386,208)
Transfers/others	–	16,828	(257,988)	11,186	–	(146,832)	(375,178)	(751,984)
Balance at end of year	–	2,253,174	6,031,338	79,837	–	1,899,884	2,475,358	12,739,591
Allowance for Impairment Losses (Note 16)	543,175	625,712	–	–	–	–	–	1,168,887
Net Book Value at End of Year	P4,598,007	P808,482	P2,370,115	P516,294	P318,387	P10,358	P3,351,904	P11,973,547

Consolidated 2021								
	Land	Building	Furniture, Fixtures and Equipment	Long-term Leasehold Land	Construction in-progress	Leasehold Improvements	Right-of- Use Asset – Bank Premises (Note 33)	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

	Parent Company						
	2022						
	Land	Building	Furniture, Fixtures and Equipment	Construction in-progress	Leasehold Improvements	Right-of- Use Asset – Bank Premises (Note 33)	Total
Cost							
Balance at beginning of year	P5,143,242	P3,560,275	P6,647,669	P378,560	P1,902,569	P5,812,506	P23,444,821
Additions	–	45,380	289,121	135,284	66,196	803,905	1,339,886
Disposals	(413)	–	(233,905)	–	–	–	(234,318)
Transfers/others	(1,647)	4,479	(169,363)	(195,457)	(167,372)	(353,768)	(883,128)
Balance at end of year	5,141,182	3,610,134	6,533,522	318,387	1,801,393	6,262,643	23,667,261
Accumulated Depreciation and Amortization							
Balance at beginning of year	–	2,041,441	4,474,160	–	1,813,420	2,133,922	10,462,943
Depreciation and amortization	–	181,529	912,988	–	156,953	1,159,332	2,410,802
Disposals	–	–	(233,799)	–	–	–	(233,799)
Transfers/others	–	14,997	(255,263)	–	(169,815)	(350,524)	(760,605)
Balance at end of year	–	2,237,967	4,898,086	–	1,800,558	2,942,730	11,879,341
Allowance for Impairment Losses (Note 16)	543,175	625,712	–	–	–	–	1,168,887
Net Book Value at End of Year	P4,598,007	P746,455	P1,635,436	P318,387	P835	P3,319,913	P10,619,033



Parent Company							
2021							
	Land	Building	Furniture, Fixtures and Equipment	Construction in-progress	Leasehold Improvements	Right-of-Use Asset – Bank Premises (Note 33)	Total
Cost							
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
Accumulated Depreciation and Amortization							
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
Net Book Value at End of Year	₱4,600,067	₱893,122	₱2,173,509	₱378,560	₱89,149	₱3,678,584	₱11,812,991

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 ₱1.2 billion as of December 31, 2022 and and ₱1.5 billion as of December 31, 2021.

Certain property and equipment of the Parent Company with carrying amount of ₱75.6 million and ₱92.6 million are temporarily idle as of December 31, 2022 and 2021, respectively. As of December 31, 2022 and 2021, property and equipment of the Parent Company with gross carrying amount of ₱12.6 billion are fully depreciated but are still being used.

Gain (loss) on disposal of property and equipment in 2022, 2021 and 2020 amounted to ₱34.9 million, ₱8.4 million, and ₱7.8 million, respectively, for the Group and ₱32.0 million, (₱0.8 million) and ₱1.3 million, respectively, for the Parent Company (refer to Note 26.2).

11.2 Depreciation and Amortization

This account consists of:

	Consolidated			Parent Company		
	2022	2021	2020	2022	2021	2020
Continuing operations:						
Depreciation						
Property and equipment (Note 33)	₱2,672,548	₱2,137,954	₱2,322,515	₱2,410,802	₱1,836,175	₱1,897,919
Investment properties (Note 13)	152,917	76,575	259,128	128,095	55,337	167,536
Chattel mortgage properties	6,375	2,717	14,188	–	–	–
Amortization of intangible assets (Note 14)	1,393,906	628,471	558,737	1,370,523	607,559	541,814
	4,225,746	2,845,717	3,154,568	3,909,420	2,499,071	2,607,269
Discontinued operations (Note 36):						
Investment properties	–	42,450	711	–	–	–
Property and equipment	–	6,592	26,761	–	–	–
Intangible assets	–	–	2,101	–	–	–
	–	49,042	29,573	–	–	–
	₱4,225,746	₱2,894,759	₱3,184,141	₱3,909,420	₱2,499,071	₱2,607,269

11.3 Project Real Estate (Project RE)

On September 10, 2020, the Parent Company's BOD approved Project RE, which is the Parent Company's strategic plan to realize the market value of certain real estate properties with a total carrying value of ₱12.6 billion booked under 'Property and equipment' amounting to ₱8.4 billion and 'Investment property' amounting to ₱4.2 billion (refer to Note 13). Project RE 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 Project RE, 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 (refer to Note 12.4).

12. Investments in Subsidiaries and an Associate

The consolidated financial statements of the Group include:

		Principal Place of Business/Country of Incorporation	Functional Currency	Percentage of Ownership	
	Industry			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 ^(a)	Remittance	USA	USD	100.00	—
PNB International Investments Corporation (PNB IIC)	Investment	- do -	USD	100.00	—
PNB Remittance Centers, Inc. (PNB RCI) ^(b)	Remittance	- do -	USD	—	100.00
PNB Remittance Co. (Nevada) ^(c)	Remittance	-do-	USD	—	100.00
PNB RCI Holding Co. Ltd. (PNB RHCL)	Holding Company	- do -	USD	—	100.00
PNB Remittance Co. (Canada) ^(d)	Remittance	Canada	CAD	—	100.00
PNB Europe PLC (PNB Europe)	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 ^(e)	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 ^(f)	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	Philippines	PHP	44.00	—

^(a) Ceased operations on June 30, 2012 and license status became dormant thereafter

^(b) Owned through PNB IIC

^(c) Owned through PNB RCI

^(d) Owned through PNB RHCL

^(e) Owned through PMLFC

^(f) Owned through ABCHKL

The details of this account follow:

	Consolidated		Parent Company	
	2022	2021	2022	2021
Investment in Subsidiaries				
ACB	₱—	₱—	₱6,087,520	₱6,087,520
AIHI	—	—	3,435,041	10,935,041
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
	—	—	16,272,610	23,772,610
Investment in an Associate – APLII	3,365,089	2,973,089	3,365,089	2,973,089
Accumulated equity in net earnings (losses) of subsidiaries and an associate:				
Balance at beginning of year	214,939	164,150	(237,283)	63,633
Equity in net earnings (losses) for the year	(56,060)	50,789	747,341	(650,134)
Cash dividends declared by a subsidiary	—	—	(792,000)	(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
	158,879	214,939	(281,942)	(237,283)

(Forward)



	Consolidated		Parent Company	
	2022	2021	2022	2021
Accumulated share in:				
Aggregate reserves (losses) on life insurance policies	₱136,096	(₱626,394)	₱136,096	(₱626,394)
Net unrealized losses on financial assets at FVOCI (Note 9)	(979,407)	(93,926)	(968,953)	(66,165)
Accumulated translation adjustments	—	—	1,770,747	1,381,305
Remeasurement gain on retirement plan	8,107	399	90,457	78,289
	(835,204)	(719,921)	1,028,347	767,035
	₱2,688,764	₱2,468,107	₱20,384,104	₱27,275,451

In 2002, the Parent Company underwent a quasi-reorganization which was approved by the SEC on November 7, 2002. As of December 31, 2022 and 2021, the acquisition cost of the investments in the Parent Company's separate financial statements includes the balance of ₱2.1 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.

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

On March 1, 2020, the Parent Company acquired the assets and assumed the liabilities of PNBSB in exchange for cash, equivalent to the fair values of the net assets acquired. The Parent Company recognized the net assets of PNBSB at their carrying values, and the excess of the carrying values over the settlement price amounting to ₱390.5 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, among others, the change in the name of the corporation from "PNB Savings Bank" to "Allied Integrated Holdings, Inc." and the 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 and on February 23, 2021, the SEC approved the change of the corporate name.

On February 10, 2022, the SEC approved the decrease of AIHI's authorized capital stock from ₱15.0 billion divided into 149,975,000 common shares with par value of ₱100 each and 25,000 preferred shares with par value of ₱100 each to ₱3.0 billion divided into 30,000,000 common shares with par value of ₱100 each. Consequently, on February 18, 2022, out of the ₱10.5 billion subscribed and paid-up capital of the Parent Company in AIHI, the latter returned ₱7.5 billion to the Parent Company.

12.2 Investment in PNB Capital

On December 16, 2022 and December 17, 2021, the BOD of PNB Capital approved the declaration of cash dividends amounting to ₱792.0 million and ₱300.0 million, which were subsequently paid to the Parent Company on December 22, 2022 and June 29, 2022, respectively.

12.3 Investment in PMLFC

On June 24, 2022, the BOD of the Parent Company approved the proposal to amend the Articles of Incorporation of PMLFC, shortening its corporate term to March 31, 2024, subject to necessary approvals. On December 23, 2022 the SEC approved the above amendment. The Parent Company and its joint venture partner, Mizuho Leasing Co. Ltd., mutually agreed to wind down operations of PMLFC due to the impact of the COVID-19 pandemic to the operations of the joint venture company and the domestic leasing industry.



As of December 31, 2022 and 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 ₱95.5 million and ₱164.5 million in 2022 and 2021, respectively and representing its share in the accumulated net losses of PMLFC. Further, the Parent Company recognized provision for liability amounting to ₱649.7 million and ₱125.1 million relating to the undrawn loan commitments of PMLFC as of December 31, 2022 and 2021, respectively, recorded under 'Other liabilities' in the statement of financial position (refer to Notes 22 and 33).

12.4 Investment 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 (refer to Notes 11.3 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 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 (refer to 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. The Group also reclassified the results of operations of PNB Holdings as discontinued operations (refer to Note 36.2).

Further, the Group no longer has a significant influence over PNB Holdings by virtue of the execution of a proxy in favor of LTG to vote all shares registered in the name of PNB on any and all matters in the Annual Stockholders' Meeting of PNB Holdings and the fact that LTG controls both PNB and PNB Holdings.

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

On December 29, 2020, the Parent Company and PNB Holdings entered into a Sale and Purchase Agreement (SPA) for 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, which was paid as follows:

- PNB Holdings Purchase Price (₱521.8 million) – fully paid on December 28, 2020
- PNB Purchase Price (₱1.0 billion) – paid in four tranches until April 30, 2021, earning interest at 6.00% per annum

The SPA also provides for a grant of an exclusive bancassurance arrangement with ABIC with a minimum guaranteed term of 15 years for an additional consideration of ₱50.0 million, on top of the total purchase price.

On December 29, 2020, the Insurance Commission approved the above transaction. 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 2020 parent company statement of income, but treated as an equity transaction in the consolidated financial statements as 'Other equity reserves'.

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 (refer to Note 33.1).

12.6 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	
		2022	2021	2022	2021	2022	2021
ABCHKL	Banking	49.00%	49.00%	₱2,179,752	₱1,912,800	₱79,115	₱65,399
OHBVI	Holding Company	72.22%	72.22%	1,079,035	985,794	1,239	201



The following table presents financial information of ABCHKL as of December 31, 2022 and 2021:

	2022	2021
Statement of Financial Position		
Current assets	₱9,548,596	₱8,426,632
Non-current assets	2,282,698	2,583,273
Current liabilities	6,616,975	6,299,157
Non-current liabilities	834,454	807,075
Statement of Comprehensive Income		
Revenues	₱415,387	₱374,407
Expenses	253,928	240,940
Net income	161,459	133,467
Total comprehensive income	502,413	320,506
Statement of Cash Flows		
Net cash provided by operating activities	₱610,988	₱543,634
Net cash provided by (used in) investing activities	21,293	(320)
Net cash used in financing activities	—	(6,768)

The following table presents financial information of OHBVI as of December 31, 2022 and 2021:

	2022	2021
Statement of Financial Position		
Current assets	₱1,494,051	₱1,364,988
Statement of Comprehensive Income		
Revenues/Net income/Total comprehensive income	₱1,715	₱278
Statement of Cash Flows		
Net cash provided by operating activities	₱129,062	₱79,927

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.

12.7 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 (₱2.1 billion) and USD21.1 million (₱1.0 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.



After receiving respective approvals from the BSP on December 6, 2022 and June 14, 2021, the Parent Company recorded additional investments in APLII amounting to ₱392.0 million and ₱245.0 million, respectively.

Summarized financial information of APLII as of December 31, 2022 and 2021 follows:

	2022	2021
Current assets	₱1,452,894	₱2,189,208
Noncurrent assets	90,446,895	76,895,902
Total assets	91,899,789	79,085,110
Current liabilities	1,535,802	3,217,567
Noncurrent liabilities	87,928,050	73,827,220
Total liabilities	89,463,852	77,044,787
Net assets	2,435,937	2,040,323
Percentage of ownership of the Group	44%	44%
Share in the net assets of the associate	₱1,071,812	₱897,742

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 2022 and 2021 follows:

	2022	2021
Revenues	₱4,344,038	₱3,729,488
Costs and expenses	4,486,380	3,614,058
Net income (loss)	(142,342)	115,430
Other comprehensive loss	(262,006)	(313,853)
Total comprehensive loss	(₱404,348)	(₱198,423)
Group's share in comprehensive loss for the year	(₱177,913)	(₱87,306)

12.8 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	
	2022	2021	2022	2021
Foreclosed or acquired in settlement of loans	₱13,615,263	₱10,556,014	₱13,085,097	₱9,998,445
Held for lease	179,723	179,882	179,723	179,882
Total	₱13,794,986	₱10,735,896	₱13,264,820	₱10,178,327



The composition of and movements in this account follow:

Consolidated			
2022			
	Land	Buildings and Improvements	Total
Cost			
Beginning balance	₱11,531,525	₱3,126,505	₱14,658,030
Additions	4,013,930	327,627	4,341,557
Disposals	(1,087,296)	(88,890)	(1,176,186)
Transfers/others	12,978	(27,682)	(14,704)
Balance at end of year	14,471,137	3,337,560	17,808,697
Accumulated Depreciation			
Balance at beginning of year	—	1,717,312	1,717,312
Depreciation (Note 11)	—	152,917	152,917
Disposals	—	(35,454)	(35,454)
Transfers/others	—	3,267	3,267
Balance at end of year	—	1,838,042	1,838,042
Allowance for Impairment Losses (Note 16)	1,963,086	212,583	2,175,669
Net Book Value at End of Year	₱12,508,051	₱1,286,935	₱13,794,986

Consolidated			
2021			
	Land	Buildings and Improvements	Total
Cost			
Beginning balance	₱14,840,368	₱4,354,738	₱19,195,106
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
Accumulated Depreciation			
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
Allowance for Impairment Losses (Note 16)	1,948,609	256,213	2,204,822
Net Book Value at End of Year	₱9,582,916	₱1,152,980	₱10,735,896

Parent Company			
2022			
	Land	Buildings and Improvements	Total
Cost			
Beginning balance	₱11,001,803	₱2,947,345	₱13,949,148
Additions	4,013,930	327,618	4,341,548
Disposals	(1,087,296)	(88,890)	(1,176,186)
Transfers/others	(12,964)	2,614	(10,350)
Balance at end of year	13,915,473	3,188,687	17,104,160
Accumulated Depreciation			
Balance at beginning of year	—	1,595,151	1,595,151
Depreciation (Note 11)	—	128,095	128,095
Disposals	—	(35,454)	(35,454)
Transfers/others	—	580	580
Balance at end of year	—	1,688,372	1,688,372
Allowance for Impairment Losses (Note 16)	1,962,374	188,594	2,150,968
Net Book Value at End of Year	₱11,953,099	₱1,311,721	₱13,264,820



	Parent Company		
	2021		
	Land	Buildings and Improvements	Total
Cost			
Beginning balance	₱14,322,250	₱4,215,771	₱18,538,021
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
Accumulated Depreciation			
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
Allowance for Impairment Losses (Note 16)	1,947,897	227,773	2,175,670
Net Book Value at End of Year	₱9,053,906	₱1,124,421	₱10,178,327

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 of ₱4.2 billion (refer to Notes 11.3 and 12.4).

Foreclosed properties of the Parent Company still subject to redemption period by the borrowers amounted to ₱199.9 million and ₱229.8 million, as of December 31, 2022 and 2021, 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 ₱7.4 billion and ₱4.7 billion as of December 31, 2022 and 2021, 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 'Litigation and assets acquired expenses', amounted to ₱29.2 million, ₱28.2 million and ₱6.0 million in 2022, 2021, and 2020, respectively. Direct operating expenses on investment properties that did not generate rental income included under 'Litigation and assets acquired expenses', amounted to ₱208.3 million, ₱173.3 million and ₱204.6 million in 2022, 2021, and 2020, respectively (refer to Note 27. 2).



14. Goodwill and Intangible Assets

These accounts consist of:

Consolidated					
2022					
Intangible Assets with Finite Lives					
	CDI	CRI	Software Cost	Total	Goodwill
Cost					
Balance at beginning of year	₱1,897,789	₱391,943	₱4,705,633	₱6,995,365	₱11,221,410
Additions	—	—	881,572	881,572	—
Others	—	—	(106,242)	(106,242)	—
Balance at end of year	1,897,789	391,943	5,480,963	7,770,695	11,221,410
Accumulated Amortization					
Balance at beginning of year	1,687,978	391,943	2,486,010	4,565,931	—
Amortization (Note 11)	189,779	—	1,204,127	1,393,906	—
Others	—	—	(53,064)	(53,064)	—
Balance at end of year	1,877,757	391,943	3,637,073	5,906,773	—
Net Book Value at End of Year	₱20,032	₱—	₱1,843,890	₱1,863,922	₱11,221,410

Consolidated					
2021					
Intangible Assets with Finite Lives					
	CDI	CRI	Software Cost	Total	Goodwill
Cost					
Balance at beginning of year	₱1,897,789	₱391,943	₱4,134,403	₱6,424,135	₱11,221,410
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	11,221,410
Accumulated Amortization					
Balance at beginning of year	1,498,199	391,943	2,021,980	3,912,122	—
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	—
Net Book Value at End of Year	₱209,811	₱—	₱2,219,623	₱2,429,434	₱11,221,410

Parent Company					
2022					
Intangible Assets with Finite Lives					
	CDI	CRI	Software Cost	Total	Goodwill
Cost					
Balance at beginning of year	₱1,897,789	₱391,943	₱5,679,926	₱7,969,658	₱11,361,768
Additions	—	—	848,426	848,426	—
Others	—	—	(105,306)	(105,306)	—
Balance at end of year	1,897,789	391,943	6,423,046	8,712,778	11,361,768
Accumulated Amortization					
Balance at beginning of year	1,687,978	391,943	3,560,780	5,640,701	—
Amortization (Note 11)	189,779	—	1,180,744	1,370,523	—
Others	—	—	(52,062)	(52,062)	—
Balance at end of year	1,877,757	391,943	4,689,462	6,959,162	—
Net Book Value at End of Year	₱20,032	₱—	₱1,733,584	₱1,753,616	₱11,361,768

Parent Company					
2021					
Intangible Assets with Finite Lives					
	CDI	CRI	Software Cost	Total	Goodwill
Cost					
Balance at beginning of year	₱1,897,789	₱391,943	₱5,167,531	₱7,457,263	₱11,361,768
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	11,361,768

(Forward)



	Parent Company				
	2021				
	Intangible Assets with Finite Lives				Goodwill
	CDI	CRI	Software Cost	Total	
Accumulated Amortization					
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	–
Net Book Value at End of Year	₱209,811	₱–	₱2,119,146	₱2,328,957	₱11,361,768

14.1 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.

14.2 Software Cost

Software cost as of December 31, 2022 and 2021 includes capitalized development costs amounting to ₱2.0 billion, related to the Parent Company's core banking system.

14.3 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.

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. In 2021, the goodwill impairment test performed by the Parent Company resulted in an impairment in value 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. As of December 31, 2022 and 2021, goodwill for each CGU amounted to:

	Gross Carrying Amount	Impairment in Value	Net Carrying Amount
Retail Banking	₱6,110,312	₱–	₱6,110,312
Corporate Banking	4,190,365	2,153,997	2,036,368
Treasury	3,074,730	–	3,074,730
	₱13,375,407	₱2,153,997	₱11,221,410



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:

	2022			2021		
	Retail Banking	Corporate Banking	Treasury	Retail Banking	Corporate Banking	Treasury
Pre-tax discount rate	13.23%	13.23%	11.23%	10.48%	10.48%	8.32%
Projected growth rate	5.50%	5.50%	5.50%	6.60%	6.60%	6.60%

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 Treasury 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.

As of December 31, 2022, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the goodwill to materially exceed its recoverable amount.

15. Other Assets

This account consists of:

	Consolidated		Parent Company	
	2022	2021	2022	2021
Financial				
Return checks and other cash items	₱46,253	₱133,631	₱46,253	₱133,631
Security deposits (Note 33)	18,309	12,984	—	—
Miscellaneous	5,769	3,407	5,207	2,711
	70,331	150,022	51,460	136,342
Nonfinancial				
Deferred charges (Note 33)	1,477,860	1,065,090	1,472,352	1,053,876
Creditable withholding taxes	856,206	1,686,145	612,550	1,436,059
Real estate inventories held under development (Note 33)	638,875	638,875	638,875	638,875
Prepaid expenses	340,243	645,222	276,417	587,871
Documentary stamps on hand	317,932	357,884	317,378	356,586
Chattel mortgage properties - net of depreciation	211,619	227,187	82,012	99,691
Stationeries and supplies	81,073	87,651	80,838	87,476
Input value-added tax	75,276	119,762	—	—
Other investments	26,276	30,760	22,517	27,270
Dividends receivable (Note 12)	—	—	—	300,000
Miscellaneous (Note 28)	1,101,671	868,538	869,644	847,524
	5,127,031	5,727,114	4,372,583	5,435,228
	5,197,362	5,877,136	4,424,043	5,571,570
Less allowance for credit and impairment losses (Note 16)	1,041,840	1,069,216	1,025,047	1,046,072
	₱4,155,522	₱4,807,920	₱3,398,996	₱4,525,498



‘Deferred charges’ include 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’ 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.

‘Chattel mortgage properties’ pertain to motor vehicles, equipment and assets other than real estate properties, which were acquired by the Group in settlement of loans. As of December 31, 2022 and 2021, accumulated depreciation on the chattel mortgage properties amounted to ₱229.1 million and ₱241.8 million, respectively, for the Group and ₱215.3 million and ₱227.5 million, respectively, for the Parent Company. As of December 31, 2022 and 2021, the total recoverable value of certain chattel mortgage properties of the Group and the Parent Company that were impaired is at ₱1.2 million and ₱0.9 million, respectively.

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

16. Impairment, Credit and Other Losses

16.1 Provision for Impairment, Credit and Other Losses

This account consists of:

	Consolidated			Parent Company		
	2022	2021	2020	2022	2021	2020
Continuing operations:						
Provision for credit losses	₱7,159,781	₱10,980,450	₱16,054,991	₱7,171,812	₱11,220,504	₱15,723,927
Provision for (reversal of) impairment and other losses	38,336	(255,436)	827,630	133,841	(248,764)	810,408
Impairment in value of goodwill (Note 14)	—	2,153,997	—	—	2,153,997	—
	7,198,117	12,879,011	16,882,621	7,305,653	13,125,737	16,534,335
Discontinued operations (Note 36):						
Provision for credit and impairment losses	—	88,141	29,781	—	—	—
	₱7,198,117	₱12,967,152	₱16,912,402	₱7,305,653	₱13,125,737	₱16,534,335

16.2 Allowance for Impairment and Credit Losses

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

	Consolidated						
	2022						
	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	₱3,644	₱10,593	₱6,579	₱134,151	₱3,822,166	₱39,340,761	₱500
Provisions (reversals)	(1,456)	(695)	(5,210)	(12,566)	25,684	7,154,524	(500)
Accounts charged-off	—	—	—	—	—	(2,785,836)	—
Loan settlement through dacion (Note 33)	—	—	—	—	—	(4,591,743)	—
Transfers and others	—	—	—	—	—	(172,925)	—
Balance at end of year	₱2,188	₱9,898	₱1,369	₱121,585	₱3,847,850	₱38,944,781	₱—



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	Total	
Balance at beginning of year	P-	P9,898	P2,883	P67,399	P3,982,398	P32,414,652	P500	P36,477,730
Provisions (reversals)	3,644	695	3,696	66,752	(142,249)	11,047,912	-	10,980,450
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)	(162,254)	-	(180,237)
Balance at end of year	P3,644	P10,593	P6,579	P134,151	P3,822,166	P39,340,761	P500	P43,318,394

Parent Company 2022								
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	P3,644	P9,873	P6,579	P131,521	P3,822,166	P39,225,977	P500	P43,200,260
Provisions (reversals)	(1,456)	-	(5,210)	(12,069)	25,684	7,165,363	(500)	7,171,812
Accounts charged-off	-	-	-	-	-	(2,078,219)	-	(2,078,219)
Loan settlement through dacion (Note 33)	-	-	-	-	-	(4,591,743)	-	(4,591,743)
Transfers and others	-	-	-	-	-	(275,540)	-	(275,540)
Balance at end of year	P2,188	P9,873	P1,369	P119,452	P3,847,850	P39,445,838	P-	P43,426,570

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

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

Consolidated								
2022					2021			
Property and Equipment	Investment Properties	Other Assets	Total		Property and Equipment	Investment Properties	Other Assets	Total
Balance at beginning of year	P1,168,887	P2,204,822	P1,068,716	P4,442,425	P1,168,887	P2,583,670	P1,040,096	P4,792,653
Provisions:								
Continuing operations	-	33,299	5,037	38,336	-	(238,052)	(17,384)	(255,436)
Discontinued operation	-	-	-	-	-	-	88,141	88,141
Disposals	-	(55,884)	(10,077)	(65,961)	-	(197,986)	(4,772)	(202,758)
Transfers and others	-	(6,568)	(21,836)	(28,404)	-	57,190	(37,365)	19,825
Balance at end of year	P1,168,887	P2,175,669	P1,041,840	P4,386,396	P1,168,887	P2,204,822	P1,068,716	P4,442,425

Parent Company								
2022					2021			
Property and Equipment	Investment Properties	Other Assets	Total		Property and Equipment	Investment Properties	Other Assets	Total
Balance at beginning of year	P1,168,887	P2,175,670	P1,045,572	P4,390,129	P1,168,887	P2,573,532	P1,039,713	P4,782,132
Provisions (reversals)	-	33,299	100,542	133,841	-	(238,051)	(10,713)	(248,764)
Disposals	-	(55,884)	(3,725)	(59,609)	-	(197,986)	(4,772)	(202,758)
Transfers and others	-	(2,117)	(117,342)	(119,459)	-	38,175	21,344	59,519
Balance at end of year	P1,168,887	P2,150,968	P1,025,047	P4,344,902	P1,168,887	P2,175,670	P1,045,572	P4,390,129



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

	Consolidated							
	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Corporate Loans								
Beginning Balance	P459,223	P859,753	P24,311,397	P25,630,373	P437,633	P690,482	P18,092,141	P19,220,256
Transfers to Stage 1	124,442	(122,231)	(2,211)	—	1,375,088	(51,070)	(1,324,018)	—
Transfers to Stage 2	(13,026)	7,561,264	(7,548,238)	—	(21,796)	170,627	(148,831)	—
Transfers to Stage 3	(2,707)	(181,214)	183,921	—	(41,035)	(97,886)	138,921	—
Provisions (reversals)	1,040,999	(1,848,298)	4,928,180	4,120,881	1,136,551	501,195	10,381,492	12,019,238
Accounts charged off	—	—	(48,784)	(48,784)	—	—	(1,100)	(1,100)
Loan settlement through dacion (Note 33)	—	—	(4,580,430)	(4,580,430)	—	—	—	—
Sale of receivables (Note 26)	—	—	—	—	—	—	(2,520,236)	(2,520,236)
Effect of collections and other movements	(153,893)	(314,918)	26,381	(442,430)	(2,427,218)	(353,595)	(306,972)	(3,087,785)
Ending Balance	1,455,038	5,954,356	17,270,216	24,679,610	459,223	859,753	24,311,397	25,630,373
LGU								
Beginning Balance	265	10,632	67,798	78,695	24,040	1,737	24,916	50,693
Provisions (reversals)	261	(2,141)	(2,104)	(3,984)	22,642	3,902	2,296	28,840
Effect of collections and other movements	(54)	(20)	—	(74)	(46,417)	4,993	40,586	(838)
Ending Balance	472	8,471	65,694	74,637	265	10,632	67,798	78,695
Credit Cards								
Beginning Balance	61,472	26,686	2,319,769	2,407,927	38,224	26,246	2,523,198	2,587,668
Transfers to Stage 1	14,583	(5,637)	(8,946)	—	39,251	(6,432)	(32,819)	—
Transfers to Stage 2	(1,666)	2,188	(522)	—	(2,254)	5,721	(3,467)	—
Transfers to Stage 3	(2,726)	(3,171)	5,897	—	(9,135)	(9,282)	18,417	—
Provisions (reversals)	375,074	71,292	212,023	658,389	(98,840)	17,705	1,085,746	1,004,611
Accounts charged off	—	—	(2,014,455)	(2,014,455)	—	—	(1,399,465)	(1,399,465)
Effect of collections and other movements	44,772	(7,616)	199,211	236,367	94,226	(7,272)	128,159	215,113
Ending Balance	491,509	83,742	712,977	1,288,228	61,472	26,686	2,319,769	2,407,927
Retail SMEs								
Beginning Balance	156,723	16,002	1,643,255	1,815,980	361,274	20,786	1,426,132	1,808,192
Transfers to Stage 1	15,101	(386)	(14,715)	—	7,502	(1,634)	(5,868)	—
Transfers to Stage 2	(51,349)	51,549	(200)	—	(351)	2,151	(1,800)	—
Transfers to Stage 3	(736)	(1,050)	1,786	—	(5,680)	(6,204)	11,884	—
Provisions (reversals)	155,930	22,928	341,744	520,602	31,995	(1,617)	42,831	73,209
Accounts charged off	—	—	(694,970)	(694,970)	—	—	—	—
Effect of collections and other movements	(75,048)	(62,412)	60,912	(76,548)	(238,017)	2,520	170,076	(65,421)
Ending Balance	200,621	26,631	1,337,812	1,565,064	156,723	16,002	1,643,255	1,815,980
Housing Loans								
Beginning Balance	256,953	54,367	3,121,446	3,432,766	99,896	107,786	2,166,204	2,373,886
Transfers to Stage 1	527,271	(17,691)	(509,580)	—	395,713	(45,005)	(350,708)	—
Transfers to Stage 2	(5,794)	71,159	(65,365)	—	(2,061)	35,012	(32,951)	—
Transfers to Stage 3	(33,977)	(26,337)	60,314	—	(11,394)	(53,478)	64,872	—
Provisions (reversals)	(206,039)	(335,412)	1,327,486	786,035	391,794	(7,381)	(888,382)	(503,969)
Effect of collections and other movements	(90,744)	369,022	(149,234)	129,044	(616,995)	17,433	2,162,411	1,562,849
Ending Balance	447,670	115,108	3,785,067	4,347,845	256,953	54,367	3,121,446	3,432,766
Auto Loans								
Beginning Balance	8,996	2,166	1,467,584	1,478,746	146,165	43,152	843,487	1,032,804
Transfers to Stage 1	85,614	(671)	(84,943)	—	58,625	(2,965)	(55,660)	—
Transfers to Stage 2	(197)	5,619	(5,422)	—	(113)	8,396	(8,283)	—
Transfers to Stage 3	(350)	(1,213)	1,563	—	(615)	(3,229)	3,844	—
Provisions (reversals)	(72,234)	(3,455)	456,812	381,123	73,402	6,628	(708,378)	(628,348)
Accounts charged off	—	—	(6,354)	(6,354)	—	—	(9,133)	(9,133)
Effect of collections and other movements	(985)	(193)	(332,018)	(333,196)	(268,468)	(49,816)	1,401,707	1,083,423
Ending Balance	20,844	2,253	1,497,222	1,520,319	8,996	2,166	1,467,584	1,478,746
Other Loans								
Beginning Balance	242,940	8,236	716,032	967,208	72,427	59,443	1,922,895	2,054,765
Transfers to Stage 1	302,607	(3,134)	(299,473)	—	222,313	(12,979)	(209,334)	—
Transfers to Stage 2	(50)	27,615	(27,565)	—	(875)	90,473	(89,598)	—
Transfers to Stage 3	(506)	(2,527)	3,033	—	(4,109)	(20,370)	24,479	—
Provisions (reversals)	(290,921)	(7,934)	330,031	31,176	(131,066)	(583)	(333,647)	(465,296)
Accounts charged off	—	—	(12,647)	(12,647)	—	—	(20,328)	(20,328)
Effect of collections and other movements	(238,320)	55,941	458,649	276,270	84,250	(107,748)	(578,435)	(601,933)
Ending Balance	15,750	78,197	1,168,060	1,262,007	242,940	8,236	716,032	967,208

(Forward)



	Consolidated							
	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Other Receivables								
Beginning Balance	₱81,507	₱33,359	₱3,414,200	₱3,529,066	₱69,326	₱19,486	₱3,197,574	₱3,286,386
Transfers to Stage 1	26	(5)	(21)	—	1,295	(15)	(1,280)	—
Transfers to Stage 2	(758)	10,530	(9,772)	—	(967)	22,649	(21,682)	—
Transfers to Stage 3	(4,861)	(15,475)	20,336	—	(12,748)	(67,882)	80,630	—
Provisions (reversals)	(10,889)	20,157	651,034	660,302	(598,194)	(13,427)	131,248	(480,373)
Accounts charged off	—	—	(8,626)	(8,626)	—	—	(9,287)	(9,287)
Loan settlement through dacion (Note 33)	—	—	(11,313)	(11,313)	—	—	—	—
Effect of collections and other movements	22,968	99,664	(84,990)	37,642	622,795	72,548	36,997	732,340
Ending Balance	87,993	148,230	3,970,848	4,207,071	81,507	33,359	3,414,200	3,529,066
Total Loans and Receivables								
Beginning Balance	1,268,079	1,011,201	37,061,481	39,340,761	1,248,985	969,118	30,196,547	32,414,650
Transfers to Stage 1	1,069,644	(149,755)	(919,889)	—	2,099,787	(120,100)	(1,979,687)	—
Transfers to Stage 2	(72,840)	7,729,924	(7,657,084)	—	(28,417)	335,029	(306,612)	—
Transfers to Stage 3	(45,863)	(230,987)	276,850	—	(84,716)	(258,331)	343,047	—
Provisions (reversals)	992,181	(2,082,863)	8,245,206	7,154,524	828,284	506,422	9,713,206	11,047,912
Accounts charged off	—	—	(2,785,836)	(2,785,836)	—	—	(1,439,313)	(1,439,313)
Loan settlement through dacion (Note 33)	—	—	(4,591,743)	(4,591,743)	—	—	—	—
Sale of receivables (Note 26)	—	—	—	—	—	—	(2,520,236)	(2,520,236)
Effect of collections and other movements	(491,304)	139,468	178,911	(172,925)	(2,795,844)	(420,937)	3,054,529	(162,252)
Ending Balance	₱2,719,897	₱6,416,988	₱29,807,896	₱38,944,781	₱1,268,079	₱1,011,201	₱37,061,481	₱39,340,761
	Parent Company							
	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Corporate Loans								
Beginning Balance	₱798,447	₱848,687	₱25,253,746	₱26,900,880	₱314,124	₱680,087	₱18,033,402	₱19,027,613
Transfers to Stage 1	124,373	(122,162)	(2,211)	—	1,375,022	(51,067)	(1,323,955)	—
Transfers to Stage 2	(13,026)	7,561,264	(7,548,238)	—	(21,486)	170,317	(148,831)	—
Transfers to Stage 3	(2,707)	(181,214)	183,921	—	(41,034)	(97,886)	138,920	—
Provisions (reversals)	1,040,810	(1,848,298)	4,631,517	3,824,029	856,709	501,195	10,912,432	12,270,336
Accounts charged off	—	—	(48,784)	(48,784)	—	—	(1,100)	(1,100)
Loan settlement through dacion (Note 33)	—	—	(4,580,430)	(4,580,430)	—	—	—	—
Sale of receivables (Note 26)	—	—	—	—	—	—	(2,520,236)	(2,520,236)
Effect of collections and other movements	(276,166)	(304,138)	446,596	(133,708)	(1,684,888)	(353,959)	163,114	(1,875,733)
Ending Balance	1,671,731	5,954,139	18,336,117	25,961,987	798,447	848,687	25,253,746	26,900,880
LGU								
Beginning Balance	265	10,632	67,798	78,695	24,040	1,737	24,916	50,693
Provisions (reversals)	261	(2,141)	(2,104)	(3,984)	22,642	3,902	2,296	28,840
Effect of collections and other movements	(54)	(20)	—	(74)	(46,417)	4,993	40,586	(838)
Ending Balance	472	8,471	65,694	74,637	265	10,632	67,798	78,695
Credit Cards								
Beginning Balance	61,472	26,686	2,319,769	2,407,927	38,224	26,246	2,523,198	2,587,668
Transfers to Stage 1	14,583	(5,637)	(8,946)	—	39,251	(6,432)	(32,819)	—
Transfers to Stage 2	(1,666)	2,188	(522)	—	(2,254)	5,721	(3,467)	—
Transfers to Stage 3	(2,726)	(3,171)	5,897	—	(9,135)	(9,282)	18,417	—
Provisions (reversals)	375,074	71,292	212,023	658,389	(98,840)	17,705	1,085,746	1,004,611
Accounts charged off	—	—	(2,014,455)	(2,014,455)	—	—	(1,399,465)	(1,399,465)
Effect of collections and other movements	44,772	(7,616)	199,211	236,367	94,226	(7,272)	128,159	215,113
Ending Balance	491,509	83,742	712,977	1,288,228	61,472	26,686	2,319,769	2,407,927
Retail SMEs								
Beginning Balance	151,201	3,712	498,101	653,014	336,912	10,289	559,389	906,590
Transfers to Stage 1	14,744	(29)	(14,715)	—	7,502	(1,634)	(5,868)	—
Transfers to Stage 2	(50,978)	51,178	(200)	—	(351)	2,151	(1,800)	—
Transfers to Stage 3	(305)	(780)	1,085	—	(5,680)	(6,204)	11,884	—
Provisions (reversals)	155,930	22,928	347,446	526,304	31,995	(1,617)	42,831	73,209
Effect of collections and other movements	(88,589)	(53,680)	(32,919)	(175,188)	(219,177)	727	(108,335)	(326,785)
Ending Balance	182,003	23,329	798,798	1,004,130	151,201	3,712	498,101	653,014

(Forward)



	Parent Company							
	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Housing Loans								
Beginning Balance	₱240,858	₱54,367	₱3,119,744	₱3,414,969	₱90,814	₱104,984	₱2,171,817	₱2,367,615
Transfers to Stage 1	527,271	(17,691)	(509,580)	—	395,354	(45,005)	(350,349)	—
Transfers to Stage 2	(5,666)	71,031	(65,365)	—	(2,061)	35,012	(32,951)	—
Transfers to Stage 3	(15,874)	(26,337)	42,211	—	(11,312)	(53,478)	64,790	—
Provisions (reversals)	(287,450)	37,093	1,338,362	1,088,005	384,586	(7,381)	(888,382)	(511,177)
Effect of collections and other movements	(13,157)	(3,683)	(149,348)	(166,188)	(616,523)	20,235	2,154,819	1,558,531
Ending Balance	445,982	114,780	3,776,024	4,336,786	240,858	54,367	3,119,744	3,414,969
Auto Loans								
Beginning Balance	8,996	2,166	1,467,584	1,478,746	22,525	6,943	1,003,336	1,032,804
Transfers to Stage 1	85,614	(671)	(84,943)	—	58,625	(2,965)	(55,660)	—
Transfers to Stage 2	(197)	5,619	(5,422)	—	(113)	8,396	(8,283)	—
Transfers to Stage 3	(350)	(1,213)	1,563	—	(615)	(3,229)	3,844	—
Provisions (reversals)	(72,234)	(3,455)	456,812	381,123	73,402	6,628	(708,378)	(628,348)
Accounts charged off	—	—	(6,354)	(6,354)	—	—	(9,133)	(9,133)
Effect of collections and other movements	(985)	(193)	(332,018)	(333,196)	(144,828)	(13,607)	1,241,858	1,083,423
Ending Balance	20,844	2,253	1,497,222	1,520,319	8,996	2,166	1,467,584	1,478,746
Other Loans								
Beginning Balance	242,936	8,236	703,090	954,262	72,423	59,443	1,910,728	2,042,594
Transfers to Stage 1	302,597	(3,134)	(299,463)	—	222,313	(12,979)	(209,334)	—
Transfers to Stage 2	(50)	27,615	(27,565)	—	(875)	90,473	(89,598)	—
Transfers to Stage 3	(506)	(2,527)	3,033	—	(4,109)	(20,370)	24,479	—
Provisions (reversals)	(290,923)	(7,934)	330,052	31,195	(131,066)	(583)	(333,615)	(465,264)
Accounts charged off	—	—	—	—	—	—	(20,328)	(20,328)
Effect of collections and other movements	(238,315)	42,305	472,519	276,509	84,250	(107,748)	(579,242)	(602,740)
Ending Balance	15,739	64,561	1,181,666	1,261,966	242,936	8,236	703,090	954,262
Other Receivables								
Beginning Balance	45,243	32,820	3,259,421	3,337,484	74,242	19,393	3,390,669	3,484,304
Transfers to Stage 1	26	(5)	(21)	—	1,295	(15)	(1,280)	—
Transfers to Stage 2	(758)	10,530	(9,772)	—	(967)	22,649	(21,682)	—
Transfers to Stage 3	(4,861)	(15,475)	20,336	—	(12,748)	(67,882)	80,630	—
Provisions (reversals)	(10,889)	20,157	651,034	660,302	(598,737)	(13,427)	131,248	(480,916)
Accounts charged off	—	—	(8,626)	(8,626)	—	—	(9,287)	(9,287)
Loan settlement through dacion (Note 33)	—	—	(11,313)	(11,313)	—	—	—	—
Effect of collections and other movements	5,581	(10,719)	25,076	19,938	582,158	72,102	(310,877)	343,383
Ending Balance	34,342	37,308	3,926,135	3,997,785	45,243	32,820	3,259,421	3,337,484
Total Loans and Receivables								
Beginning Balance	1,549,418	987,306	36,689,253	39,225,977	973,304	909,122	29,617,455	31,499,881
Transfers to Stage 1	1,069,208	(149,329)	(919,879)	—	2,099,362	(120,097)	(1,979,265)	—
Transfers to Stage 2	(72,341)	7,729,425	(7,657,084)	—	(28,107)	334,719	(306,612)	—
Transfers to Stage 3	(27,329)	(230,717)	258,046	—	(84,633)	(258,331)	342,964	—
Provisions (reversals)	910,579	(1,710,358)	7,965,142	7,165,363	540,691	506,422	10,244,178	11,291,291
Accounts charged off	—	—	(2,078,219)	(2,078,219)	—	—	(1,439,313)	(1,439,313)
Loan settlement through dacion (Note 33)	—	—	(4,591,743)	(4,591,743)	—	—	—	—
Sale of receivables (Note 26)	—	—	—	—	—	—	(2,520,236)	(2,520,236)
Effect of collections and other movements	(566,913)	(337,744)	629,117	(275,540)	(1,951,199)	(384,529)	2,730,082	394,354
Ending Balance	₱2,862,622	₱6,288,583	₱30,294,633	₱39,445,838	₱1,549,418	₱987,306	₱36,689,253	₱39,225,977



16.3 Gross Carrying Amounts of Loans and Receivables

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

	Consolidated							
	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Corporate Loans								
Beginning 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
Newly originated assets which remained in Stage 1 at yearend	122,147,585	—	—	122,147,585	227,012,002	—	—	227,012,002
Newly originated assets which moved to Stages 2 and 3 at yearend	—	4,634,768	3,170,272	7,805,040	—	4,990,294	8,456,400	13,446,694
Transfers to Stage 1	2,158,216	(2,153,301)	(4,915)	—	11,278,904	(4,981,067)	(6,297,837)	—
Transfers to Stage 2	(25,259,322)	53,397,854	(28,138,532)	—	(7,592,547)	7,936,935	(344,388)	—
Transfers to Stage 3	(1,160,805)	(2,473,557)	3,634,362	—	(1,383,777)	(4,625,936)	6,009,713	—
Accounts charged off	—	—	(48,784)	(48,784)	—	—	(1,100)	(1,100)
Loan settlement through dacion (Note 33)	—	—	(5,958,906)	(5,958,906)	—	—	—	—
Sale of receivables (Note 26)	—	—	—	—	—	—	(5,478,200)	(5,478,200)
Effect of collections and other movements	(132,121,107)	(4,705,073)	(197,381)	(137,023,561)	(199,733,587)	(8,604,137)	2,334,605	(206,003,119)
Ending Balance	439,476,954	73,633,834	27,884,820	540,995,608	473,712,387	24,933,143	55,428,704	554,074,234
LGU								
Beginning Balance	4,216,332	46,154	57,227	4,319,713	6,390,022	7,450	24,916	6,422,388
Newly originated assets which remained in Stage 1 at yearend	35,962	—	—	35,962	108,593	—	—	108,593
Effect of collections and other movements	(1,499,080)	(10,834)	(569)	(1,510,483)	(2,282,283)	38,704	32,311	(2,211,268)
Ending Balance	2,753,214	35,320	56,658	2,845,192	4,216,332	46,154	57,227	4,319,713
Credit Cards								
Beginning Balance	10,468,937	269,413	2,418,595	13,156,945	9,198,867	199,627	3,132,075	12,530,569
Newly originated assets which remained in Stage 1 at yearend	998,216	—	—	998,216	992,672	—	—	992,672
Newly originated assets which moved to Stages 2 and 3 at yearend	—	39,134	20,775	59,909	—	28,877	21,120	49,997
Transfers to Stage 1	71,224	(61,373)	(9,851)	—	105,067	(60,241)	(44,826)	—
Transfers to Stage 2	(218,986)	219,544	(558)	—	(192,298)	196,528	(4,230)	—
Transfers to Stage 3	(309,359)	(40,798)	350,157	—	(684,443)	(88,078)	772,521	—
Accounts charged off	—	—	(2,014,455)	(2,014,455)	—	—	(1,399,465)	(1,399,465)
Effect of collections and other movements	2,147,359	(110,006)	144,713	2,182,066	1,049,072	(7,300)	(58,600)	983,172
Ending Balance	13,157,391	315,914	909,376	14,382,681	10,468,937	269,413	2,418,595	13,156,945
Retail SMEs								
Beginning Balance	6,432,116	159,012	2,747,777	9,338,905	10,689,770	881,726	867,413	12,438,909
Newly originated assets which remained in Stage 1 at yearend	1,238,722	—	—	1,238,722	3,054,855	—	—	3,054,855
Newly originated assets which moved to Stages 2 and 3 at yearend	—	130,105	111,941	242,046	—	52,047	121,159	173,206
Transfers to Stage 1	23,795	(6,761)	(17,034)	—	192,038	(118,733)	(73,305)	—
Transfers to Stage 2	(16,610)	17,943	(1,333)	—	(119,746)	196,940	(77,194)	—
Transfers to Stage 3	(14,693)	(12,200)	26,893	—	(172,180)	(193,682)	365,862	—
Accounts charged off	—	—	(694,970)	(694,970)	—	—	—	—
Effect of collections and other movements	(3,667,627)	54,870	(211,692)	(3,824,449)	(7,212,621)	(659,286)	1,543,842	(6,328,065)
Ending Balance	3,995,703	342,969	1,961,582	6,300,254	6,432,116	159,012	2,747,777	9,338,905
Housing Loans								
Beginning Balance	20,002,043	486,743	10,428,783	30,917,569	15,883,951	1,257,045	7,971,308	25,112,304
Newly originated assets which remained in Stage 1 as at yearend	1,992,738	—	—	1,992,738	1,334,034	—	—	1,334,034
Newly originated assets which moved to Stages 2 and 3 at yearend	—	47,129	50,829	97,958	—	52,555	28,779	81,334
Transfers to Stage 1	2,075,863	(155,598)	(1,920,265)	—	1,842,273	(438,646)	(1,403,627)	—
Transfers to Stage 2	(417,363)	651,867	(234,504)	—	(254,573)	380,851	(126,278)	—
Transfers to Stage 3	(1,240,805)	(238,698)	1,479,503	—	(1,803,489)	(519,103)	2,322,592	—
Effect of collections and other movements	(3,526,363)	(118,344)	(774,535)	(4,419,242)	2,999,847	(245,959)	1,636,009	4,389,897
Ending Balance	18,886,113	673,099	9,029,811	28,589,023	20,002,043	486,743	10,428,783	30,917,569
Auto Loans								
Beginning Balance	5,868,366	162,915	2,733,492	8,764,773	7,794,010	600,641	2,693,060	11,087,711
Newly originated assets which remained in Stage 1 at yearend	1,746,814	—	—	1,746,814	1,568,420	—	—	1,568,420
Newly originated assets which moved to Stages 2 and 3 at yearend	—	21,772	17,342	39,114	—	15,431	26,153	41,584
Transfers to Stage 1	343,352	(46,882)	(296,470)	—	531,091	(257,287)	(273,804)	—
Transfers to Stage 2	(121,463)	144,467	(23,004)	—	(184,128)	222,315	(38,187)	—
Transfers to Stage 3	(227,317)	(87,418)	314,735	—	(722,315)	(273,436)	995,751	—
Accounts charged off	—	—	(6,354)	(6,354)	—	—	(9,133)	(9,133)

(Forward)



	Consolidated							
	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Effect of collections and other movements	(P2,591,894)	(P92,662)	(P769,457)	(P3,454,013)	(P3,118,712)	(P144,749)	(P660,348)	(P3,923,809)
Ending Balance	5,017,858	102,192	1,970,284	7,090,334	5,868,366	162,915	2,733,492	8,764,773
Other Loans								
Beginning Balance	7,321,531	367,134	1,165,984	8,854,649	15,054,993	1,531,084	5,340,142	21,926,219
Newly originated assets which remained in Stage 1 at yearend	3,478,963	—	—	3,478,963	2,883,321	—	—	2,883,321
Newly originated assets which moved to Stages 2 and 3 at yearend	—	969,907	27,777	997,684	—	20,323	236,874	257,197
Transfers to Stage 1	774,098	(43,098)	(731,000)	—	1,379,908	(552,924)	(826,984)	—
Transfers to Stage 2	(12,420)	181,997	(169,577)	—	(1,253,877)	1,419,173	(165,296)	—
Transfers to Stage 3	(1,057,002)	(2,473,557)	3,530,559	—	(642,400)	(183,343)	825,743	—
Accounts charged off	—	—	(12,647)	(12,647)	—	—	(20,328)	(20,328)
Effect of collections and other movements	(1,373,244)	2,544,541	(1,834,996)	(663,699)	(10,100,414)	(1,867,179)	(4,224,167)	(16,191,760)
Ending Balance	9,131,926	1,546,924	1,976,100	12,654,950	7,321,531	367,134	1,165,984	8,854,649
Other Receivables								
Beginning 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
Newly originated assets which remained in Stage 1 at yearend	714,679	—	—	714,679	(11,596)	—	—	(11,596)
Newly originated assets which moved to Stages 2 and 3 at yearend	—	52,632	35,331	87,963	—	21,867	19,079	40,946
Transfers to Stage 1	14,435	(5,955)	(8,480)	—	53,294	(45,655)	(7,639)	—
Transfers to Stage 2	(162,383)	270,582	(108,199)	—	(39,576)	448,866	(409,290)	—
Transfers to Stage 3	(16,131)	(50,442)	66,573	—	(39,376)	(97,570)	136,946	—
Accounts charged off	—	—	(8,626)	(8,626)	—	—	(9,287)	(9,287)
Loan settlement through dacion (Note 33)	—	—	(13,656)	(13,656)	—	—	—	—
Effect of collections and other movements	(91,186)	1,226,286	403,470	1,538,570	(199,803)	(114,102)	(631,776)	(945,681)
Ending Balance	15,069,109	289,229	3,828,316	19,186,654	14,609,695	(1,203,874)	3,461,903	16,867,724
Total Loans and Receivables								
Beginning 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
Newly originated assets which remained in Stage 1 at yearend	132,353,679	—	—	132,353,679	236,942,301	—	—	236,942,301
Newly originated assets which moved to Stages 2 and 3 at yearend	—	5,895,447	3,434,267	9,329,714	—	5,181,394	8,909,564	14,090,958
Transfers to Stage 1	5,460,983	(2,472,968)	(2,988,015)	—	15,382,575	(6,454,553)	(8,928,022)	—
Transfers to Stage 2	(26,208,547)	54,884,254	(28,675,707)	—	(9,636,745)	10,801,608	(1,164,863)	—
Transfers to Stage 3	(4,026,112)	(5,376,670)	9,402,782	—	(5,447,980)	(5,981,148)	11,429,128	—
Accounts charged off	—	—	(2,785,836)	(2,785,836)	—	—	(1,439,313)	(1,439,313)
Loan settlement through dacion (Note 33)	—	—	(5,972,562)	(5,972,562)	—	—	—	—
Sale of receivables (Note 26)	—	—	—	—	—	—	(5,478,200)	(5,478,200)
Effect of collections and other movements	(142,723,142)	(1,211,222)	(3,240,447)	(147,174,811)	(218,598,501)	(11,604,008)	(28,124)	(230,230,633)
Ending Balance	P507,488,268	P76,939,481	P47,616,947	P632,044,696	P542,631,407	P25,220,640	P78,442,465	P646,294,512

	Parent Company							
	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Corporate Loans								
Beginning Balance	P464,785,519	P24,852,656	P55,228,912	P544,867,087	P435,934,894	P30,214,439	P50,511,255	P516,660,588
Newly originated assets which remained in Stage 1 at yearend	115,715,916	—	—	115,715,916	220,776,849	—	—	220,776,849
Newly originated assets which moved to Stages 2 and 3 at yearend	—	4,616,638	3,170,128	7,786,766	—	4,988,831	8,456,400	13,445,231
Transfers to Stage 1	2,181,944	(2,177,029)	(4,915)	—	11,276,501	(4,980,418)	(6,296,083)	—
Transfers to Stage 2	(25,259,322)	53,397,854	(28,138,532)	—	(7,469,151)	7,813,539	(344,388)	—
Transfers to Stage 3	(1,057,002)	(2,473,557)	3,530,559	—	(1,383,777)	(4,625,936)	6,009,713	—
Accounts charged off	—	—	(48,784)	(48,784)	—	—	(1,100)	(1,100)
Loan settlement through dacion (Note 33)	—	—	(5,958,906)	(5,958,906)	—	—	—	—
Sale of receivables (Note 26)	—	—	—	—	—	—	(5,478,200)	(5,478,200)
Effect of collections and other movements	(128,846,725)	(4,626,775)	1,144,160	(132,329,340)	(194,349,797)	(8,557,799)	2,371,315	(200,536,281)
Ending Balance	427,520,330	73,589,787	28,922,622	530,032,739	464,785,519	24,852,656	55,228,912	544,867,087
LGU								
Beginning Balance	4,216,332	46,154	57,227	4,319,713	6,390,022	7,450	24,916	6,422,388
Newly originated assets which remained in Stage 1 at yearend	35,962	—	—	35,962	108,593	—	—	108,593
Effect of collections and other movements	(1,499,080)	(10,834)	(569)	(1,510,483)	(2,282,283)	38,704	32,311	(2,211,268)
Ending Balance	2,753,214	35,320	56,658	2,845,192	4,216,332	46,154	57,227	4,319,713

(Forward)



	Parent Company							
	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Credit Cards								
Beginning Balance	₱10,468,937	₱269,413	₱2,418,595	₱13,156,945	₱9,198,867	₱199,627	₱3,132,075	₱12,530,569
Newly originated assets which remained in Stage 1 at yearend	998,216	—	—	998,216	992,672	—	—	992,672
Newly originated assets which moved to Stages 2 and 3 at yearend	—	39,134	20,775	59,909	—	28,877	21,120	49,997
Transfers to Stage 1	71,224	(61,373)	(9,851)	—	105,067	(60,241)	(44,826)	—
Transfers to Stage 2	(218,986)	219,544	(558)	—	(192,298)	196,528	(4,230)	—
Transfers to Stage 3	(309,359)	(40,798)	350,157	—	(684,443)	(88,078)	772,521	—
Accounts charged off	—	—	(2,014,455)	(2,014,455)	—	—	(1,399,465)	(1,399,465)
Effect of collections and other movements	2,147,359	(110,006)	144,713	2,182,066	1,049,072	(7,300)	(58,600)	983,172
Ending Balance	13,157,391	315,914	909,376	14,382,681	10,468,937	269,413	2,418,595	13,156,945
Retail SMEs								
Beginning Balance	5,193,066	53,425	1,157,488	6,403,979	7,334,196	313,830	1,175,641	8,823,667
Newly originated assets which remained in Stage 1 at yearend	1,238,487	—	—	1,238,487	2,829,299	—	—	2,829,299
Newly originated assets which moved to Stages 2 and 3 at yearend	—	118,816	34,130	152,946	—	35,119	79,327	114,446
Transfers to Stage 1	18,280	(1,246)	(17,034)	—	108,463	(70,731)	(37,732)	—
Transfers to Stage 2	(11,941)	13,274	(1,333)	—	(18,421)	30,420	(11,999)	—
Transfers to Stage 3	(12,020)	(11,609)	23,629	—	(135,027)	(173,631)	308,658	—
Effect of collections and other movements	(2,881,696)	144,889	(118,225)	(2,855,032)	(4,925,444)	(81,582)	(356,407)	(5,363,433)
Ending Balance	3,544,176	317,549	1,078,655	4,940,380	5,193,066	53,425	1,157,488	6,403,979
Housing Loans								
Beginning Balance	19,118,020	486,743	10,417,506	30,022,269	15,372,581	1,041,658	8,072,951	24,487,190
Transferred loans	—	—	—	—	—	—	—	—
Newly originated assets which remained in Stage 1 at yearend	1,898,095	—	—	1,898,095	1,222,996	—	—	1,222,996
Newly originated assets which moved to Stages 2 and 3 at yearend	—	17,655	50,829	68,484	—	52,555	28,779	81,334
Transfers to Stage 1	2,076,403	(156,138)	(1,920,265)	—	1,840,598	(438,646)	(1,401,952)	—
Transfers to Stage 2	(417,145)	651,867	(234,722)	—	(254,573)	380,851	(126,278)	—
Transfers to Stage 3	(1,196,361)	(238,698)	1,435,059	—	(1,798,685)	(519,103)	2,317,788	—
Effect of collections and other movements	(3,458,304)	(121,191)	(745,961)	(4,325,456)	2,735,103	(30,572)	1,526,218	4,230,749
Ending Balance	18,020,708	640,238	9,002,446	27,663,392	19,118,020	486,743	10,417,506	30,022,269
Auto Loans								
Beginning Balance	5,868,366	162,915	2,733,492	8,764,773	7,794,010	600,641	2,693,060	11,087,711
Transferred loans	—	—	—	—	—	—	—	—
Newly originated assets which remained in Stage 1 at yearend	1,746,814	—	—	1,746,814	1,568,420	—	—	1,568,420
Newly originated assets which moved to Stages 2 and 3 at yearend	—	21,772	17,342	39,114	—	15,431	26,153	41,584
Transfers to Stage 1	343,352	(46,882)	(296,470)	—	531,091	(257,287)	(273,804)	—
Transfers to Stage 2	(121,463)	144,467	(23,004)	—	(184,128)	222,315	(38,187)	—
Transfers to Stage 3	(227,317)	(87,418)	314,735	—	(722,315)	(273,436)	995,751	—
Accounts charged off	—	—	(6,354)	(6,354)	—	—	(9,133)	(9,133)
Effect of collections and other movements	(2,591,894)	(92,662)	(769,457)	(3,454,013)	(3,118,712)	(144,749)	(660,348)	(3,923,809)
Ending Balance	5,017,858	102,192	1,970,284	7,090,334	5,868,366	162,915	2,733,492	8,764,773
Other Loans								
Beginning Balance	5,855,851	367,134	1,152,059	7,375,044	13,385,322	1,531,084	5,326,698	20,243,104
Newly originated assets which remained in Stage 1 at yearend	3,478,963	—	—	3,478,963	2,883,091	—	—	2,883,091
Newly originated assets which moved to Stages 2 and 3 at yearend	—	969,907	27,777	997,684	—	20,323	236,874	257,197
Transfers to Stage 1	773,086	(43,098)	(729,988)	—	1,379,908	(552,924)	(826,984)	—
Transfers to Stage 2	(12,420)	181,997	(169,577)	—	(1,253,877)	1,419,173	(165,296)	—
Transfers to Stage 3	(1,057,002)	(2,473,557)	3,530,559	—	(642,400)	(183,343)	825,743	—
Accounts charged off	—	—	—	—	—	—	(20,328)	(20,328)
Effect of collections and other movements	1,051	2,544,541	(1,834,730)	710,862	(9,896,193)	(1,867,179)	(4,224,648)	(15,988,020)
Ending Balance	9,039,529	1,546,924	1,976,100	12,562,553	5,855,851	367,134	1,152,059	7,375,044
Other Receivables								
Beginning Balance	13,007,324	515,733	3,291,871	16,814,928	13,610,734	304,633	4,231,158	18,146,525
Newly originated assets which remained in Stage 1 at yearend	714,679	—	—	714,679	696,937	—	—	696,937
Newly originated assets which moved to Stages 2 and 3 as at year-end	—	52,632	35,331	87,963	—	21,867	17,538	39,405
Transfers to Stage 1	14,435	(5,955)	(8,480)	—	53,270	(45,648)	(7,622)	—
Transfers to Stage 2	(162,383)	270,582	(108,199)	—	(39,322)	448,612	(409,290)	—
Transfers to Stage 3	(16,131)	(50,442)	66,573	—	(39,357)	(97,570)	136,927	—
Accounts charged off	—	—	(8,626)	(8,626)	—	—	(9,287)	(9,287)

(Forward)



	Parent Company							
	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loan settlement through dacion (Note 33)	P=	P=	(P13,656)	(P13,656)	P=	P=	P=	P=
Effect of collections and other movements	421,713	(502,587)	409,171	328,297	(1,274,938)	(116,161)	(667,553)	(2,058,652)
Ending Balance	13,979,637	279,963	3,663,985	17,923,585	13,007,324	515,733	3,291,871	16,814,928
Total Loans and Receivables								
Beginning 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
Transferred Loans	-	-	-	-	-	-	-	-
Newly originated assets which remained in Stage 1 at yearend	125,827,132	-	-	125,827,132	231,078,857	-	-	231,078,857
Newly originated assets which moved to Stages 2 and 3 as at year-end	-	5,836,554	3,356,312	9,192,866	-	5,163,003	8,866,191	14,029,194
Transfers to Stage 1	5,478,724	(2,491,721)	(2,987,003)	-	15,294,898	(6,405,895)	(8,889,003)	-
Transfers to Stage 2	(26,203,660)	54,879,585	(28,675,925)	-	(9,411,770)	10,511,438	(1,099,668)	-
Transfers to Stage 3	(3,875,192)	(5,376,079)	9,251,271	-	(5,406,004)	(5,961,097)	11,367,101	-
Accounts charged off	-	-	(2,078,219)	(2,078,219)	-	-	(1,439,313)	(1,439,313)
Loan settlement through dacion (Note 33)	-	-	(5,972,562)	(5,972,562)	-	-	-	-
Sale of receivables (Note 26)	-	-	-	-	-	-	(5,478,200)	(5,478,200)
Effect of collections and other movements	(136,707,576)	(2,774,625)	(1,770,898)	(141,253,099)	(212,063,192)	(10,766,638)	(2,037,712)	(224,867,542)
Ending Balance	P493,032,843	P76,827,887	P47,580,126	P617,440,856	P528,513,415	P26,754,173	P76,457,150	P631,724,738

17. Deposit Liabilities

17.1 Regulatory Reserve Requirements

As of December 31, 2022 and 2021, non-FCDU deposit liabilities are subject to reserves equivalent to 12.00% while peso-denominated LTNCDs are subject to reserves equivalent to 4.00%.

Available reserves booked under 'Due from BSP' amounted to P74.7 billion and P81.3 billion as of December 31, 2022 and 2021, respectively (refer to Note 7).

17.2 Information on LTNCDs

LTNCDs issued by the Parent Company consist of:

Issue Date	Maturity Date	Face Value	Coupon Rate	Interest Repayment Terms	Carrying Value	
					2022	2021
October 11, 2019	April 11, 2025	P4,600,000	4.38%	Quarterly	P4,584,136	P4,578,946
February 27, 2019	August 27, 2024	8,220,000	5.75%	Quarterly	8,198,193	8,187,523
October 26, 2017	April 26, 2023	6,350,000	3.88%	Quarterly	6,347,683	6,339,910
April 27, 2017	October 27, 2022	3,765,000	3.75%	Quarterly	-	3,761,261
December 6, 2016	June 6, 2022	5,380,000	3.25%	Quarterly	-	5,377,750
		P28,315,000			P19,130,012	P28,245,390

17.3 Interest Expense on Deposit Liabilities

This account consists of:

	Consolidated			Parent Company		
	2022	2021	2020	2022	2021	2020
Time	P2,437,557	P1,411,973	P2,852,325	P2,434,206	P1,411,974	P2,852,325
Savings	1,589,891	1,942,687	2,930,115	1,605,241	2,014,705	2,778,153
LTNCDs	1,140,954	1,269,356	1,429,301	1,140,954	1,269,356	1,429,301
Demand	203,265	189,750	167,277	202,752	189,750	167,277
	P5,371,667	P4,813,766	P7,379,018	P5,383,153	P4,885,785	P7,227,056



As of December 31, 2022 and 2021, noninterest-bearing deposit liabilities amounted to ₱27.8 billion and ₱28.6 billion, respectively, for the Group, and ₱27.7 billion and ₱28.5 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		
	2022	2021	2020	2022	2021	2020
Peso-denominated	0.10% - 6.12%	0.10% - 6.75%	0.10% - 10.00%	0.10% - 6.12%	0.10% - 5.00%	0.10% - 10.00%
Foreign currency-denominated	0.00% - 5.50%	0.01% - 3.00%	0.01% - 4.75%	0.00% - 5.50%	0.01% - 3.00%	0.01% - 4.75%

In 2022, 2021 and 2020, interest expense on LTNCDs for both the Group and the Parent Company includes amortization of transaction costs amounting to ₱29.6 million, ₱33.4 million and ₱59.9 million, respectively. Unamortized transaction costs of the LTNCDs amounted to ₱40.0 million and ₱69.6 million as of December 31, 2022 and 2021, respectively.

18. Financial Liabilities at Fair Value Through Profit or Loss

As of December 31, 2022 and 2021, this account consists of currency forwards with negative fair values amounting to ₱1.0 billion and ₱891.5 million, respectively, for the Group, and ₱1.0 billion and ₱891.3 million, respectively, for the Parent Company (refer to Notes 23 and 35).

19. Bills and Acceptances Payable

19.1 Information on Bills and Acceptances Payable

This account consists of:

	Consolidated		Parent Company	
	2022	2021	2022	2021
Bills payable to:				
Foreign banks	₱6,665,834	₱8,263,434	₱6,609,593	₱7,849,009
BSP and local banks (Note 33)	1,036,491	37,482,381	395	36,154,113
Others	—	98,086	—	—
	7,702,325	45,843,901	6,609,988	44,003,122
Acceptances outstanding (Note 10)	7,278,048	7,109,896	7,278,047	7,109,896
	₱14,980,373	₱52,953,797	₱13,888,035	₱51,113,018

As of December 31, 2022 and 2021, bills payable with a carrying amount of ₱6.6 billion and ₱38.5 billion are secured by a pledge of financial assets at FVOCI with fair values of ₱2.5 billion and ₱32.8 billion, respectively, and investment securities at amortized cost with carrying values of ₱5.5 billion and ₱5.3 billion, respectively, and fair values of ₱5.5 billion and ₱5.6 billion, respectively (refer to Notes 9.2 and 9.3).



19.2 Interest Expense on Bills Payable and Other Borrowings

This account consists of:

	Consolidated			Parent Company		
	2022	2021	2020	2022	2021	2020
Continuing operations:						
Bills payable	₱229,600	₱391,404	₱663,567	₱163,385	₱315,097	₱482,810
Lease liabilities (Note 29)	171,885	112,591	120,675	170,692	107,052	120,181
Others	32,488	7,926	62,198	29,467	2,931	34,487
	433,973	511,921	846,440	363,544	425,080	637,478
Discontinued operations (Note 36):						
Lease liabilities	—	3,528	2,900	—	—	—
	₱433,973	₱515,449	₱849,340	₱363,544	₱425,080	₱637,478

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

	Consolidated			Parent Company		
	2022	2021	2020	2022	2021	2020
Peso-denominated	1.9%- 5.5%	1.0% - 2.0%	4.0% - 6.5%	1.9%- 5.5%	1.0% - 2.0%	4.0% - 6.5%
Foreign currency-denominated	0.3%- 4.3%	0.1% - 1.2%	0.1% - 4.4%	0.3%- 4.3%	0.1% - 1.2%	0.1% - 4.4%

20. Accrued Taxes, Interest and Other Expenses

This account consists of:

	Consolidated		Parent Company	
	2022	2021	2022	2021
Accrued taxes and other expenses	₱8,131,353	₱7,106,616	₱7,523,206	₱6,865,474
Accrued interest (Note 33)	986,040	659,034	964,494	638,907
	₱9,117,393	₱7,765,650	₱8,487,700	₱7,504,381

Accrued taxes and other expenses consist of:

	Consolidated		Parent Company	
	2022	2021	2022	2021
Financial liabilities:				
Promotional expenses	₱1,354,700	₱802,454	₱1,354,700	₱802,454
Information technology-related expenses	583,844	541,510	583,844	541,510
Rent and utilities payable	501,319	362,868	494,591	359,805
Management, directors and other professional fees	262,753	285,648	236,466	263,133
Repairs and maintenance	160,350	85,128	159,976	83,762
	2,862,966	2,077,608	2,829,577	2,050,664
Nonfinancial liabilities:				
Monetary value of leave credits	1,532,890	1,920,153	1,490,640	1,878,856
PDIC insurance premiums	879,310	970,140	863,832	954,662
Other taxes and licenses	854,359	477,917	724,002	428,290
Employee benefits	583,136	443,886	561,179	421,505
Other expenses	1,418,692	1,216,912	1,053,976	1,131,497
	5,268,387	5,029,008	4,693,629	4,814,810
	₱8,131,353	₱7,106,616	₱7,523,206	₱6,865,474

‘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	
					2022	2021
Fixed rate medium term senior notes						
June 27, 2019	September 27, 2024	USD750,000	3.28%	Semi-annually	₱41,722,415	₱38,117,754
April 26, 2018	April 27, 2023	300,000	4.25%	Semi-annually	16,716,682	15,265,667
USD1,050,000					₱58,439,097	₱53,383,421

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. As of December 31, 2022 and 2021, the unamortized transaction costs of bonds payable amounted to ₱92.8 million and ₱168.7 million, respectively. In 2022 and 2021, amortization of transaction costs amounting to ₱75.9 million and ₱83.5 million, were charged to 'Interest expense on bonds payable' in the statements of income.

22. Other Liabilities

This account consists of:

	Consolidated		Parent Company	
	2022	2021	2022	2021
Financial				
Accounts payable	₱5,036,170	₱4,724,720	₱4,564,107	₱4,285,545
Dormant credits	1,591,380	1,303,713	1,553,892	1,272,553
Manager's checks and demand drafts outstanding	1,548,448	1,256,121	1,548,448	1,256,121
Bills purchased - contra (Note 10)	877,767	1,053,517	877,767	1,053,517
Accounts payable - electronic money	315,290	408,858	315,290	408,858
Due to other banks (Note 33)	276,770	154,949	82,132	52,198
Margin deposits and cash letters of credit	224,033	325,829	211,196	314,326
Payment order payable	220,949	196,718	220,949	196,206
Deposits on lease contracts	75,129	593,903	30,364	53,774
Transmission liability	40,280	58,308	—	—
Deposit for keys on safety deposit boxes	16,167	16,742	16,167	16,742
	10,222,383	10,093,378	9,420,312	8,909,840
Nonfinancial				
Provisions (Notes 12 and 34)	1,107,015	1,095,325	1,367,067	685,230
Due to Treasurer of the Philippines	891,709	882,769	891,709	882,769
Deferred revenue - Credit card-related	646,361	548,630	646,361	548,630
Deferred revenue - Bancassurance (Note 12)	500,474	573,674	500,474	573,674
Retirement benefit liability (Note 28)	384,838	926,259	382,449	923,116
Withholding tax payable	310,530	309,897	309,363	304,039
Deferred tax liabilities (Note 30)	165,721	165,228	—	—
SSS, Philhealth, Employer's compensation premiums and Pag-IBIG contributions payable	48,081	43,359	47,797	42,989
Miscellaneous	1,550,528	1,081,353	528,273	642,564
	5,605,257	5,626,494	4,673,493	4,603,011
	₱15,827,640	₱15,719,872	₱14,093,805	₱13,512,851



‘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 (refer to Note 12.7). In 2022 and 2021, amortization of other deferred revenue amounting to ₱73.2 million were recognized under ‘Service fees and commission income’ (refer to Note 26.1).

‘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’ (refer to Note 9.1) or ‘Financial liabilities at FVTPL’ (refer to 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, 2022 and 2021 and are not indicative of either market risk or credit risk (amounts in thousands, except average forward rate).

	Consolidated			
	2022			
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
Currency forwards and spots:				
BUY:				
USD	₱749,512	₱760,764	55.76	₱1,539,816
SGD	303	–	0.74	7
EUR	243	57,543	1.06	72,318
HKD	172	–	0.13	24
SELL:				
USD	604,222	65	55.76	644,843
EUR	3,803	70,519	1.06	62,040
GBP	2,765	–	1.20	2,000
NZD	319	–	0.63	400
JPY	216	11,911	0.01	534,700
PHP	200	138,260	1.00	2,743,406
HKD	187	236	0.13	321,189
AUD	9	55	0.67	700
SGD	–	348	0.74	1,700
CAD	–	75	0.73	1,700
	₱1,361,951	₱1,039,776		

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

	Consolidated			
	2021			
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
Currency forwards and spots:				
BUY:				
USD	₱1,355,660	₱274	51.00	₱3,861,673
GBP	47	16	1.35	6,325
SGD	31	–	0.74	1
EUR	6	5	1.13	12,645
PHP	–	1,544	1.00	1,788,750

(Forward)



Consolidated				
2021				
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
SELL:				
JPY	₱6,124	₱9	0.01	1,080,000
HKD	1,714	108	0.13	2,217,580
USD	990	887,819	51.00	1,374,345
PHP	290	8	1.00	509,708
CAD	141	11	0.78	2,125
GBP	30	884	1.35	8,500
SGD	16	436	0.74	1,400
EUR	2	153	1.13	19,443
AUD	—	228	0.72	500
NZD	—	36	0.68	400
	₱1,365,051	₱891,531		

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

Parent Company				
2022				
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
Currency forwards and spots:				
BUY:				
USD	₱748,234	₱760,764	55.76	₱1,225,921
SGD	303	—	0.74	7
EUR	—	57,543	1.06	67,540
SELL:				
USD	603,979	65	55.76	640,066
EUR	3,803	70,519	1.06	62,040
GBP	2,765	—	1.20	2,000
NZD	319	—	0.63	400
JPY	216	11,911	0.01	534,700
PHP	200	138,260	1.00	2,743,406
AUD	9	55	0.67	700
SGD	—	348	0.74	1,700
HKD	—	236	0.13	5,000
CAD	—	75	0.73	1,700
	₱1,359,828	₱1,039,776		

*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	₱1,354,160	₱185	51.00	₱1,652,850
GBP	47	16	1.35	6,325
EUR	2	—	1.13	50
SGD	31	—	0.74	1
PHP	—	1,544	1.00	1,788,750
SELL:				
JPY	6,124	9	0.01	1,080,000
USD	986	887,816	51.00	1,361,750
PHP	290	8	1.00	509,708
HKD	214	26	0.13	24,700
CAD	141	11	0.78	2,125
GBP	30	884	1.35	8,500
SGD	16	436	0.74	1,400
AUD	—	228	0.72	500
EUR	—	147	1.13	3,500
NZD	—	36	0.68	400
	₱1,362,041	₱891,346		

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



The rollforward analysis of net derivative assets (liabilities) in 2022 and 2021 follows:

	Consolidated		Parent Company	
	2022	2021	2022	2021
Balance at the beginning of the year:				
Derivative assets	₱1,365,051	₱370,653	₱1,362,041	₱365,558
Derivative liabilities	891,531	701,239	891,346	700,802
	473,520	(330,586)	470,695	(335,244)
Changes in fair value				
Currency forwards and spots*	(147,028)	805,748	(147,028)	806,069
Interest rate swaps and warrants**	—	(23,472)	—	(23,472)
	(147,028)	782,276	(147,028)	782,597
Net availments (settlements)	(4,317)	21,830	(3,615)	23,342
Balance at end of year:				
Derivative assets	₱1,361,951	₱1,365,051	₱1,359,828	₱1,362,041
Derivative liabilities	1,039,776	891,531	1,039,776	891,346
	₱322,175	₱473,520	₱320,052	₱470,695

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

** Recorded under 'Trading and investment securities gains - net' (refer to Note 9.5)

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					
	2022			2021		
	Less than Twelve Months	Over Twelve Months	Total	Less than Twelve Months	Over Twelve Months	Total
Financial Assets						
Cash and other cash items	₱22,217,915	₱—	₱22,217,915	₱27,552,773	₱—	₱27,552,773
Due from BSP	94,701,360	—	94,701,360	161,001,912	—	161,001,912
Due from other banks	26,020,081	—	26,020,081	27,232,676	—	27,232,676
Interbank loans receivable (Note 8)	16,291,470	—	16,291,470	32,112,667	—	32,112,667
Securities held under agreements to resell (Note 8)	64,526,051	—	64,526,051	15,800,317	—	15,800,317
Financial assets at FVTPL (Note 9)	7,347,201	—	7,347,201	11,167,657	—	11,167,657
Financial assets at FVOCI (Note 9)	86,697,820	71,485,705	158,183,525	75,692,741	92,294,549	167,987,290
Investment securities at amortized cost (Note 9)	35,359,598	78,956,212	114,315,810	45,931,953	47,346,056	93,278,009
Loans and receivables (Note 10)	225,461,251	407,109,088	632,570,339	200,773,178	445,914,712	646,687,890
Other assets (Note 15)	51,331	19,000	70,331	136,324	13,698	150,022
	578,674,078	557,570,005	1,136,244,083	597,402,198	585,569,015	1,182,971,213
Nonfinancial Assets						
Property and equipment (Note 11)	—	25,882,025	25,882,025	—	25,846,442	25,846,442
Investment in an associate (Note 12)	—	2,688,764	2,688,764	—	2,468,107	2,468,107
Investment properties (Note 13)	—	17,808,697	17,808,697	—	14,658,030	14,658,030
Deferred tax assets (Note 30)	—	6,616,902	6,616,902	—	6,405,505	6,405,505
Goodwill (Note 14)	—	11,221,410	11,221,410	—	13,375,407	13,375,407
Intangible assets (Note 14)	—	7,770,695	7,770,695	—	6,995,365	6,995,365
Residual value of leased assets (Note 10)	107,634	122,772	230,406	505,784	219,082	724,866
Other assets (Note 15)	2,945,525	2,181,506	5,127,031	4,041,342	1,685,772	5,727,114
	3,053,159	74,292,771	77,345,930	4,547,126	71,653,710	76,200,836
Less: Allowance for impairment and credit losses (Note 16)			47,192,482			49,780,665
Unearned and other deferred income (Note 10)			756,049			1,118,244
Accumulated depreciation and amortization (Notes 11, 13 and 14)			20,484,406			17,488,478
			₱1,145,157,076			₱1,190,784,662

(Forward)



	Consolidated					
	2022			2021		
	Less than Twelve Months	Over Twelve Months	Total	Less than Twelve Months	Over Twelve Months	Total
Financial Liabilities						
Deposit liabilities (Note 17)	₱850,430,921	₱20,796,800	₱871,227,721	₱856,415,554	₱38,508,755	₱894,924,309
Financial liabilities at FVTPL (Note 18)	1,039,776	—	1,039,776	891,531	—	891,531
Bills and acceptances payable (Note 19)	11,867,176	3,113,197	14,980,373	49,780,354	3,173,443	52,953,797
Accrued interest payable (Note 20)	980,446	5,594	986,040	657,063	1,971	659,034
Accrued other expenses payable (Note 20)	2,384,652	478,314	2,862,966	1,657,913	419,695	2,077,608
Bonds payable (Note 21)	16,716,682	41,722,415	58,439,097	—	53,383,421	53,383,421
Other liabilities (Note 22)	8,437,866	1,784,517	10,222,383	7,704,872	2,388,506	10,093,378
	891,857,519	67,900,837	959,758,356	917,107,287	97,875,791	1,014,983,078
Nonfinancial Liabilities						
Lease liabilities (Note 29)	709,214	2,927,177	3,636,391	2,698,373	1,067,018	3,765,391
Accrued taxes and other expenses (Note 20)	3,069,330	2,199,057	5,268,387	2,288,247	2,740,761	5,029,008
Income tax payable	983,051	—	983,051	157,735	—	157,735
Other liabilities (Note 22)	2,727,209	2,878,048	5,605,257	2,564,240	3,062,254	5,626,494
	7,488,804	8,004,282	15,493,086	7,708,595	6,870,033	14,578,628
	₱899,346,323	₱75,905,119	₱975,251,442	₱924,815,882	₱104,745,824	₱1,029,561,706

	Parent Company					
	2022			2021		
	Less than Twelve Months	Over Twelve Months	Total	Less than Twelve Months	Over Twelve Months	Total
Financial Assets						
Cash and other cash items	₱22,103,095	₱—	₱22,103,095	₱27,454,459	₱—	₱27,454,459
Due from BSP	94,701,360	—	94,701,360	161,001,912	—	161,001,912
Due from other banks	17,609,247	—	17,609,247	19,333,873	—	19,333,873
Interbank loans receivable (Note 8)	14,736,112	—	14,736,112	30,302,334	—	30,302,334
Securities held under agreements to resell (Note 8)	64,526,051	—	64,526,051	15,800,317	—	15,800,317
Financial assets at FVTPL (Note 9)	7,195,685	—	7,195,685	11,010,278	—	11,010,278
Financial assets at FVOCI (Note 9)	86,716,076	70,489,831	157,205,907	75,706,122	91,840,228	167,546,350
Investment securities at amortized cost (Note 9)	35,359,598	78,816,930	114,176,528	45,814,197	47,335,863	93,150,060
Loans and receivables (Note 10)	214,331,618	403,721,820	618,053,438	193,490,020	439,091,126	632,581,146
Other assets (Note 15)	49,981	1,479	51,460	134,840	1,502	136,342
	557,328,823	553,030,060	1,110,358,883	580,048,352	578,268,719	1,158,317,071
Nonfinancial Assets						
Property and equipment (Note 11)	—	23,667,261	23,667,261	—	23,444,821	23,444,821
Investment in subsidiaries and an associate (Note 12)	—	20,384,104	20,384,104	—	27,275,451	27,275,451
Investment properties (Note 13)	—	17,104,160	17,104,160	—	13,949,148	13,949,148
Deferred tax assets (Note 30)	—	6,574,190	6,574,190	—	6,271,578	6,271,578
Goodwill (Note 14)	—	11,361,768	11,361,768	—	13,515,765	13,515,765
Intangible assets (Note 14)	—	8,712,778	8,712,778	—	7,969,658	7,969,658
Other assets (Note 15)	2,328,923	2,043,660	4,372,583	3,761,622	1,673,606	5,435,228
	2,328,923	89,847,921	92,176,844	3,761,622	94,100,027	97,861,649
Less: Allowance for impairment and credit losses (Note 16)			47,652,020			49,612,865
Unearned and other deferred income (Note 10)			612,582			856,408
Accumulated amortization and depreciation (Notes 11, 13 and 14)			20,526,875			17,698,795
			₱1,133,744,250			₱1,188,010,652

Financial Liabilities						
Deposit liabilities (Note 17)	₱846,551,824	₱20,078,556	₱866,630,380	₱861,706,050	₱37,819,145	₱899,525,195
Financial liabilities at FVTPL (Note 18)	1,039,776	—	1,039,776	891,346	—	891,346
Bills and acceptances payable (Note 19)	10,818,915	3,069,120	13,888,035	48,305,700	2,807,318	51,113,018
Accrued interest payable (Note 20)	964,494	—	964,494	638,907	—	638,907
Accrued other expenses payable (Note 20)	2,351,263	478,314	2,829,577	1,630,969	419,695	2,050,664

(Forward)



	Parent Company					
	2022			2021		
	Less than Twelve Months	Over Twelve Months	Total	Less than Twelve Months	Over Twelve Months	Total
Bonds payable (Note 21)	₱16,716,682	₱41,722,415	₱58,439,097	₱—	₱53,383,421	₱53,383,421
Other liabilities (Note 22)	7,666,525	1,753,787	9,420,312	6,909,027	2,000,813	8,909,840
	886,109,479	67,102,192	953,211,671	920,081,999	96,430,392	1,016,512,391
Nonfinancial Liabilities						
Lease liabilities (Note 29)	676,900	2,927,177	3,604,077	2,686,906	1,011,504	3,698,410
Accrued taxes and other expenses (Note 20)	2,507,506	2,186,123	4,693,629	2,086,159	2,728,651	4,814,810
Income tax payable	916,235	—	916,235	89,328	—	89,328
Other liabilities (Note 22)	1,531,794	3,141,699	4,673,493	1,538,221	3,064,790	4,603,011
	5,632,435	8,254,999	13,887,434	6,400,614	6,804,945	13,205,559
	₱891,741,914	₱75,357,191	₱967,099,105	₱926,482,613	₱103,235,337	₱1,029,717,950

25. Equity

25.1 Capital Stock

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

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

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, 2022 and 2021, the Parent Company had 36,192 and 36,286 stockholders, respectively.

On July 22, 2019, the Parent Company successfully completed its Stock Rights Offering (SRO) of 276,625,172 common shares with a par value of ₱40.0 per share at a price of ₱43.38 each, raising gross proceeds of ₱12.0 billion. Out of the total transaction costs from the SRO, underwriting fees amounting to ₱10.0 million paid to PNB Capital, being one of the joint lead managers, was eliminated against 'Capital Paid in Excess of Par Value' in the consolidated financial statements.



25.2 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, 2022 and 2021, 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>

25.3 Surplus Reserves

This account consists of:

	2022	2021
Reserves under BSP Circular 1011 (Note 10)	₱4,218,928	₱4,461,857
Reserves for trust business (Note 32)	630,314	605,583
Reserves for self-insurance	80,000	80,000
	<u>₱4,929,242</u>	<u>₱5,147,440</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.

25.4 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.



25.5 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 and 2020, the Parent Company awarded 306 thousand and 316 thousand, respectively, centennial bonus shares and applied the settlement of the awards against 'Other equity reserves' amounting to ₱29.0 million and ₱6.4 million, respectively.

25.6 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.

25.6.1 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, 2022 and 2021, CAR reported to the BSP with certain adjustments is shown in the table below (amounts, except ratios, are expressed in millions):

Consolidated	2022		2021	
	Actual	Required	Actual	Required
CET1 Capital (Gross)	₱158,834		₱152,857	
Less: Regulatory Adjustments to CET 1	48,221		48,541	
CET1 Capital (Net) / Tier 1 Capital	110,613		104,316	
Add: Tier 2 Capital	6,109		5,634	
Total qualifying capital	₱116,722	₱75,873	₱109,950	₱80,490
Total risk-weighted assets	₱758,730		₱804,903	
Tier 1 capital ratio	14.58%		12.96%	
Total capital ratio	15.38%		13.66%	

Parent Company	2022		2021	
	Actual	Required	Actual	Required
CET1 Capital (Gross)	₱154,537		₱149,117	
Less: Regulatory Adjustments to CET 1	61,587		61,982	
CET1 Capital (Net) / Tier 1 Capital	92,950		87,135	
Add: Tier 2 Capital	5,878		5,442	
Total qualifying capital	₱98,828	₱73,356	₱92,577	₱79,135
Total risk-weighted assets	₱733,556		₱791,349	
Tier 1 capital ratio	12.67%		11.01%	
Total capital ratio	13.47%		11.70%	

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.

25.6.2 BSP Reporting for Basel III Leverage Ratio

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, 2022 and 2021, BLR reported to the BSP with certain adjustments is shown in the table below (amounts, except ratios, are expressed in millions):

	Consolidated		Parent Company	
	2022	2021	2022	2021
Tier 1 capital	₱110,613	₱104,316	₱92,950	₱87,135
Total exposure measure	1,176,190	1,189,481	1,150,463	1,171,530
BLR	9.40%	8.77%	8.08%	7.44%

BLR is computed based on RAP.



26. Other Operating Income

26.1 Service Fees and Commission Income

This account consists of:

	Consolidated			Parent Company		
	2022	2021	2020	2022	2021	2020
Continuing operations:						
Deposit-related	₱1,585,441	₱1,326,692	₱1,058,033	₱1,585,441	₱1,326,692	₱1,054,359
Loan-related	1,122,258	1,432,909	1,072,459	1,114,379	1,425,149	1,124,608
Underwriting fees	1,032,640	511,032	227,494	—	—	—
Bancassurance (Note 22)	873,039	495,512	206,686	873,039	495,512	206,686
Remittance (Note 33)	680,875	652,262	646,494	357,161	351,392	340,364
Credit card-related	669,862	697,962	622,302	669,862	697,962	622,302
Interchange fees	458,456	383,271	329,059	458,456	383,271	329,059
Trust fees (Note 32)	317,782	319,422	314,851	317,782	319,422	314,851
Miscellaneous	257,256	521,264	207,194	187,249	311,329	142,290
	6,997,609	6,340,326	4,684,572	5,563,369	5,310,729	4,134,519
Discontinued operations:						
Miscellaneous (Note 36)	—	110	19,718	—	—	—
	₱6,997,609	₱6,340,436	₱4,704,290	₱5,563,369	₱5,310,729	₱4,134,519

‘Credit card-related fees’ and ‘Interchange fees’ were generated from the credit card business of the Parent Company.

‘Miscellaneous’ includes income from securities brokering activities and other fees and commission.

26.2 Net Gains on Sale or Exchange of Assets

This account consists of:

	Consolidated			Parent Company		
	2022	2021	2020	2022	2021	2020
Net gains from sale of investment properties	₱5,703,909	₱15,192	₱11,775	₱5,701,642	₱8,268	₱11,806
Net gains from foreclosure and repossession of investment properties	1,751,739	138,697	72,109	1,751,739	138,697	13,209
Net gains from sale of other assets	241,807	52,206	—	241,807	60,880	—
Net gains from sale of receivables	42,786	766,968	104,181	42,786	766,968	104,181
Net gains (losses) from sale of property and equipment (Note 11)	34,913	8,399	7,777	32,027	(789)	1,297
	₱7,775,154	₱981,462	₱195,842	₱7,770,001	₱974,024	₱130,493

In September 2021, the Parent Company sold certain NPLs with aggregate outstanding balances before sale, including accrued interest, of ₱5.5 billion, resulting in a gain from sale of receivables of ₱767.0 million.



27. Miscellaneous Income and Expenses

27.1 Miscellaneous Income

This account consists of:

	Consolidated			Parent Company		
	2022	2021	2020	2022	2021	2020
Continuing operations:						
Recoveries	₱303,435	₱85,164	₱33,000	₱221,253	₱84,463	₱24,685
Rental income (Notes 29 and 33)	275,865	513,904	680,332	47,345	211,775	383,733
Miscellaneous - Loan-related	205,253	25,763	29,224	205,253	25,763	29,224
Income from assets acquired	95,736	183,173	258,708	95,736	183,173	253,128
Dividends	51,211	63,608	86,139	11,139	23,584	45,811
Miscellaneous - Credit card-related	12,605	15,912	8,812	12,605	15,912	8,812
Referral fees	3,301	2,491	3,188	—	—	—
Miscellaneous - Trade-related	351	188	17,055	351	188	17,055
Others	188,935	179,844	128,241	127,751	214,968	144,304
	1,136,692	1,070,047	1,244,699	721,433	759,826	906,752
Discontinued operations (Note 36):						
Rental income	—	375,556	—	—	—	—
Others	—	111,401	243,860	—	—	—
	—	486,957	243,860	—	—	—
	₱1,136,692	₱1,557,004	₱1,488,559	₱721,433	₱759,826	₱906,752

‘Others’ consist of income from wire transfers, tellers’ overages, and penalty payments received by the Group which are related to loan accounts.

27.2 Miscellaneous Expenses

This account consists of:

	Consolidated			Parent Company		
	2022	2021	2020	2022	2021	2020
Continuing operations:						
Secretarial, janitorial and messengerial	₱1,790,422	₱1,682,794	₱1,631,137	₱1,779,543	₱1,669,906	₱1,605,223
Insurance	1,778,214	1,997,478	1,833,686	1,763,300	1,983,103	1,787,331
Information technology	1,193,975	1,304,930	1,448,623	1,165,865	1,283,294	1,431,600
Marketing expenses	1,070,147	719,070	737,110	1,063,239	713,832	732,788
Litigation and assets acquired expenses (Note 13)	373,740	395,386	248,302	373,549	394,534	243,489
Travelling	339,868	284,484	289,765	333,898	280,090	282,758
Management and other professional fees	279,363	294,090	363,710	220,880	245,853	291,457
Stationery and supplies	269,669	269,813	265,226	260,333	261,679	255,914
Common use service area (CUSA) charges (Note 33)	188,770	—	—	188,770	—	—
Postage, telephone and cable	156,800	151,560	163,160	127,895	124,270	125,244
Entertainment, amusement and recreation (EAR) (Note 30)	154,987	189,098	147,421	145,423	181,251	137,152
Value-added tax on leases	141,988	88,116	—	141,988	88,116	—
Repairs and maintenance	79,303	70,375	62,161	79,303	70,375	62,161
Freight	41,599	42,418	30,973	41,547	42,320	29,428
Fuel and lubricants	16,301	14,172	14,157	13,751	11,477	10,931
Loss on loan modifications	—	—	1,587,605	—	—	1,587,605
Others (Note 33)	176,796	698,971	190,403	111,146	624,455	54,893
	8,051,942	8,202,755	9,013,439	7,810,430	7,974,555	8,637,974

(Forward)



	Consolidated			Parent Company		
	2022	2021	2020	2022	2021	2020
Discontinued operations:						
Management and other professional fees (Note 33)	P=	P109,776	P1,843	P=	P=	P=
Insurance	—	10,363	457	—	—	—
Information technology	—	2,906	6,918	—	—	—
Marketing expenses	—	2,236	8,514	—	—	—
Secretarial, janitorial and messengerial	—	1,620	6,015	—	—	—
Postage, telephone and cable	—	751	3,232	—	—	—
Travelling	—	508	2,390	—	—	—
Stationery and supplies	—	449	2,090	—	—	—
Fuel and lubricants	—	411	2,327	—	—	—
EAR	—	142	2,575	—	—	—
Others	—	2,832	8,649	—	—	—
	—	131,994	45,010	—	—	—
	P8,051,942	P8,334,749	P9,058,449	P7,810,430	P7,974,555	P8,637,974

‘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 2022 and 2021 amounted to P369.2 million and P351.5 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:

	Consolidated		Parent Company	
	2022	2021	2022	2021
Retirement benefit liability (included in ‘Other liabilities’) (Note 22)	P384,838	P926,259	P382,449	P923,116
Net plan assets (included in ‘Other assets - miscellaneous’) (Note 15)	5,988	5,678	—	—
	P378,850	P920,581	P382,449	P923,116

The Parent Company also 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											
2022											
	Net benefit cost					Remeasurements in other comprehensive income					
	January 1, 2022	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	₱9,016,762	₱593,481	₱312,332	₱425,991	₱1,331,804	(₱1,069,819)	₱—	₱153,996	(₱1,170,195)	(₱1,016,199)	₱—
Fair value of plan assets	8,096,181	—	—	383,369	383,369	(1,069,819)	(373,885)	—	—	(373,885)	847,852
	₱920,581	₱593,481	₱312,332	₱42,622	₱948,435	₱—	₱373,885	₱153,996	(₱1,170,195)	(₱642,314)	(₱847,852)
											₱378,850

*Net benefit costs are included in 'Compensation and fringe benefits' in the statements of income

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
Present value of pension obligation	₱9,138,303	₱581,774	₱—	₱309,967	₱891,741	(₱635,622)	₱—	(₱114,426)	(₱263,234)	(₱377,660)	₱—
Fair value of plan assets	7,931,953	—	—	269,847	269,847	(635,622)	(220,117)	—	—	(220,117)	750,120
	₱1,206,350	₱581,774	₱—	₱40,120	₱621,894	₱—	₱220,117	(₱114,426)	(₱263,234)	(₱157,543)	(₱750,120)
											₱920,581

*Net benefit costs are included in 'Compensation and fringe benefits' in the statements of income



Parent Company											
2022											
Net benefit cost						Remeasurements in other comprehensive income					
January 1, 2022	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	December 31, 2022
Present value of pension obligation	₱8,959,007	₱588,010	₱312,332	₱424,265	₱1,324,607	(₱1,069,819)	₱-	₱151,832	(₱1,159,910)	(₱1,008,078)	₱8,205,717
Fair value of plan assets	8,035,891	-	-	381,705	381,705	(1,069,819)	(372,362)	-	(372,362)	847,853	7,823,268
	₱923,116	₱588,010	₱312,332	₱42,560	₱942,902	₱-	₱372,362	₱151,832	(₱1,159,910)	(₱635,716)	₱382,449

*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					
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	December 31, 2021
Present value of pension obligation	₱9,085,073	₱572,224	₱-	₱307,994	₱880,218	(₱635,622)	₱-	(₱111,642)	(₱259,020)	(₱370,662)	₱8,959,007
Fair value of plan assets	7,879,861	-	-	267,915	267,915	(635,622)	(219,871)	-	(219,871)	743,608	8,035,891
	₱1,205,212	₱572,224	₱-	₱40,079	₱612,303	₱-	₱219,871	(₱111,642)	(₱259,020)	(₱150,791)	₱923,116

*Net benefit costs are included in 'Compensation and fringe benefits' in the statements of income

In 2022, the Parent Company amended certain provisions of its defined benefit retirement plan and EIP, resulting in the recognition of past service costs amounting to ₱312.3 million.



The latest actuarial valuations for these retirement plans were made as of December 31, 2022. The following table shows the actuarial assumptions as of December 31, 2022 and 2021 used in determining the retirement benefit obligation of the Group:

	Consolidated		Parent Company			
	2022	2021	Regular Plans		EIP	
	2022	2021	2022	2021	2022	2021
Discount rate	6.92% - 7.15%	3.45% - 4.99%	6.92%	4.75%	6.93%	4.75%
Salary rate increase	6.00% - 10.00%	3.00% - 10.00%	6.00%	6.00%	—	—

The Group and the Parent Company employ 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 ₱730.7 million and ₱724.9 million, respectively, to the defined benefit plans in 2023. The average duration of the retirement liability of the Group and the Parent Company as of December 31, 2022 is 14 years and 9 years, respectively.

Shown below is the maturity analysis of the undiscounted benefit payments:

	Consolidated		Parent Company	
	2022	2021	2022	2021
Less than one year	₱1,715,711	₱1,639,472	₱1,715,118	₱1,638,962
More than one year to five years	5,337,983	5,181,164	5,313,181	5,176,283
More than five years to 10 years	4,452,313	4,356,064	4,399,376	4,310,518
More than 10 years to 15 years	3,946,295	3,625,801	3,867,711	3,530,315
More than 15 years	9,333,106	8,998,036	8,884,949	8,592,546

The fair values of plan assets by each class as at the end of the reporting periods are as follow:

	Consolidated		Parent Company	
	2022	2021	2022	2021
Cash and cash equivalents (Note 33)	₱3,897,238	₱3,792,281	₱3,887,225	₱3,783,563
Equity investments				
Electricity, gas and water	225,683	284,300	224,668	284,300
Real estate, renting and business activities	210,570	466,747	207,323	466,747
Financial institutions (Note 33)	161,806	177,928	156,169	165,210
Others	192,136	201,956	182,638	194,636
Debt investment				
Government securities	1,796,154	1,752,649	1,787,280	1,743,551
Private debt securities	626,677	537,016	618,124	528,473
Investment in UITFs (Note 33)	565,266	805,211	555,186	794,979
Loans and receivables	160,380	63,360	160,380	63,360
Interest and other receivables	50,782	17,232	47,121	13,491
	7,886,692	8,098,680	7,826,114	8,038,310
Accrued expenses	(2,994)	(2,499)	(2,846)	(2,420)
	₱7,883,698	₱8,096,181	₱7,823,268	₱8,035,890



All equity and debt investments held have quoted prices in active markets. Fair value of investments in UITFs is based on their published net asset value per share. 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, 2022 and 2021 for the Group includes investments in the Parent Company shares of stock with fair value amounting to ₱156.2 million and ₱165.2 million, respectively (refer to Note 33.3).

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:

2022				
	Consolidated		Parent Company	
	Possible fluctuations	Increase (decrease)	Possible fluctuations	Increase (decrease)
Discount rate	+1.00%	(₱452,402)	+1.00%	(₱446,082)
	-1.00%	504,175	-1.00%	496,643
Salary increase rate	+1.00%	469,231	+1.00%	461,837
	-1.00%	(432,648)	-1.00%	(426,285)
Employee turnover rate	+10.00%	61,043	+10.00%	60,283
	-10.00%	(61,043)	-10.00%	(60,283)
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

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

29.1 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 ₱270.2 million, ₱251.5 million and ₱580.6 million in 2022, 2021 and 2020, respectively, for the Group, of which ₱201.6 million, ₱223.2 million and ₱532.9 million in 2022, 2021, and 2020, respectively, pertain to the Parent Company. Rent expenses in 2022, 2021 and 2020 pertain to expenses from short-term leases and leases of low-value assets.

As of December 31, 2022 and 2021, the Group has no contingent rent payable.

As of December 31, 2022 and 2021, the carrying amounts of 'Lease liabilities' are as follows:

	Consolidated		Parent Company	
	2022	2021	2022	2021
Balance at beginning of year	₱3,765,391	₱1,366,016	₱3,698,410	₱1,370,206
Additions	799,014	3,377,981	789,687	3,298,634
Payments	(1,113,225)	(1,231,287)	(1,068,038)	(1,213,912)
Interest expense (Note 19)	171,885	112,591	170,692	107,052
Effect of loss of control over PNB Holdings	—	179,095	—	136,430
Effect of discontinued operations (Note 36)	—	(39,005)	—	—
Transfers	13,326	—	13,326	—
	₱3,636,391	₱3,765,391	₱3,604,077	₱3,698,410

The Parent Company has lease contracts with its affiliates (Note 33).

Future minimum rentals payable under non-cancelable leases follow:

	Consolidated		Parent Company	
	2022	2021	2022	2021
Within one year	₱1,010,202	₱1,097,903	₱925,509	₱1,086,436
Beyond one year but not more than five years	3,172,151	2,498,020	3,058,101	2,486,540
More than five years	801,283	1,446,578	705,688	1,446,578
	₱4,983,636	₱5,042,501	₱4,689,298	₱5,019,554

29.2 Group as Lessor Under Operating Leases

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 2022, 2021 and 2020, total rent income (included under 'Miscellaneous income') amounted to ₱275.9 million, ₱513.9 million and ₱680.3 million, respectively, for the Group and ₱47.3 million, ₱211.8 million and ₱383.7 million, respectively, for the Parent Company (refer to Note 27.1).

Future minimum rentals receivable of the Group under non-cancelable operating leases follow:

	2022	2021
Within one year	₱42,163	₱645,654
Beyond one year but not more than five years	460,051	102,795
	₱502,214	₱748,449



29.3 Group as Lessor Under Finance Leases

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 10.2.

30. Income and Other Taxes

30.1 Philippine Tax Landscape and Regulations

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. EAR charged against current operations (included in 'Miscellaneous expenses' in the statements of income) amounted to

₱155.0 million in 2022, ₱189.1 million in 2021, and ₱147.4 million in 2020 for the Group, and ₱145.4 million in 2022, ₱181.3 million in 2021, and ₱137.2 million in 2020 for the Parent Company (refer to Note 27.2).

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.

30.2 Provision for (Benefit from) Income Tax

This account consists of:

	Consolidated			Parent Company		
	2022	2021	2020	2022	2021	2020
Continuing operations:						
Current						
Regular	₱3,463,008	₱1,549,711	₱3,215,178	₱3,238,970	₱1,316,245	₱3,186,427
Final	1,807,104	1,411,669	1,459,926	1,784,869	1,372,443	1,388,839
	5,270,112	2,961,380	4,675,104	5,023,839	2,688,688	4,575,266
Deferred	(338,884)	2,583,814	(6,541,506)	(339,814)	2,323,873	(6,520,787)
	4,931,228	5,545,194	(1,866,402)	4,684,025	5,012,561	(1,945,521)
Discontinued operations (Note 36):						
Current						
Regular	—	177,048	68,831	—	—	—
Final	—	15,813	20,519	—	—	—
	—	192,861	89,350	—	—	—
Deferred	—	(84,259)	(768)	—	—	—
	—	108,602	88,582	—	—	—
	₱4,931,228	₱5,653,796	(₱1,777,820)	₱4,684,025	₱5,012,561	(₱1,945,521)



30.3 Deferred Taxes

The amounts of net deferred tax assets in the statements of financial position follow:

	Consolidated		Parent Company	
	2022	2021	2022	2021
Deferred tax assets	₱6,616,902	₱6,405,505	₱6,574,190	₱6,271,578
Deferred tax liabilities (Note 22)	165,721	165,228	–	–
	₱6,451,181	₱6,240,277	₱6,574,190	₱6,271,578

The components of net deferred tax assets reported in the statements of financial position follow:

	Consolidated		Parent Company	
	2022	2021	2022	2021
Deferred tax assets on:				
Allowance for impairment, credit and other losses	₱9,055,746	₱8,467,637	₱9,070,709	₱8,395,806
Accumulated depreciation on investment properties and appraisal increment	520,544	495,884	520,544	495,884
Accrued expenses	372,660	469,714	372,660	469,714
Deferred revenues	162,342	129,050	162,342	129,050
Retirement liability	50,617	52,434	–	–
Unrealized losses on financial assets at FVTPL and FVOCI	–	42,169	–	42,169
Others	8,476	9,812	–	–
	10,170,385	9,666,700	10,126,255	9,532,623
Deferred tax liabilities on:				
Revaluation increment on land and buildings ^{1/}	1,536,217	1,536,629	1,536,217	1,536,629
Fair value adjustments on asset foreclosures and dacion transactions	1,414,221	1,066,381	1,265,883	918,043
Unrealized foreign exchange gains	339,957	340,458	339,957	340,458
Gain on remeasurement of previously held interest	246,651	246,651	246,651	246,651
Fair value adjustments due to business combination	161,634	210,574	161,634	210,574
Unrealized gains on financial assets at FVTPL and FVOCI	1,882	8,836	1,723	8,690
Others	18,642	16,894	–	–
	3,719,204	3,426,423	3,552,065	3,261,045
	₱6,451,181	₱6,240,277	₱6,574,190	₱6,271,578

^{1/} Balance includes deferred tax liability amounting to ₱613.7 million acquired from business combination

As of December 31, 2022 and 2021, the Group's net deferred tax liabilities as disclosed in 'Other liabilities' (refer to Note 22) include deferred tax liabilities on fair value adjustments due to business combination amounting to ₱148.3 million.

Benefit from deferred tax credited directly to OCI pertaining to remeasurement losses on retirement plan amounted to nil and ₱2.5 million in 2022 and 2021, respectively, for the Group. Provision for deferred tax charged directly to OCI pertaining to net unrealized gains on financial assets at FVOCI amounting to ₱32.7 million for the Group and the Parent Company in 2022, and ₱87.6 million for the Group and the Parent Company in 2021.



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	
	2022	2021	2022	2021
Allowance for impairment and credit losses	₱8,615,344	₱13,997,827	₱8,615,344	₱6,642,377
Unamortized past service cost	2,140,071	2,540,326	2,140,071	2,540,326
Derivative liabilities	1,037,348	891,346	1,037,348	891,346
Unrealized losses on financial assets	870,774	—	870,774	—
Unrealized foreign exchange loss	627,501	1,450,079	627,501	1,450,079
Retirement liability	382,449	923,116	382,449	923,116
Lease liability	284,486	21,752	284,162	19,825
NOLCO	140,800	140,800	—	—
Unearned interest and discount	—	334,355	—	334,355
	₱14,098,773	₱20,299,601	₱13,957,649	₱12,801,424

Details of the Group's NOLCO follow:

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
2020	₱89,960	₱—	₱89,960	2025
2021	50,840	—	50,840	2026
	₱140,800	₱—	₱140,800	

Unrecognized deferred tax liabilities

As of December 31, 2022, there was a deferred tax liability of ₱840.4 million (₱736.1 million in 2021) for temporary differences of ₱3.4 billion (₱2.9 billion in 2021) 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.

30.4 Statutory Income Tax Reconciliation

The reconciliation between the statutory income tax rate to effective income tax rate follows:

	Consolidated			Parent Company		
	2022	2021	2020	2022	2021	2020
Statutory income tax rate	25.00%	25.00%	30.00%	25.00%	25.00%	30.00%
Tax effects of:						
Non-deductible expenses	14.69	4.54	1,060.87	13.73	5.20	559.12
Net unrecognized deferred tax assets	(6.04)	6.03	(1,169.49)	(6.36)	5.46	(635.63)
Tax-exempt income	(2.91)	(21.93)	(116.17)	(2.96)	(22.94)	(65.28)
Tax-paid income	(2.01)	(0.63)	(85.73)	(2.05)	(0.66)	(47.66)
FCDU loss (income) before tax	1.49	2.61	(59.81)	1.52	2.73	(32.34)
Optional standard deduction	(0.36)	(0.08)	—	—	—	—
CREATE adjustment – deferred tax	—	0.01	—	—	0.01	—
CREATE adjustment – current tax	—	(0.95)	—	—	(0.99)	—
Effective income tax rate	29.86%	14.60%	(340.33%)	28.88%	13.81%	(191.79%)



31. Earnings Per Share

Earnings per share attributable to equity holders of the Parent Company is computed as follows:

	2022	2021	2020
a) Net income attributable to equity holders of the Parent Company	₱11,532,318	₱31,630,626	₱2,614,653
b) Weighted average number of common shares for basic earnings per share (Note 25)	1,525,765	1,525,765	1,525,765
c) Basic/Diluted earnings per share (a/b)	₱7.56	₱20.73	₱1.71

Earnings per share attributable to equity holders of the Parent Company from continuing operations is computed as follows:

	2022	2021	2020
a) Net income attributable to equity holders of the Parent Company from continuing operations	₱11,532,318	₱32,365,991	₱2,403,984
b) Weighted average number of common shares for basic earnings per share (Note 25)	1,525,765	1,525,765	1,525,765
c) Basic/Diluted earnings per share (a/b)	₱7.56	₱21.21	₱1.58

In 2022, 2021 and 2020, 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 ₱152.7 billion and ₱143.3 billion as of December 31, 2022 and 2021, respectively. In connection with the trust functions of the Parent Company, government securities amounting to

₱1.6 billion (included under 'Investment securities at amortized cost') as of December 31, 2022 and 2021 are deposited with the BSP in compliance with trust regulations (refer to Note 9.3).

Trust fee income in 2022, 2021 and 2020 amounting to ₱317.8 million, ₱319.4 million and ₱314.9 million, respectively, is included under 'Service fees and commission income' (refer to Note 26.1).

In compliance with existing banking regulations, the Parent Company transferred from surplus to surplus reserves the amounts of ₱24.7 million, ₱23.2 million and ₱20.4 million in 2022, 2021 and 2020, 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 (refer to Note 25.3).



33. Related Party Transactions

33.1 Summary of Significant Related Party Transactions

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.

	2022		
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Significant Investors			
Deposit liabilities		₱1,323,009	Peso and foreign currency deposits with annual rates ranging from 0.0% to 4.75%
Net deposits	₱1,318,594		Net deposits during the period
Interest expense	17,621		Interest expense on deposits
Accrued interest payable		2,060	Accrued interest on deposit liabilities
Subsidiaries			
Receivables from customers		₱1,105,000	Term loan maturing in January 2023 with nominal interest rate of 8.4%; includes domestic bills purchased; fully provided with allowance for credit losses
Loan releases	₱1,680,302		
Loan collections	2,057,558		
Credit facilities		11,925,849	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 ₱649.7 million relating to undrawn loan commitments of PMLFC
Interbank loans receivable		15,147	Foreign currency-denominated interbank term loans with interest rates ranging from 0.01% to 4.50% and maturity on March 2023 with ACB
Availments	80,632		
Settlements	94,888		
Due from other banks		269,904	Foreign currency-denominated demand deposits
Accrued interest receivable		3,187	Interest accrual on receivables from customers and interbank loans receivable
Accounts receivable		60,474	Peso and USD remittances cover
Deposit liabilities		3,494,470	Peso and foreign currency-denominated deposits with annual fixed interest rates ranging from 0.0% to 4.85% and maturities up to 2 years
Net withdrawals	9,193,250		Net withdrawals during the period
Bills payable		13,904	Foreign currency-denominated bills payable with ACB maturing in March 2023 with interest rate of 4.0%
Availments	81,140		
Settlements	97,713		
Due to other banks		122,139	Foreign currency-denominated clearing accounts used for funding and settlement of remittances with GRFC, IIC, PNB Europe, and ACB
Accrued interest payable		11,206	Accrued interest on deposit liabilities and bills payable
Interest income	102,763		Interest income on receivables from customers, due from other banks and interbank loans receivable
Interest expense	87,562		Interest expense on deposit liabilities and bills payable
Service fees and commission income	171,433		Various services rendered by PNB to its subsidiaries covered by a service level agreement; also includes PNB's share in service fees
Rental income	145		Payment received for the use or occupation of property
Miscellaneous other income	4,562		Management and other professional fees



2022			
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Securities transactions			
Purchases	₱3,990		Outright purchase of securities
Sales	948,190		Outright sale of securities
Trading gain	19		Gain from sale of investment securities
Other Related Parties			
Receivables from customers		₱41,077,025	Partly secured by real estate, vehicles, deposits, government securities, among others; With interest rates ranging from 2.5% to 11.5% with remaining maturity terms ranging from 7 days to 9 years and payment terms ranging from monthly to quarterly payments; with aggregate allowance for credit losses of ₱2.9 billion
Loan releases	₱12,130,218		
Loan collections	28,633,622		
Credit facilities		94,657,106	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
Sales contract receivable		1,065	Receivable from sale of property paid in installments; with interest rate of 5.0% and maturing in July 2027
Financial assets at FVOCI		23,218,499	Majority represents the retained 49.00% interest in PNB Holdings, with unrealized gain of ₱325.8 million recorded in OCI (refer to Note 12.4 for further discussion)
Accrued interest receivable		132,080	Accrued interest on receivables from customers
Security deposit		55,513	Amount given to fulfill the terms of the lease contract
Deferred charges		5,097	Lease payments under the lease contract paid in advance
Right-of-use assets		3,352,161	Lease of office space with terms up to 10 years and the corresponding accumulated amortization
Accumulated amortization of right-of-use assets		1,115,025	
Deposit liabilities		40,352,466	Peso-denominated and foreign currency-denominated demand, savings and time deposits with maturity terms ranging from 30 days to 365 days
Net deposits	4,235,274		Net deposits during the period
Bonds payable		84,840	Foreign currency bonds with interest rate of 4.25% with maturity terms of five years.
Accrued interest payable		75,597	Accrued interest payable from various deposits
Lease liabilities		2,191,862	Lease of office space with terms ranging from 20 months to 10 years
Accrued other expenses		319,882	Accruals in relation to promotional expenses
Deferred revenue		44,444	Unamortized portion of income related to the bancassurance agreement with ABIC
Service fees and commission income		3,334	Amortization of fees under the bancassurance agreement with ABIC
Interest income	723,194		Interest income on receivables from customers
Interest expense	570,304		Interest expense on deposit liabilities, bonds payable and lease liabilities
Amortization expense	555,048		Amortization of right-of-use asset relating to leases of office spaces
Miscellaneous expenses	270,820		Includes CUSA charges for the Parent Company's share in common areas on premises owned by PNB Holdings; and promotional expenses for Mabuhay Miles redemption; includes management fees paid to Eton Properties Philippines, Inc.
Securities transactions			
Purchases	13,089,879		Outright purchase of securities
Sales	6,926,458		Outright sale of securities
Trading loss	(23,612)		Loss from sale of investment securities
Rental income	8,779		Payment received for the use or occupation of property



2022			
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Remittance transactions			
Fund transfers	₱2,527,729		Peso equivalent of funds transferred
Service fees	3,956		Income share and commission on remittance transactions
Associate			
Deposit liabilities		₱468,046	Peso and foreign currency-denominated deposits with annual interest rates ranging from 0% to 0.10%
Net withdrawals	₱86,560		
Accrued interest payable		19	Accrued interest on deposit liabilities
Rental deposits		27	Advance rental and security deposits received for three months
Deferred revenue		622,192	Unamortized portion of income related to the sale of APLII
Interest expense	2,066		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		₱2,778	Housing loans to senior officers with interest rates ranging from 3% to 15%; Secured and unimpaired
Accrued interest receivable		9	Accrued interest on loans
Loan collections	₱714		Settlement of loans and interest
Interest income	212		Interest income on housing loans
Deposit liabilities		118,975	Peso and foreign currency-denominated deposits with interest rates ranging from 0.0% to 4.75%
Net deposits	15,019		Net deposits during the period
Interest expense	3,823		Interest expense on deposits
Accrued interest payable		144	Accrued interest on deposit liabilities
2021			
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Significant Investors			
Deposit liabilities		₱4,415	Peso-denominated savings deposits with annual rates ranging from 0.10% to 0.125%
Net withdrawals	₱127,586		Net withdrawals during the period
Interest expense	5		Interest expense on deposits
Subsidiaries			
Receivables from customers		₱1,471,253	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 ₱1.4 billion
Loan releases	₱1,557,106		
Loan collections	1,986,548		
Credit facilities		13,796,172	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 ₱125.1 million relating to undrawn loan commitments of PMLFC
Interbank loans receivable		29,403	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	104,698		
Settlements	94,537		
Due from other banks		248,314	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.



2021			
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Accrued interest receivable		₱7,520	Interest accrual on receivables from customers and interbank loans receivable
Accounts receivable		67,772	Advances to finance pension liability, remittance cover and additional working capital; Non-interest bearing, unsecured, payable on demand
Deposit liabilities		12,687,720	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	₱22,739		Net deposits during the period
Bills payable		30,477	Foreign currency-denominated bills payable with ACB; Interest rates range from 0.1% to 0.2% and maturity terms ranging from 116 to 152 days.
Avaliments	106,095		
Settlements	94,445		
Due to other banks		35,719	Foreign currency-denominated clearing accounts used for funding and settlement of remittances with GRFC, IIC, PNB Europe, and ACB
Accrued interest payable		103,473	Accrued interest on deposit liabilities and bills payable
Rental deposit		4,044	Advance rental deposit received for 2 years and 3 months
Interest income	69,370		Interest income on receivables from customers, due from other banks and interbank loans receivable
Interest expense	18,072		Interest expense on deposit liabilities and bills payable
Miscellaneous other income	2,506		Management and other professional fees
Securities transactions			
Purchases	1,890,889		Outright purchase of securities
Sales	281,588		Outright sale of securities
Trading gain	7,149		Gain from sale of investment securities
Other Related Parties			
Receivables from customers		₱57,580,429	Partly secured by real estate and aircraft; With interest rates ranging from 2.12% to 9.72% with remaining maturity terms ranging from 7 days to 10 years and payment terms ranging from monthly to quarterly payments; with aggregate allowance for credit losses of ₱11.1 billion
Loan releases	₱45,161,134		
Loan collections	30,848,903		
Credit facilities		32,168,949	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		22,989,975	Retained 49.00% interest in PNB Holdings, with unrealized gain of ₱117.1 million recorded in OCI (refer to Note 12.4 for further discussion)
Accrued interest receivable		127,339	Accrued interest on receivables from customers
Right-of-use assets		3,354,358	Lease of office space with terms ranging from 20 months to 10 years
Deposit liabilities		36,117,192	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	15,060,480		Net deposits during the period
Bonds payable		76,499	Foreign currency bonds with interest rate of 4.25% with maturity terms of five years.
Accrued interest payable		16,900	Accrued interest payable from various deposits
Lease liabilities		3,180,228	Lease of office space with terms ranging from 20 months to 10 years
Accrued other expenses		57,369	Accruals in relation to promotional expenses



2021			
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Deferred revenue		₱47,778	Unamortized portion of income related to the Bancassurance agreement with ABIC
Interest income	₱520,535		Interest income on receivables from customers and on the unpaid consideration by ABIC for the sale of shares in PNB Gen
Interest expense	211,108		Interest expense on deposit liabilities, bonds payable and lease liabilities
Depreciation expense	559,978		Amortization of right-of-use asset relating to leases of office spaces
Occupancy expenses	163,020		Expenses relating to short-term leases from PNB Holdings
Loss on sale of investment in a subsidiary	134,861		Loss on sale of 65.75% interest of the Parent Company in PNB Gen to ABIC
Service fees and commission income	2,222		Bancassurance fees earned based on successful referrals and income related to the sale of PNB Gen
Miscellaneous expenses	9,672		Promotional expenses for Mabuhay Miles redemption; includes management fees paid to Eton Properties Philippines, Inc.
Securities transactions			
Purchases	581,931		Outright purchase of securities
Sales	151,288		Outright sale of securities
Associate			
Deposit liabilities		₱554,606	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	₱226,926		
Rental deposits		27	Advance rental and security deposits received for three months
Deferred revenue		695,391	Unamortized portion of income related to the sale of APLII
Interest expense	412		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		₱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

The related party transactions shall be settled in cash.

Remedies over a loan exposure to a related party

In April 2022, the Parent Company entered into a dacion agreement with a related party over an investment property with fair value at the time of dacion of ₱1.4 billion in settlement of certain loans. The remedy to settle the loan also provided for the conversion of the remaining debt to equity shares of the former borrower.

Transactions relating to the investment in PNB Holdings

As discussed in Note 12.4, 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 (refer to Note 12.4).



Financial assets at FVTPL traded through PNB Securities

As of December 31, 2022 and 2021, the Parent Company's financial assets at FVTPL include equity securities traded through PNB Securities with a fair value of ₱15.4 million and ₱130.3 million, respectively. The Parent Company recognized trading gains amounting to ₱0.1 million in 2022 and ₱7.1 million in 2021 and trading losses of ₱61.5 million in 2020 from the transactions facilitated by PNB Securities.

Joint arrangements with Eton Properties Philippines, Inc. (EPPI)

The Parent Company and EPPI signed two joint venture agreements (JVAs) for the development of two real estate properties of the Parent Company included under 'Other assets' (refer to 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.

33.2 Remuneration of Key Management Personnel and Directors

The compensation of the key management personnel for the Group and Parent Company follows:

	2022	2021	2020
Short-term employee benefits	₱517,114	₱460,711	₱481,184
Post-employment benefits	47,424	50,629	55,308
	₱564,538	₱511,340	₱536,492

Non-executive directors are entitled to a per diem as follows: ₱50,000 for each BOD meeting attended and ₱25,000 for each BOD committee meeting attended, provided that in no case shall the total per diem exceed ₱0.25 million per month for committee meetings. No other emoluments are granted to non-executive directors of the Parent Company except for the aforementioned per diem. There is no profit-sharing arrangement between the Parent Company and its BOD. In 2022 and 2021, total per diem given to non-executive directors amounted to ₱62.6 million and ₱67.5 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 20,099 and 21,474, respectively, Parent Company shares in relation to the centennial bonus distribution.

33.3 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 ₱7.9 billion and ₱8.1 billion as of December 31, 2022 and 2021, respectively and the fair values of the funds of the Parent Company amounted to ₱7.8 billion and ₱8.0 billion as of December 31, 2022 and 2021, respectively.



Relevant information on transactions with the retirement plans follows:

	Consolidated		Parent Company	
	2022	2021	2022	2021
Investment in PNB UITFs	₱558,013	₱805,211	₱555,186	₱794,979
Deposits with PNB	481,123	1,006,570	480,913	1,005,202
Investment in PNB shares	156,169	165,210	156,169	165,210
Total Fund Assets	₱1,195,305	₱1,976,991	₱1,192,268	₱1,965,391
Unrealized gain (loss) on PNB shares	(₱9,041)	(₱76,030)	(₱9,041)	(₱76,030)
Unrealized gain (loss) on PNB UITF	(35,926)	8,296	(35,926)	8,296
Interest income	18,314	3,607	17,412	3,607
	(26,653)	(64,127)	(27,555)	(64,127)
Trust fees	(9,152)	(9,139)	(9,290)	(9,139)
Net Fund Losses	(₱35,805)	(₱73,266)	(₱36,845)	(₱73,266)

As of December 31, 2022 and 2021, the retirement funds of the Group and the Parent Company include 8,219,406 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, *Provisions, Contingent Liabilities and Contingent Assets*. 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 2022 and 2021.

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 effects of rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreements or similar arrangements to the Group and the Parent Company's financial statements are disclosed in the succeeding tables.

Consolidated

2022						
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 assets	₱61,149,066	₱59,787,115	₱1,361,951	₱73,039	₱-	₱1,288,912
Securities held under agreements to resell (Note 8)	64,523,863	-	64,523,863	-	64,334,349	189,514
Total	₱125,672,929	₱59,787,115	₱65,885,814	₱73,039	₱64,334,349	₱1,478,426
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]
Derivative assets	₱88,929,845	₱87,564,794	₱1,365,051	₱240,111	₱-	₱1,124,940
Securities held under agreements to resell (Note 8)	15,796,673	-	15,796,673	-	16,084,357	-
Total	₱104,726,518	₱87,564,794	₱17,161,724	₱240,111	₱16,084,357	₱1,124,940
2022						
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]
Derivative liabilities	₱70,051,569	₱69,011,793	₱1,039,776	₱456,745	₱-	₱583,031
Securities sold under agreements to repurchase (Notes 9 and 19)*	6,595,689	-	6,595,689	-	7,981,190	-
Total	₱76,647,258	₱69,011,793	₱7,635,465	₱456,745	7,981,190	₱583,031

* Included in bills and acceptances payable in the statements of financial position



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	₱70,313,430	₱69,421,899	₱891,531	₱49,120	₱–	₱842,411
Securities sold under agreements to repurchase (Notes 9 and 19)*	38,494,178	–	38,494,178	–	38,336,528	157,650
Total	₱108,807,608	₱69,421,899	₱39,385,709	₱49,120	₱38,336,528	₱1,000,061

* Included in bills and acceptances payable in the statements of financial position

Parent Company

2022						
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	₱61,146,943	₱59,787,115	₱1,359,828	₱73,039	₱–	₱1,286,789
Securities held under agreements to resell (Notes 8 and 19)	64,523,863	–	64,523,863	–	64,334,349	189,514
Total	₱125,670,806	₱59,787,115	₱65,883,691	₱73,039	₱64,334,349	₱1,476,303

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)	15,796,673	–	15,796,673	–	16,084,357	–
Total	₱104,723,508	₱87,564,794	₱17,158,714	₱55,079	₱16,084,357	₱1,306,962

2022						
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	₱70,051,569	₱69,011,793	₱1,039,776	₱456,745	₱–	₱583,031
Securities sold under agreements to repurchase (Notes 9 and 19)*	6,595,689	–	6,595,689	–	7,981,190	–
Total	₱76,647,258	₱69,011,793	₱7,635,465	₱456,745	7,981,190	₱583,031

* Included in bills and acceptances payable in the statements of financial position



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
Total	₱108,807,423	₱69,421,899	₱39,385,524	₱135,912	₱38,336,528	₱913,084

* 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. Discontinued Operations

36.1 PNB Gen

The results of operation of PNB Gen are presented below:

	2021	2020
Interest Income on		
Loans and receivables	₱35	₱202
Investment securities at amortized cost and FVOCI (Note 9)	19,830	81,734
Deposits with banks and others	34	5,087
	19,899	87,023
Interest Expense on		
Lease liabilities (Note 19)	530	2,698
Net Interest Income	19,369	84,325
Net Service Fees and Commission Income (Note 26)	110	19,718
Insurance premium	202,543	955,640
Insurance benefits and claims	143,605	716,820
Net Insurance Premium	58,938	238,820
Other Income		
Foreign exchange gains (losses) - net	1,804	(2,878)
Trading and investment securities gains - net (Note 9)	–	9,123
Total Operating Income	80,221	349,108
Operating Expenses		
Compensation and fringe benefits	37,040	152,265
Depreciation and amortization (Note 11)	6,592	28,862
Provision for (reversal of) credit losses (Note 16)	1,174	29,781
Occupancy and equipment-related costs	903	1,910
Taxes and licenses	290	4,750
Miscellaneous (Note 27)	8,832	43,539
Total Operating Expenses	54,831	261,107
Income Before Income Tax	25,390	88,001
Provision for Income Tax (Note 30)	4,774	20,418
Net Income from Discontinued Operations	₱20,616	₱67,583



Net insurance premium consists of:

	2021	2020
Net insurance premiums		
Gross earned premium	₱385,904	₱2,385,857
Reinsurer's share of gross earned premiums	(183,361)	(1,430,217)
	202,543	955,640
Less net insurance benefits and claims		
Gross insurance contract benefits and claims paid	207,003	2,241,488
Reinsurer's share of gross insurance contract benefits and claims paid	(130,493)	(1,983,736)
Gross change in insurance contract liabilities	48,017	1,410,172
Reinsurer's share of change in insurance contract liabilities	19,078	(951,104)
	143,605	716,820
	₱58,938	₱238,820

Net cash flows of PNB Gen follow:

	2021	2020
Net cash flows from operating activities	(₱36,288)	(₱27,016)
Net cash flows from investing activities	18,740	(242,063)
Net cash flows from financing activities	(1,912)	(22,648)
	(₱19,460)	(₱291,727)

36.2 PNB Holdings

The results of operation of PNB Holdings are presented below:

	2021	2020
Interest Income on		
Investment securities at amortized cost and FVOCI (Note 9)	₱—	₱500
Deposits with banks and others	1,143	5
	1,143	505
Interest Expense on		
Lease liabilities (Note 19)	2,998	202
Net Interest Income (Expense)	(1,855)	303
Net Service Fees and Commission Expense	(45,849)	(60)
Other Income		
Trading and investment securities gains - net (Note 9)	—	50
Miscellaneous income (Note 27)	486,957	243,860
Total Operating Income	439,253	244,153

(Forward)



	2021	2020
Interest Income on		
Investment securities at amortized cost and FVOCI (Note 9)	P–	P500
Deposits with banks and others	1,143	5
	1,143	505
Interest Expense on		
Lease liabilities (Note 19)	2,998	202
Net Interest Income (Expense)	(1,855)	303
Net Service Fees and Commission Expense	(45,849)	(60)
Operating Expenses		
Taxes and licenses	646,070	30,241
Occupancy and equipment-related costs	191,781	380
Provision for credit losses (Note 16)	86,967	–
Depreciation and amortization (Note 11)	42,450	711
Compensation and fringe benefits	976	100
Miscellaneous (Note 27)	123,162	1,471
Total Operating Expenses	1,091,406	32,903
Income (Loss) Before Income Tax	(652,153)	211,250
Provision for Income Tax (Note 30)	103,828	68,164
Net Income (Loss) from Discontinued Operations	(P755,981)	P143,086

Net cash flows of PNB Holdings follow:

	2021	2020
Net cash flows from operating activities	P790,488	(P2,151)
Net cash flows from investing activities	–	524,081
Net cash flows from financing activities	(567,887)	48
	P222,601	P521,978

37. Events After the Reporting Date

In addition to the loans transferred to the Parent Company as discussed in Note 10, on January 31, 2023, the Parent Company and PMLFC entered into a Receivables Purchase Agreement for the transfer of another tranche of receivables of PMLFC to the Parent Company for a total consideration of P178.7 million.



38. Notes to Statements of Cash Flows

38.1 Cash Flows from Financing Activities

The changes in liabilities arising from financing activities in 2022 and 2021 follow:

Consolidated				
2022				
	Beginning balance	Net cash flows	Others	Ending balance
Bills and acceptances payable	₱52,953,797	(₱39,495,624)	₱1,522,200	₱14,980,373
Bonds payable	53,383,421	–	5,055,676	58,439,097
Lease liabilities	3,765,391	(1,113,225)	984,225	3,636,391
	₱110,102,609	(₱40,608,849)	₱7,562,101	₱77,055,861

Consolidated				
2021				
	Beginning balance	Net cash flows	Others	Ending balance
Bills and acceptances payable	₱87,159,450	(₱36,426,226)	₱2,220,573	₱52,953,797
Bonds payable	64,056,335	(13,870,000)	3,197,086	53,383,421
Lease liabilities	1,366,016	(1,231,287)	3,630,662	3,765,391
	₱152,581,801	(₱51,527,513)	₱9,048,321	₱110,102,609

Parent Company				
2022				
	Beginning balance	Net cash flows	Others	Ending balance
Bills and acceptances payable	₱51,113,018	(₱38,736,538)	₱1,511,555	₱13,888,035
Bonds payable	53,383,421	–	5,055,676	58,439,097
Lease liabilities	3,698,410	(1,068,038)	973,705	3,604,077
	₱108,194,849	(₱39,804,576)	₱7,540,936	₱75,931,209

Parent Company				
2021				
	Beginning balance	Net cash flows	Others	Ending balance
Bills and acceptances payable	₱84,817,360	(₱35,919,013)	₱2,214,671	₱51,113,018
Bonds payable	64,056,335	(13,870,000)	3,197,086	53,383,421
Lease liabilities	1,370,206	(1,213,912)	3,542,116	3,698,410
	₱150,243,901	(₱51,002,925)	₱8,953,873	₱108,194,849

Others include the effects of foreign exchange revaluations, additional lease liabilities, amortization of transaction costs, accretion of interest, and effect of loss of control of a subsidiary.



38.2 Non-Cash Transactions

The following are non-cash transactions of the Group and the Parent Company in 2022 and 2021 relating to their long-term leases:

	Consolidated		Parent Company	
	2022	2021	2022	2021
Additions to right-of-use assets (Note 11)	₱803,905	₱3,352,354	₱803,905	₱3,350,486
Additional lease liabilities (Note 29)	799,014	3,377,981	789,687	3,298,634

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 ₱46.7 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 (refer to Note 12.4).

On December 17, 2021, the BOD of PNB Capital approved the declaration of cash dividends amounting to ₱300.0 million. The Parent Company received such cash dividends from PNB Capital on June 29, 2022 (refer to Note 12.2).

The Group acquired investment properties through foreclosure, dacion and rescission amounting to ₱4.3 billion, ₱524.7 million, and ₱86.7 million in 2022, 2021 and 2020, respectively. The Parent Company acquired investment properties acquired through foreclosure and rescission amounted to ₱4.3 billion, ₱334.4 million and ₱78.0 million in 2022, 2021 and 2020, respectively (refer to Note 13). Included in the ₱4.3 billion foreclosures is the dacion in settlement of a certain loan in exchange for an investment property, and the debt-to-equity conversion of the remaining loan exposures of the former borrower (refer to Note 33.1).

The Group applied creditable withholding taxes against its income tax payable amounting to ₱2.4 billion, ₱1.6 billion and ₱2.8 billion in 2022, 2021 and 2020, respectively. The Parent Company applied creditable withholding taxes against its income tax payable amounting to ₱2.4 billion, ₱1.6 billion and ₱2.7 billion in 2022, 2021, and 2020, 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 13, 2023.

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.



40.1 Taxes 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 2022 (in absolute amounts):

Taxes and licenses

	Amount
Gross receipts tax	₱2,341,737,766
Documentary stamp taxes	3,600,000,000
Real estate tax	39,108,997
Local taxes	173,742,331
Others	278,632,255
	₱6,433,221,349

Withholding taxes

	Remitted	Outstanding
Withholding taxes on compensation and benefits	₱972,704,187	₱185,316,904
Final income taxes withheld on interest on deposits and yield on deposit substitutes	621,327,643	94,632,147
Expanded withholding taxes	186,839,828	22,368,470
Withholding taxes on the amount withdrawn from the decedent's deposit account	32,970,113	1,418,330
VAT withholding taxes	6,047,534	188,832
Other final taxes	99,850,992	8,099,828
	₱1,919,740,297	₱312,024,511

40.2 Tax Cases and Assessments

As of December 31, 2022 and 2021, 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

41.1 Basic Quantitative Indicators of Financial Performance

The following basic ratios measure the financial performance of the Group and the Parent Company:

	Consolidated			Parent Company		
	2022	2021	2020	2022	2021	2020
Return on average equity (a/b)	7.00%	19.98%	1.69%	7.10%	20.08%	1.94%
a) Net income	₱11,583,988	₱31,690,038	₱2,625,488	₱11,532,318	₱31,283,762	₱2,959,932
b) Average total equity	165,564,295	158,602,982	155,479,204	162,468,924	155,768,842	152,657,314
Return on average assets (c/d)	0.99%	2.62%	0.22%	0.99%	2.60%	0.26%
c) Net income	₱11,583,988	₱31,690,038	₱2,625,488	₱11,532,318	₱31,283,762	₱2,959,932
d) Average total assets	1,167,970,869	1,210,959,231	1,186,712,205	1,160,877,451	1,204,106,165	1,144,703,450
Net interest margin on average earning assets (e/f)	3.61%	3.27%	3.35%	3.62%	3.26%	3.37%
e) Net interest income	₱37,327,570	₱34,844,827	₱35,820,463	₱36,590,225	₱34,003,443	₱34,649,027
f) Average interest earning assets	1,033,972,342	1,064,649,949	1,068,225,934	1,010,841,903	1,042,450,632	1,028,955,579

Note: Average balances are the sum of beginning and ending balances of the respective statement of financial position accounts divided by two (2)



41.2 Description of Capital Instruments Issued

As of December 31, 2022 and 2021, the Parent Company has only one class of capital stock, which are common shares.

41.3 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			
	2022		2021		2022		2021	
	Carrying Amount	%	Carrying Amount	%	Carrying Amount	%	Carrying Amount	%
Primary target industry:								
Financial intermediaries	₱123,572,805	20.16	₱127,322,501	20.22	₱124,585,259	20.78	₱128,833,193	20.95
Wholesale and retail	94,635,306	15.44	89,964,601	14.29	89,062,370	14.86	85,521,203	13.91
Electricity, gas and water	77,908,127	12.71	72,603,754	11.53	77,908,992	13.00	72,543,926	11.80
Manufacturing	64,750,821	10.57	57,374,303	9.12	62,394,048	10.41	46,719,362	7.60
Transport, storage and communication	41,702,691	6.80	50,593,556	8.04	40,836,136	6.81	57,003,954	9.27
Agriculture, hunting and forestry	6,846,668	1.12	10,984,068	1.75	6,685,454	1.12	8,472,952	1.38
Public administration and defense	1,868,664	0.30	8,668,925	1.38	1,868,663	0.31	10,984,068	1.79
Secondary target industry:								
Real estate, renting and business activities	96,701,343	15.78	98,619,763	15.67	93,010,341	15.51	95,143,733	15.47
Construction	30,989,724	5.06	30,123,753	4.79	30,923,083	5.16	29,341,619	4.77
Others	73,881,893	12.06	83,171,564	13.21	72,242,925	12.05	80,345,800	13.07
	₱612,858,042	100.00	₱629,426,788	100.00	₱599,517,271	100.00	₱614,909,810	100.00

41.4 Breakdown of Total Loans

41.4.1 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			
	2022		2021		2022		2021	
	Carrying Amount	%	Carrying Amount	%	Carrying Amount	%	Carrying Amount	%
Secured:								
Real estate mortgage	₱61,579,391	10.05	₱65,400,278	10.40	₱52,764,741	8.80	₱55,459,239	9.03
Chattel mortgage	12,560,778	2.05	23,572,533	3.75	12,425,497	2.07	22,348,756	3.63
Bank deposit hold-out	3,844,755	0.63	4,375,531	0.70	3,698,931	0.62	4,137,837	0.67
Others	30,856,608	5.03	20,528,460	3.26	28,814,577	4.81	17,144,181	2.79
	108,841,532	17.76	113,876,802	18.09	97,703,746	16.30	99,090,013	16.11
Unsecured	504,016,510	82.24	515,549,986	81.91	501,813,525	83.70	515,819,797	83.89
	₱612,858,042	100.00	₱629,426,788	100.00	₱599,517,271	100.00	₱614,909,810	100.00



41.4.2 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			
	2022		2021	
	Performing	NPL	Performing	NPL
Corporate	₱517,026,645	₱26,814,155	₱497,743,877	₱46,315,906
Commercial	15,227,846	3,727,358	10,464,612	3,869,552
Credit cards	11,889,481	2,493,200	10,721,147	2,435,798
Consumer	24,706,149	10,973,208	42,329,698	15,546,198
	₱568,850,121	₱44,007,921	₱561,259,334	₱68,167,454

	Parent Company			
	2022		2021	
	Performing	NPL	Performing	NPL
Corporate	₱508,724,119	₱24,153,812	₱491,798,885	₱45,983,507
Commercial	15,475,530	2,027,403	9,398,044	2,006,364
Credit cards	11,889,481	2,493,200	10,721,147	2,435,798
Consumer	21,423,352	13,330,374	37,088,108	15,477,957
	₱557,512,482	₱42,004,789	₱549,006,184	₱65,903,626

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.

In 2022, the Parent Company adopted BSP Memorandum No. M-2021-056, *Regulatory Treatment of Restructured Loans for Purposes of Measuring Expected Credit Losses*, which provides guidance on the regulatory treatment of loans with terms and conditions that have been modified due to the impact of the COVID-19 pandemic, especially consumption loans, for purposes of measuring ECL and classifying the accounts as NPL.

The table below shows the gross and net NPL ratios of the Group and the Parent Company as reported to the BSP (with certain adjustments) as of December 31, 2022 and 2021:

	2022		2021	
	Gross NPL	Net NPL	Gross NPL	Net NPL
Consolidated	6.34%	2.58%	10.07%	5.27%
Parent Company	6.19%	2.54%	9.97%	5.21%



41.5 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, 2022 and 2021, the Parent Company is in compliance with such regulations.

The information relating to the DOSRI loans of the Group and Parent Company follows:

	2022		2021	
	DOSRI loans	Related party loans (inclusive of DOSRI loans)	DOSRI loans	Related party loans (inclusive of DOSRI loans)
Total outstanding loans	₱39,017	₱42,182,025	₱4,606,070	₱59,914,803
Percent of DOSRI/related party loans to total loan portfolio	0.01%	6.22%	0.70%	9.08%
Percent of unsecured DOSRI/related party loans to total DOSRI/related party loans	1.56%	86.52%	0.03%	64.94%
Percent of past due DOSRI/related party loans to total DOSRI/related party loans	3.52%	2.62%	—	10.17%
Percent of non-performing DOSRI/related party loans to total DOSRI/related party loans	3.52%	2.62%	—	44.00%

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.

41.6 Aggregate Amount of Secured Liabilities and Assets Pledged as Security

As of December 31, 2022 and 2021, 'Bills payable' amounting to ₱6.6 billion and ₱38.5 billion in Note 19, respectively, are secured by a pledge of certain 'Financial assets at FVOCI' amounting to ₱2.5 billion and ₱32.8 billion respectively, and 'Investment securities at amortized cost' amounting to ₱5.5 billion and ₱5.3 billion, respectively.



41.7 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:

	Consolidated		Parent Company	
	2022	2021	2022	2021
Trust department accounts	₱152,746,479	₱143,335,871	₱152,746,479	₱143,335,871
Derivative forwards	151,543,370	158,060,387	147,448,673	153,621,017
Standby letters of credit	43,922,556	37,361,325	43,702,875	37,198,406
Unutilized credit card lines	41,981,905	41,690,462	41,981,905	41,690,462
Deficiency claims receivable	28,065,650	22,862,480	28,065,650	22,862,480
Derivative spots	7,474,525	19,204,658	7,474,525	19,204,658
Inward bills for collection	1,116,689	2,591,812	1,116,689	2,589,780
Outward bills for collection	355,358	182,354	300,396	78,770
Unused commercial letters of credit	204,707	219,246	204,707	219,246
Items held as collateral	165,282	248,046	165,270	248,025
Confirmed export letters of credit	94,784	86,188	94,784	86,188
Shipping guarantees issued	22,800	20,822	20,655	18,861
Other contingent accounts	76,663	14,440	7,592	7,185



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, 2022 and 2021, and for each of the three years in the period ended December 31, 2022, included in this Form 17-A and have issued our report thereon dated March 13, 2023. 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. 9564639, January 3, 2023, Makati City

March 13, 2023



PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
INDEX TO THE FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHDEULES
DECEMBER 31, 2022

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PART I
Schedule A

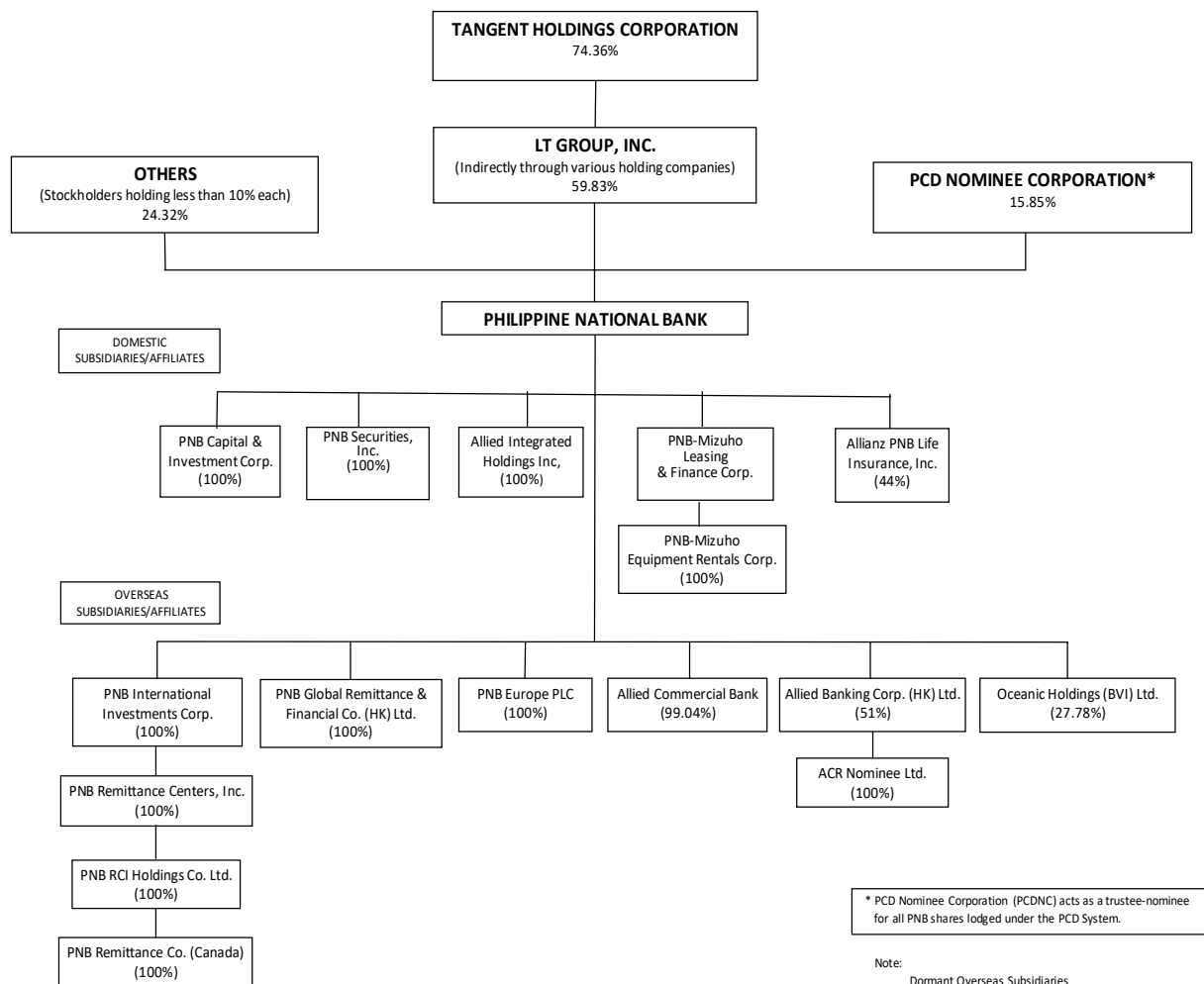
PHILIPPINE NATIONAL BANK (PARENT COMPANY)
AVAILABLE FOR DIVIDEND DECLARATION

December 31, 2022

(In thousands)

Retained Earnings, January 1, 2022, as unadjusted		₱62,169,393
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)	
Gain on loss of control of a subsidiary	(17,051,702)	
Gain on remeasurement of retained interest	(16,383,008)	
Deferred tax assets	(8,024,940)	
Fair value adjustment on foreclosed properties - net gain	(3,672,172)	
Equity in net income of subsidiaries/associate	(2,915,281)	
Gain on remeasurement from investment in associate	(1,644,339)	
Unrealized foreign exchange gain	(1,361,833)	
Unrealized gain on fair value through profit or loss	(10,124)	
		(60,633,940)
Retained Earnings, as adjusted, beginning		1,535,453
Net Income per audited financial statements	11,532,318	
Less: Non-actual/unrealized income/expenses		
Gain on foreclosure on investment properties for the period	(1,391,360)	
Provision for deferred income tax	(247,054)	
Equity in net income of subsidiaries/associate	178,205	
Unrealized gains on fair value through profit or loss	3,044	
Unrealized foreign exchange gains-net	2,005	
Sub-total	(1,455,160)	
Net Income actually incurred during the year		10,077,158
Add: Reduction in surplus reserves		218,198
Total Retained Earnings, End Available for Dividend,		
December 31, 2022		₱11,830,809

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP
December 31, 2022



PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2022

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
Government securities				
Fixed Rate Treasury Notes	—	₱926,551	₱899,631	₱58,914
Republic of the Philippines (ROP) Bonds	—	905,738	819,971	21,437
Retail Treasury Bonds	—	156,652	156,811	109,958
Treasury Bills	—	2,523,235	2,495,258	—
US Treasury Notes	—	—	—	1,232
	—	4,512,176	4,371,671	191,541
Private debt securities				
Ayala Land Inc	—	12,550	12,544	743
Del Monte	—	—	—	2,715
Petron	688,635	688,635	698,964	47,306
San Miguel Global Power Holdings Corp	—	274,850	267,693	17,515
SM Prime Holdings Inc.	—	501,950	484,984	24,431
Vista Land & Lifestyle	—	148,000	146,496	8,435
	688,635	1,625,985	1,610,681	101,145
Equity securities				
GT Capital Pref Series B	1,000	824	950	—
San Miguel Corp - Pref 2I	25,970	1,909	1,948	—
	26,970	2,733	2,898	—
Derivatives				
Allied Bank Hogkong	—	—	2,123	—
Australia and New Zealand Bank- Manila	—	654,930	37,245	—
Banco de Oro Universal Bank	—	5,943,095	121,181	—
Bank of Commerce	—	84,285	379	—
Bank of the Philippine Islands	—	4,123,430	136,188	—
Chemtrust Global Market Inc	—	183	25	—
China Banking Corporation	—	1,299,020	36,881	—
Chinatrust Phils Commercial Bank Corp.	—	311,750	28,884	—
Deutsche Bank AG Manila Branch	—	653,690	51,975	—
East West Banking Corporation	—	15,000	9,024	—
Goldman Sachs International	—	514	171	—
Hongkong and Shanghai Banking Corp. Manila	—	2,031,225	100,660	—
Individuals	—	8,090	8,963	—
Insular Oil Corporation	—	1,759,809	54,927	—
Internationale Nederlanden Bank Manila	—	671,710	767	—
Jetti Petroleum Inc	—	563,740	5,502	—
JPMorgan Chase Bank Manila Branch	—	62,000	212,329	—
JPMorgan Chase Bank Singapore Branch	—	4,115	3,425	—
Maybank Philippines Inc.	—	1,120,440	5,225	—
Metropolitan Bank & Trust Company	—	3,323,580	157,333	—
MUFG Bank, Ltd., Manila Branch	—	615,500	2,109	—
Petron Corporation	—	2,817,750	27,341	—
Philippine National Bank- Singapore Branch	—	—	303	—
Republic of the Philippines	—	15,337	—	—
Rizal Commercial Banking Corp.	—	111,760	250	—
Rockfort Realty Corporation	—	128	17	—
Security Bank Corporation	—	1,166,100	83,780	—
Selchem Global Trading, Inc.	—	101	14	—
Simon Industrial Products Trading Corp.	—	101	14	—
Standard Chartered Bank London Branch	—	13,034,030	13,063	—
Standard Chartered Bank Manila Branch	—	3,994,340	152,597	—
UBS AG Zurich	—	53,592,275	63,363	—

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
Union Bank of the Philippines		2,342,370	44,119	
University of the Cordilleras Inc	–	617	1,765	–
Wells Fargo Bank N.A.	–	135	9	–
	–	100,321,150	1,361,951	–
<i>Total Financial Assets at Fair Value through Profit or Loss</i>	715,605	₱106,462,044	₱7,347,201	₱292,686

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
Government securities				
Bangko Sentral ng Pilipinas	—	P43,000,000	P42,937,302	P—
China National Offshore Oil Corp LTD	—	557,550	553,736	11,081
Development Bank Of The Phils.	—	—	—	—
Fixed Rate Treasury Notes	—	23,372,921	22,301,561	767,455
Kingdom of Saudi Arabia	—	1,505,385	1,480,018	23,781
Power Sector	—	1,282,365	1,329,979	15,420
Republic of Indonesia	—	899,629	891,625	8,883
Republic of the Philippines (ROP) Bonds	—	4,346,169	4,114,445	115,388
Retail Treasury Bonds	—	44,991,000	42,653,950	1,146,264
Small Business Loan asset backed securities	—	55,476	1,365	(1,427)
Treasury Bills	—	23,000	21,474	1,590,676
Treasury Bills - SGD	—	330,473	328,373	4,732
Treasury Gilts	—	154,303	289,666	1,557
US Government	—	278,775	271,642	1,707
US Treasury Notes	—	774,995	764,646	3,406
	—	121,572,041	117,939,783	3,688,923
Private debt securities				
Aboitiz Power Corp	—	562,300	541,612	29,665
AC Energy Finance International Limited	—	2,952,228	2,257,893	99,030
Arthaland Corporation	—	252,500	251,524	465
Ayala Land Inc	—	474,530	470,720	31,724
Banco De Oro	—	613,026	609,293	7,353
Bank of the Philippine Island	—	164,477	159,681	1,949
Development Bank of the Philippines	—	—	—	—
Energy Development Corp	—	9,640	9,626	494
Export-Import Bank of Korea	—	613,305	590,610	2,897
First Pacific Company Limited	—	—	—	—
FPC Resources	—	—	—	28,038
FPC Treasury Limited	—	966,903	911,714	2,069
Hutchison Whampoa Limited	—	987,421	964,462	11,483
International Container Terminal Services Inc.	—	4,844,663	4,813,198	146,794
Korea Devt Bank	—	—	—	—
Megaworld Corp	—	860,000	851,687	46,040
Metropolitan Bank & Trust Co.	—	—	—	52,500
Petron Corporation	—	2,502,229	2,111,639	130,490
Phoenix Petroleum	—	—	—	—
Rizal commercial Banking Corp	—	395,861	384,196	8,846
San Miguel Corp	—	94,900	92,399	131,819
Sinopec Corp	—	193,470	186,043	5,716
SM Investments Corp	—	164,477	160,235	8,626
SM Prime Holdings	—	15,000	14,540	705
South Luzon Tollway Corp	—	—	—	3,216
State Bank of India	—	—	—	817
STI Education	—	50,000	49,798	2,904
Union Bank	—	—	—	283
	—	16,716,930	15,430,870	753,923
Equity securities				
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	—
Asia Pacific Trust & Development	—	1,500	—	—
Bacnotan Steel Industries	3,345,000	—	—	—
Baguio City Country Club	1	60	6,000	—
Baguio Gold Mining (Now:PAL Holdings)	8,452,500	99	99	—
Bancnet, Inc.	49,999	5,000	5,000	—
BAP Credit Guaranty Corp.	29,800	2,980	1,138	—
Bayantel	8,244	8	—	—
Bayantel 31% Tranche B.	83,997	14,851	—	—
Camp John Hay	1	650	200	—

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
Camp John Hay Golf Club	2	160	400	—
Capitol Hills Golf and Country Club, Inc.	10	29	400	—
Cebu Country Club, Inc.	1	29	13,000	—
Club Filipino	2	26	600	—
Cruz Tel Co.	30	3	—	—
Development Academy Of the Philippines	1,500	1,500	—	—
Eagle Ridge Golf & Country Club	30	3,450	6,000	—
Eastridge Golf Course & Village (A)	2	1,800	800	—
Evercrest Golf	2	500	—	—
Evercrest Golf Club-A	2	1,000	1,000	—
Fairways & Bluewater Resort	294	359,695	71,230	—
Fastech Synergy	1,337,807	8,518	—	—
Fil-Am Resources	2,500,000	27	—	—
Forest Hills Golf And Country Club	1	170	170	—
Heavenly Garden Dev't Corp.	5,000	500	500	—
Iligan Golf & Coutry Club	1	1	—	—
Iloilo Golf & Country Club	1	88	14	—
Inco Mining	46,875	2	—	—
Infanta Minerals	1,000,000	10	—	—
Investment in Management Account	—	—	48,575	—
Lepanto Consolidated Mining Co."A"	4,973	1	1	—
Lepanto Consolidated Mining Co."B"	1,776	—	—	—
LGU Guarantee Corp.	100,000	10,000	2	—
Luisita Golf & Country Club	1	840	350	—
Makati Sports Club-A	1	30	800	—
Manila Electric Cooperative	8,884	89	1	—
Manila Golf & Country Club Inc-Corporate	2	412	210,000	—
Manila Polo Club	1	2,600	30,000	—
Manila Southwoods Golf & Country Club A	1	850	3,000	—
Manila Southwoods Golf & Country Club B	1	1,500	3,200	—
Marikudo Country Club of Iloilo City	1	18	—	—
Mimosa Golf & Country Club	1	827	400	—
Mount Malarayat Golf & Country Club	15	35,380	12,000	—
Mount Malarayat Golf Club C	1	2,750	800	—
Mount Malarayat I	1	1,512	800	—
Negros Occidental Golf & Country Club	5	100	150	—
Northern Tel Co.	1,800	18	—	—
Orchard Golf & Country Club	2	3,250	3,000	—
PA Alvarez Perpetual Notes	—	386,250	388,883	—
PAL Holdings Inc.	4,494,947	53,040	26,519	—
Palicpican Beach and Sport Club	2	170	170	—
Paper Ind.Corp. of the Phils.	13,525	19	—	—
Philex Mining Corporation	151	—	1	—
Philippine Central Depository & Trust Corp.	31,690	3,169	6,431	—
Philippine Central Depository Inc.	28,291	3,669	5,741	—
Philippine Airlines, Inc.	19,855,803	—	19,856	—
Philippine Central Depository Inc.	175	23	36	—
Philippine Clearing House Corporation	42,000	4,200	2,101	—
Philippine Columbian Association	1	8	90	—
Philippine Overseas Drilling & Oil Dev't	695,625	69	7	—
Philippine Racing Club	30,331,103	142,582	158,025	—
Philippine Telegraph & Telephone Corporation	5,000,000	—	—	—
Phillippine Dealing System	73,000	7,300	14,813	—
Phillippine Dealing System Holding Corp.	97,436	7,300	19,772	—
Phillippine Electric Corporation	202,440	95	—	—
Phillippine Oil Development Co., Inc.	500,000	13	—	—
Philppine Long Distance Company	2,801	44	1	—
Philppine Long Distance Company	108,375	1,084	—	—
PICOP Resources Inc.	19,008,000	798	—	—
PLDT Communications & Energy Ventures Inc. (Piltel)	650	10	—	—
PNB Holding Corporation	2,551,000	377,876	23,198,643	—
Primo Oleo Chemicals	6,638,151	66,382	66,382	—

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
Proton Chemical Industries Common Shares	44,419	—	—	—
Pueblo De Oro Golf Country Club	2	1,411	718	—
Puerto Azul Sports & Beach Club	2	170	700	—
Quezon City Sports Club	1	32	800	—
Republic Telephone Company	6,052	5	—	—
Riviera Golf & Country Club	2	2,627	1,120	—
Rural Bank of Ibaday	340	11	16	—
Santa Elena Golf & Country Club	1	852	8,500	—
Santa Elena Golf Club-A	2	3,100	17,000	—
Sierra Grande Country Club, Inc.	100	32	32	—
Southern Iloilo Telephone Co.	20	2	—	—
Subic Bay Golf & Country Club	1	950	—	—
Subic Bay Yatch Club	58	93,000	14,500	—
SWIFT - ABC	8	—	—	—
SWIFT Shareholders-PNB	9	—	—	—
Tagaytay Highlands	1	500	1,500	—
Tagaytay Midlands	1	500	1,500	—
Tayud Golf & Country Club	1	6	—	—
Universal Rightfield Prop. Inc.	2,883,000	69	—	—
Valle Verde Country Club, Inc.	1	13	450	—
Valley Golf & Country Club	4	106	10,000	—
Victoria Golf & Country Club	1	110	120	—
Wack Wack Golf & Country Club	4	4,794	232,000	—
Wack Wack Golf & Country Club (PNB Savings)	3	48,137	174,000	—
Western Minolco Corp.	11,382,000	17	—	—
	121,169,769	1,695,978	24,812,872	—
Total Financial Assets at Fair Value through Comprehensive Income	121,169,769	₱139,984,949	₱158,183,525	₱4,442,846

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
Government securities				
Bangko Sentral ng Pilipinas	—	₱223,020	₱269,834	₱9,373
China National Offshore Oil Corp Ltd.	—	390,285	388,118	11,239
Federal Reserve	—	5,865	5,863	—
Fixed Rate Treasury Notes	—	26,999,117	27,818,244	1,012,701
Home Guaranty Corp	—	—	—	22
Kingdom of Saudi Arabia	—	373,559	374,765	2,828
Landbank of the Phils	—	158,512	152,019	(14,422)
Power Sector Assets & Liabilities Management Corporation	—	1,073,841	1,212,618	25,924
Republic of Indonesia	—	3,355,537	3,392,695	153,383
Republic of the Philippines (ROP) Bonds	—	8,867,140	9,113,673	178,484
Retail Treasury Bonds	—	27,622,915	28,012,834	849,742
Treasury Bills	—	—	—	430
US Government	—	7,248,150	7,187,537	79,216
US Treasury Notes	25,000	139,388	139,282	1,589
	25,000	76,457,329	78,067,482	2,310,509
Private debt securities				
AC Energy Finance International Limited	—	669,060	668,693	30,732
Agricultural Bank of China LTD HK	—	—	—	23,963
AT&T Inc.	—	—	—	7,533
Ayala Land Inc	—	641,900	641,541	38,255
Banco de Oro	—	4,325,584	4,324,503	117,043
Bank of China	—	8,251,739	8,146,298	154,796
Bank of the Philippine Island	—	1,131,827	1,158,465	9,247
China Constuction Bank	—	—	—	1,253
Cyberzone Properties Inc	—	803,680	803,654	—
Export- Import Bank of Korea	—	501,795	502,932	12,485
Filinvest Development Cayman Islands	—	1,951,425	1,942,325	80,731
Filinvest Land Inc	—	100	100	54,022
First Pacific Company Treasury Limited	—	—	—	22,618
First Pacific Company Capital Ltd	—	493,432	491,569	—
Global Steel (NSC)	—	3,676,245	—	—
Hutchison Whampao	—	—	—	855
ICICI Bank Limited	—	—	—	18,985
Industrial & Commercial Bank of China Limited Sydney	—	—	—	424
International Container Terminal Services Inc.	—	165,592	165,698	6,285
Jollibee Foods Corporation	—	5,508,593	5,491,301	210,003
Korea Devt Bank	—	223,020	227,206	7,057
Pilipinas Hino Incorporated	—	6,988	—	—
Rizal Commercial Banking Corp	—	1,808,581	1,808,788	69,852
Security Bank Corporation Comm	—	164,366	165,619	5,544
Sinopec Corp	—	574,277	587,766	20,416
SM Prime Holdings	—	300,000	299,951	15,505
Union Bank	—	—	—	88,964
Vista land and Lifescapes	—	5,000,000	4,974,069	405,000
	—	36,198,204	32,400,478	1,401,568
Total Investment Securities at Amortized Cost	25,000	₱112,655,533	₱110,467,960	₱3,712,077

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
SCHEDULE B – AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES
AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2022

(In thousand pesos)

Name and Designation of Debtor	Balance at Beginning of Period (12/31/2021)	Net Releases	Net Collections and Other Movements	Amounts Written-off	Balance at End of Period (12/31/2022)	Due Within One Year	Due Beyond One Year
Absolut Distillers, Inc.	₱280,000	₱280,000	(₱560,000)	₱–	₱–	₱–	₱–
Activasia Inc.		122,074	(90,273)	–	31,801	30,000	1,801
Alcazar, Raul Cartel	853	–	(180)	–	673	–	673
Asia Brewery (Xiamen) Ltd.	528,148	–	(528,148)	–	–	–	–
BNP Paribas of Tokyo – PAL Deal	550,452	–	(23,569)	–	526,883	–	526,883
Build Erect Corporation	114,900	–	(1,300)	–	113,600	113,600	–
Dobles, Christian Jerome Ordonez	3,239	–	(689)	–	2,550	–	2,550
Eton Properties (Xiamen) Ltd.	515,090	–	(515,090)	–	–	–	–
Eton Properties Philippines, Inc.	2,020,500	–	(831,090)	–	1,189,410	1,189,410	–
Federal Land, Inc.	5,000,000	–	(5,000,000)	–	–	–	–
Foremost Farm	94,750	–	(7,000)	–	87,750	–	87,750
Full Circle Craft Distillers Co., Inc.	13,000	13,000	(13,000)	–	13,000	13,000	–
Golden Investment TMK	13,105,946	–	(1,397,394)	–	11,708,550	–	11,708,550
Horizon Land Property Development.	–	2,000,000	–	–	2,000,000	–	2,000,000
Lisbona, Manuel Antonio Grageda	2,028	4,379	(3,731)	–	2,676	1,200	1,476
Lufthansa Technick Philippines, Inc.	200,354	–	(156,546)	–	43,808	43,808	–
Macroasia Airport Services Corporation	240,518	–	(63,652)	–	176,866	–	176,866
Macroasia SATS Food Industries Corp.	539,921	100,000	(212,646)	–	427,275	50,000	377,275
Majent Management Development Corporation	–	1,048	(125)	–	923	–	923
Major Win Enterprises Limited	926,764	–	(926,764)	–	–	–	–
Maranaw Hotels and Resort Corporation	21,750	–	(12,429)	–	9,321	9,321	–
Metro Pacific Investments Corporation	15,963,750	–	(161,500)	–	15,802,250	–	15,802,250
NAIC Water Supply Corporation	–	300,000	(50,000)	–	250,000	50,000	200,000
Next Century Building System	–	9,666	(9,666)	–	–	–	–

Ng, David Go	—	63,100	(30,150)	—	32,950	29,100	3,850
Philippine Airlines, Inc.	5,802,463	5,972,562	(11,775,025)	—	—	—	—
Phoenix Aviation Leasing Limited	5,239,369	—	(184,325)	—	5,055,044	—	5,055,044
Prima Aircraft Leasing Limited	1,514,510	—	(71,037)	—	1,443,473	—	1,443,473
Rapid Movers and Forwarders Co., Inc.	—	41,539	(4,691)	—	36,848	3,068	33,780
Seventy 7 Seeds, Inc.	80,053	—	(16,511)	—	63,542	—	63,542
Summatrade International Corporation	564	—	(353)	—	211	211	—
Tan, Roberto Ong	6,000	—	(6,000)	—	—	—	—
Tanduary Distillers, Inc.	615,000	—	(615,000)	—	—	—	—
Tangent Holdings Corporation	3,990,911	—	(3,990,911)	—	—	—	—
Toyota Financial Services Phil.	—	3,050,000	(1,200,000)	—	1,850,000	1,000,000	850,000
The Table Group, Inc.	205,437	—	(7,313)	—	198,124	125,000	73,124
Uy, Danilo Alvarez	4,000	3,000	(4,000)	—	3,000	3,000	—
Victorias Milling Company Inc.	159	59,851	(53,513)	—	6,497	6,497	—
Key Management Personnel	3,492	—	(714)	—	2,778	—	2,778
	₱57,583,921	₱12,020,219	(₱28,524,335)	₱—	₱41,079,803	₱2,667,215	₱38,412,588

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
SCHEDULE C – AMOUNTS RECEIVABLE FROM RELATED PARTIES
WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2022

(In thousand pesos)

Name and Designation of Debtor	Balance at Beginning of Period (12/31/2021)	Net Releases	Net Collections and Other Movements	Amounts Written-off	Balance at End of Period (12/31/2022)	Due Within One Year	Due Beyond One Year
PNB Global Remittance and Financial Company (HK) Limited	₱98,084	₱107,302	(₱205,386)	—	—	—	—
PNB-Mizuho Equipment Rentals Corporation	237,000	280,000	(357,000)	—	160,000	160,000	—
PNB-Mizuho Leasing and Finance Corporation	1,136,169	1,293,000	(1,484,169)	—	945,000	945,000	—
	₱1,471,253	₱1,680,302	(₱2,046,)	₱—	₱1,105,000	₱	₱—

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
SCHEDULE D – LONG TERM DEBT
DECEMBER 31, 2022

(In thousand pesos)

Type of Issue and Type of Obligation	Amount Authorized by Indenture	Due Within One Year	Due Beyond One Year	Interest Rates	Maturity Date
Long Term Negotiable Certificates of Deposits					
Issued October 11, 2019	₱4,600,000	₱—	₱4,584,136	4.38%	April 11, 2025
Issued February 27, 2019	8,220,000	—	8,187,193	5.75%	August 27, 2024
Issued October 26, 2017	6,350,000	6,347,683	—	3.88%	April 26, 2023
	19,170,000	6,347,683	12,771,329		
Bills Payable					
Various	7,702,325	4,589,128	3,113,197	Various	Various
Bonds Payable					
<i>Fixed rate medium term senior notes</i>					
Issued June 27, 2019	USD750,000	—	41,722,415	3.28%	September 27, 2024
Issued April 26, 2018	300,000	16,716,682	—	4.25%	April 27, 2023
	USD1,050,000	16,716,682	41,722,415		
		₱27,653,493	₱57,606,941		

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
SCHEDULE E – INDEBTEDNESS TO RELATED PARTIES
DECEMBER 31, 2022

Name of Related Parties	Balance at Beginning of Period	Balance at Ending of Period	Nature, Terms and Conditions

None to report

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
SCHEDULE F – GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2022

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

None to report

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
SCHEDULE G – CAPITAL STOCK
DECEMBER 31, 2022

(Absolute number of shares)

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under the related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
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, 2022 AND 2021

Ratios	Formula	2022	2021
Liquidity Ratios			
a. Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	64.68%	65.09%
b. Liquid assets ratio	$\frac{\text{Liquid assets}^{1/}}{\text{Liquid liabilities}^{2/}}$	35.63%	38.22%
c. Net loans to total deposits	$\frac{\text{Net loans}^{3/}}{\text{Total deposits}}$	66.36%	66.33%
Solvency Ratio			
a. Debt-to-equity ratio	$\frac{\text{Total liabilities}}{\text{Total equity}}$	5.74	6.39
Asset-to-Equity Ratio			
a. Asset-to-equity ratio	$\frac{\text{Total assets}}{\text{Total equity}}$	6.74	7.39
Interest Rate Coverage Ratio			
a. Times interest earned ratio	$\frac{\text{Earnings before interest and taxes}}{\text{Interest expense}}$	3.1x	5.9x
Profitability Ratios			
a. Return on assets	$\frac{\text{Net income}}{\text{Average total assets}^{4/}}$	0.99%	2.62%
b. Return on equity	$\frac{\text{Net income}}{\text{Average total equity}^{5/}}$	7.00%	19.98%
Capital Adequacy Ratios			
a. Tier 1 capital ratio	$\frac{\text{Tier 1 capital}}{\text{Total risk-weighted assets}}$	14.58%	12.96%
b. Capital adequacy ratio	$\frac{\text{Total qualifying capital}}{\text{Total risk-weighted assets}}$	15.38%	13.66%

Ratios	Formula	2022	2021
Other Ratios			
a. Net interest margin	$\frac{\text{Net interest income}}{\text{Average interest-earning assets}}$	3.61%	3.27%
b. Efficiency ratio	$\frac{\text{Total operating expenses}}{\text{Total operating income}}$	54.47%	59.82%
c. Loan coverage ratio	$\frac{\text{Total loan loss provisions}^{6/}}{\text{Total loans}^{7/}}$	6.35%	6.39%
d. Nonperforming loans coverage ratio	$\frac{\text{Total loan loss provisions}^{6/}}{\text{Total nonperforming loans}}$	88.52%	59.08%

^{1/} 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

^{2/} Composed of financial liabilities that are due within one year

^{3/} 'Net loans' caption refers to receivables from customers, net of allowance for credit losses and unearned interest and discount

^{4/} Computed as the average of the beginning and ending balances of total assets

^{5/} Computed as the average of the beginning and ending balances of total equity

^{6/} 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

^{7/} "Gross loans" caption refers to receivable from customers, gross of allowance for credit losses and unearned interest and discount



**MINUTES OF THE ANNUAL STOCKHOLDERS' MEETING
HELD ON APRIL 26, 2022
via Microsoft Live Events**

DIRECTORS/STOCKHOLDERS PRESENT

Please refer to "Annex A"

I. CALL TO ORDER

The meeting commenced at 8:00 a.m. with the singing of the National Anthem. The invocation was, thereafter, led by SVP Celeste Marie V. Lim.

Chairman Federico C. Pascual welcomed the stockholders to the Bank's third virtual Annual Stockholders' Meeting. He thereafter called the meeting to order.

The Corporate Secretary, Ms. Ruth Pamela E. Tanghal, recorded the minutes of the proceedings.

II. SECRETARY'S PROOF OF NOTICE AND QUORUM

The Chairman asked the Corporate Secretary to show proof that the required Notice of the Meeting was provided to all the stockholders of record. The Corporate Secretary explained that as per the requirements of the Securities and Exchange Commission (SEC) and the Bank's Amended By-Laws, Notice of the Meeting stating the date and time of the meeting and the link for attendance by way of remote communication was published, in print and online format, from 29 to 30 March 2022 in the Philippine Star and the BusinessWorld, and from 07 to 13 April 2022 in the Manila Bulletin, the Philippine Star and the BusinessWorld. The supporting Affidavits of Publication of the Notice were submitted for the record. Further, the Corporate Secretary said that the Notice of the Meeting was posted in the Bank's website at www.pnb.com.ph and in the Bank's PSE EDGE profile. Thereafter, the Corporate Secretary certified that Notice of the Meeting was provided to all stockholders of record.

The Chairman requested the Corporate Secretary to certify the existence of a quorum. The Corporate Secretary reported that, according to the guidelines circulated to the stockholders, the last day for registration for the annual meeting was on 19 April 2022. She said that based on the tally of those who successfully registered for the virtual meeting and the validated Proxies and Powers of Attorney, there were present a total of 1,212,902,770 shares or 79.49% of the Bank's total outstanding shares. Ms. Tanghal said that the validation of Proxies took place on 21 April 2022. The Corporate Secretary, thus, certified that a quorum existed for a valid transaction of business.

The Chairman said that because of the ongoing pandemic and with the health crisis in everyone's midst, the Bank was holding its annual meeting virtually for the third time. He also said that despite the global health crisis, the Bank endeavored to provide its stockholders the avenue to participate in the Bank's annual meeting as if held in person. He mentioned that the stockholders were notified of the mechanics to participate and vote on the matters to be discussed during the meeting and, thus called on the Corporate Secretary to briefly present the rules of conduct and voting procedure for the 2022 Annual Stockholders' Meeting.

The Corporate Secretary explained that the voting rights of each stockholder were set out under Item 10 of the Bank's Information Statement, while the requirements and procedure for participation and voting through remote communication were set out under "Annex B" of the said Information Statement and were uploaded to the Bank's website and PSE EDGE profile.

The Corporate Secretary briefly discussed the rules of the meeting, as follows:

1. Stockholders who completed the registration and verification procedure on or before 19 April 2022 could attend and participate in the meeting and be included in determining the quorum for the meeting.
2. Stockholders who had questions about the matters set out in the agenda were requested to send their questions to pnb_asm@pnb.com.ph. Questions received via email would be addressed at the Q & A portion of the meeting. Further, stockholders also had the option to send in their questions through the MS Live Chatbox, which would be live and available during the Q & A portion. Questions which were not accommodated during the meeting due to time constraints or for any other reason would be replied to by the Bank through electronic mail messaging;
3. The five (5) items for approval or ratification of the stockholders during the meeting would be presented on the screen for reference of the stockholders;
4. Stockholders who completed the registration and verification procedure were given the opportunity to vote *in absentia* through the Bank's Voting Portal by no later than 5:00 p.m. of 21 April 2022. Stockholders were also given the opportunity to cast their votes by sending their proxy forms no later than 5:00 p.m. of 21 April 2022;
5. Votes received on or before 5:00 p.m. of 22 April 2022 were tabulated and would be presented throughout the meeting; and,
6. The Annual Stockholders' Meeting would be recorded in video and audio format in accordance with the requirements of the SEC.

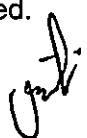
III. APPROVAL OF THE MINUTES OF THE 2021 ANNUAL STOCKHOLDERS' MEETING HELD ON APRIL 27, 2021

The next item in the Agenda was the approval of the Minutes of the 2021 Annual Stockholders' Meeting held on 27 April 2021. The Chairman inquired if the stockholders were apprised of the said item in the Agenda. In response thereto, the Corporate Secretary said that copies of the Minutes of the 2021 Annual Stockholders' Meeting held on 27 April 2021 were uploaded on the Bank's website on 30 April 2021 and were prepared in accordance with the Revised Corporation Code. A copy of the Minutes was likewise attached as Annex "C" of the Bank's Information Statement.

The Corporate Secretary then flashed on the screen a summary of the matters discussed during the 2021 Annual Stockholders' Meeting for the examination of the stockholders. The Corporate Secretary further advised that the salient matters approved in the 2021 Annual Stockholders' Meeting could also be found on page 39, under Item 8 of the Bank's Information Statement. The Corporate Secretary proposed that, in the interest of time, the reading of the Minutes of the 2021 Annual Stockholders' Meeting held on 27 April 2021 be dispensed with, and that the said Minutes as appearing in the Bank's records be approved.

The Corporate Secretary reported that based on the total votes received, a total of 1,212,407,841 shares voted in favor of approving the Minutes of the 2021 Annual Stockholders' Meeting held on 27 April 2021.

With the favorable vote of stockholders owning more than a majority of the outstanding shares, the Chairman declared that the Minutes of the 2021 Annual Stockholders' Meeting held on 27 April 2021 were approved.



The Corporate Secretary was then instructed to reflect the tally of votes in the Minutes. Thus:

	No. of Shares	%
Approving	1,212,407,841	79.46%
Dissenting	-	-
Abstaining	15,243	0.00%

IV. REPORT OF THE PRESIDENT ON THE RESULTS OF OPERATIONS FOR THE YEAR 2021

Mr. Jose Arnulfo A. Veloso, President and Chief Executive Officer of PNB, presented the results of operations for the year 2021. He provided the President's Report to the Bank's stockholders, as follows:

“PNB’s performance for 2021 shows that it continues to be profitable as income from our core banking operations reached ₱40.1 billion, growing by 2 percent year-on-year. Despite the economic fallout from COVID-19, we continued to play our part in helping customers, the banking public, and our employees as we navigate the impact of the continuing pandemic situation that we have.

PNB booked higher net earnings reaching ₱31.7 billion in 2021 – 12 times higher than the ₱2.62 billion recorded in 2020. Our Bank’s core net income is now better than Pre-Pandemic 2019 levels by 8% as PNB posted robust performance fueled by continued growth in lending and fee-based income. As of end-December 2021, PNB’s consolidated resources stood at ₱1.19 trillion. The Bank’s Capital Adequacy Ratio of 13.66% and Common Equity Tier 1 Ratio of 12.96% remained above the minimum regulatory requirement of 10%.

In 2021, we carried out a branch network rationalization plan to manage costs and create efficiencies in line with the Bank’s goal to be adaptive and sustainable. PNB ended 2021 with a domestic branch network of 670. Our ATM and Cash Accept Machine network, on the other hand, stood at 1,731 by year-end.

During the pandemic, we also relied on a service PNB had launched close to five decades ago. To enable Filipinos to safely and conveniently conduct transactions, we continued to deploy our Bank On Wheels to allow customers to withdraw cash, pay bills, and transfer funds. In 2021, the Bank On Wheels was able to serve 1,700 sites and communities.

At the overseas front, PNB remains the largest among Philippine universal banks, with 70 offices and 107 agents and partners in Asia, Europe, the Middle East, and North America. In 2021, we have processed 2.37 million remittance items, with remittance volume of USD2.34 billion.

We have also booked 183 Own a Philippine Home Loan (OHPL) items, amounting to ₱679 million. As of end-2021, total portfolio for OPHL is at ₱2.7 billion. We partnered with New Jersey-based Alexander Anderson Real Estate Group to beef up OPHL and help push properties in the Philippines to Filipino-Americans.

Likewise, digitalization efforts were intensified to improve remittance services. In October 2021, we launched the PNB Singapore Mobile App, the Bank’s first



remittance app overseas allowing users to send money 24/7 using their mobile devices. For 2022 to 2023, we are committed to further grow our remittance business through the introduction of mobile app services in the UK, Hong Kong, Japan, and the USA.

We also pushed our Cards in business in 2021 by launching the PNB Cart Mastercard, a virtual credit card made specifically for online transactions. Credit card credentials will be in digital form. There is no physical plastic card to be issued as card details are emailed to the cardholder via a password-protected PDF file. Virtual cards are exclusively used for online purchases where credit card information can be keyed in. We also offered credit card services on the PNB Digital App for onboarding, viewing of balances, utility bills payment, and access to electronic statement of account.

For 2022, the cards business is looking to grow with an estimated 100 thousand new cards on the back of the relaunch of 3 key products: PNB PAL Mabuhay Miles Mastercard, Platinum Rewards, and Visa Rebate. We are also fast-tracking the release of key features on our PNB Digital App to increase our Digital Onboarding Capabilities and Self-Service transactions.

When the pandemic first hit in 2020, our institutional banking business quickly shifted from asset growth to credit-intensive portfolio management with the intent to hand-hold severely impacted client relationships. We calibrated a framework in aiding borrowers heavily affected by the downturn and identified relationships in resilient industries where we could expand existing business.

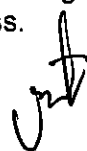
In 2021, we capitalized on highly-resilient local corporates to safeguard the Bank's portfolio. Despite a drastically altered landscape, our corporate banking and commercial banking teams provided much-needed financing to priority industries such as utilities, infrastructure, power, telecommunication, and wholesale and retail trade.

Our cash management business, on the other hand, continued to build the number of customers and bring in more CASA to the Bank. We generated 40 thousand enrollments in 2021, higher than the 20 thousand enrollments in 2020.

In our efforts to improve customer experience, we partnered with Adobe Sign to digitize loan implementation and transaction documents. We are looking at adopting this service enterprise-wide by the fourth quarter of 2022. With the partnership, PNB will make it safer and easier for customers to do transactions anytime, anywhere, virtually.

Through our investment banking arm, PNB Capital and Investment Corporation, we continued to build the businesses by arranging and facilitating several IPOs, follow-on offerings, and other deals. Among others, some of the projects that PNB Capital worked on were the REIT offerings of DoubleDragon Properties Corporation and Robinsons Land Corporation – these issuances are proof that despite the challenges, the Philippine capital market continues to thrive and our economy is gradually inching its way to recovery. Other noteworthy undertakings – among others – were Monde Nissin's IPO wherein they offered 3.6 billion common shares; AllDay Marts' ₱4.5-billion IPO; Synergy Grid & Development's ₱13.8-billion Follow-On Offering.

2021 saw an increase in customer preference for online banking amidst the health and safety concerns and quarantine restrictions. With this in mind, we accelerated digital transformation in terms of offering digital banking products and services for clients and improving our way of doing business.



We relaunched our PNB Digital App during the first half of 2021. Total enrollment as of end-2021 stood at 483 thousand. We saw an 8% growth year-on-year in total digital banking users, with 73% of these users actively using the platform. This in turn resulted to a 76% year-on-year increase in digital transactions.

To enhance our digital platform and be able to better compete in the market during the pandemic, we formally launched to the public our web-based online account opening platform in June 2021. New-to-bank clients can now open an account with PNB safely and securely in the comfort of their homes. As of end-2021, the Bank has processed over 50,000 applications for new accounts.

We are investing in technology and changing a lot of our processes at PNB. More and more customers are now demanding non-stop banking services. They want it fast, safe, and easy. In the new normal, we need to rely on technology to interact with customers and our target market across all our channels.

On the awards front, several accolades were given to PNB.

We were honored by the Asiamoney with 'Best Bank for Investment Research,' acknowledging our efforts in supporting our clients through research capabilities.

We were likewise recognized by the BSP as "Outstanding Regional Partners" in the 2021 BSP Stakeholders Appreciation Ceremony. Receiving distinctions were PNB (National Capital Region), PNB Laoag Cash and Clearing Unit (Region I), PNB Cebu Cash Center (Region VII), and PNB Butuan-Montilla Branch (Region XIII).

We were awarded by the Asia Responsible Enterprise Awards the 'Green Leadership Award' for Project P.L.A.N.E.T. (Protect, Love, and Nurture the Environment Together), our banner environmental and sustainability program. Project P.L.A.N.E.T. was developed to raise awareness among employees; encourage them to reduce their environmental footprint at work and in their own homes; and provide them with eco-friendly, healthy, and sustainable alternatives.

Finally, we were honored by a joint program of the European Union and UN Women as 'Champion for Transparency and Reporting' in the UN Women 2021 Philippines Women's Empowerment Principles (WEPs) Awards. We were cited for our commitment to transparency and reporting that reflects gender data and indicators.

Before we proceed, let me update all of you regarding our Non-Performing Loans.

Our NPLs grew as the Pandemic impacted many of our customers as the lockdowns slowed down the overall economy. Our NPLs went up at a time when we were already facing issues brought about our Savings Bank—which we had merged back to the Parent bank prior to the lockdowns.

Our legacy Savings Bank NPL reached 1.96% of the total of 9.72%.

Our legacy Transportation accounts NPL, on the other hand, amounted to 4.15%.



And, the last part is our organic NPLs which is at 3.61%. This represents our BAU regular accounts. This level of NPLs is relatively at par compared to the banking industry's 3.55%.

Rest assured that we will continue to work on these NPLs to bring the levels down.

In 2021, we executed the monetization of our three huge real estate properties. This transaction was crucial, and this allowed PNB to absorb the impact of the expected credit losses which are directly attributed to PNB's Legacy Accounts and the impact of COVID-19 and the slowdown in the economy. This transaction allowed the Bank to weather the storm.

From this initiative, we recognized a one-off gain of ₱33.6 billion from the transfer of prime real estate properties in exchange for shares of PNB Holdings Corporation.

Sa ngalan ng Top Management at lahat ng Philnabankers, maraming salamat po sa patuloy ninyong tiwala at suporta sa PNB. Maaasahan po ninyo na patuloy naming palalakasin at patitibayin ang PNB."

After the President's Report, Mr. Aidell R. Gregorio, Acting Chief Financial Officer of PNB, presented the Financial Report for the year 2021, thus:

"PNB sustained its positive financial results in 2021 despite the lingering COVID-19 pandemic that continued to adversely impact the country's economy.

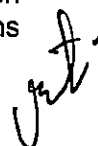
The Bank registered a higher net profit before provisions for impairment and taxes at ₱50.8 billion in 2021, three times its year-ago level due to sustained core income and, boosted by substantial one-off gain from monetizing the value of our low income-generating assets.

The Bank's net interest income representing about 87% of the total core operating income was relatively flat year-on-year at ₱35 billion as the Bank managed to maintain net interest margin at 3.2%.

In 2021, the Bank was more prudent in its lending activities as it re-directed new loan grants to essential sectors and industries that will thrive in the new norm. To help cushion the impact of the reduction in yields, the Bank also refocused on generating low-cost CASA funding. The trends in the Bank's deposits and loans can be seen in the succeeding slides.

Interest expense on deposits declined as the Bank let go of substantial high-cost time deposits while incremental deposits continued to be in low-cost funds. Deposit liabilities closed at ₱895 billion, increasing by half a percent year-on-year. This forms part of the Bank's strategy to continue generating further low-cost CASA funds amid this current operating interest rate environment. As of end-2021, total demand and savings deposits, comprising 80% of the Bank's deposit liabilities, had a composite growth of 14% year-on-year. In contrast, time deposits recorded a reduction of 32% year-on-year.

On the other hand, interest income on loans declined by 9% due to a combination of lower loan balances and average asset yields compared to the pre-pandemic levels. Gross loans increased by 2% year-on-year to reach ₱631 billion by end-December 2021 as both corporate loans and retail loans



increased by 4% and 7%, respectively, offsetting the 2% decline in Commercial/SMEs.

The Bank's revenues from fee-based activities increased by 43% year-on-year to reach ₱5.3 billion, driven by higher loan-related and deposit-related transactions. The volume of transactions in 2021 is notably much higher compared to the previous year's volumes that were significantly affected when the pandemic started. In 2021, the Bank also resumed its collection of fees from interbank fund transfers, withdrawals and remittance transactions, which were waived in the prior year to support the industry's initiative.

Furthermore, the Bank also recorded higher bancassurance and investment banking revenues in 2021. The Bank participated in a number of underwriting deals with several entities which took advantage of the momentum in the capital markets during the year. The improvement in fee-based income was also supplemented by the additional fees from the increasing usage of the Bank's digital platform.

The Bank's other income or non-core income stood at ₱36.9 billion in 2021. This is six times higher than the level a year ago, primarily due to the ₱33.4 billion gains from the properties-for-shares swap.

On the other hand, trading and foreign exchange gains declined year-on-year since, in the previous year, the favorable market conditions allowed the Bank to post significant gains from the disposal of our investment portfolio as we took advantage of the decline in benchmark interest rates in January 2020.

Operating expenses, excluding provisions for credit losses, are lower by 6% compared to the previous year as the Bank continued to focus on essential expenditures especially during these challenging times.

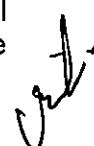
During the year, the Bank continued its proactive approach to build loan loss provisions especially for those borrowers who were directly hit by the COVID-19 pandemic. However, we have also taken into consideration the significant recent developments in the status of some of our borrowers who are now gradually recovering. This led to a level of credit provisions in 2021 which are much lower by 24% year-on-year.

After the impairment provisions and taxes, the Bank's consolidated net income for full year 2021 amounted to ₱31.7 billion, twelve times higher than the bottom-line income in the previous year.

On our financial condition, our total assets closed at ₱1.2 trillion, 3% lower than the year-ago level, on account of the disposal of the three prime properties subject of the properties-for-share swap, as well as the disposal of two of our subsidiaries in 2021, PNB Holdings Corporation and our non-life insurance arm, PNB General Insurers.

Meanwhile, total equity improved by 3% year-on-year due to higher results of operations from the Bank's core banking activities, as well as the benefits of monetizing the value of our low income-generating assets. Our capital ratios at 13.66% for Capital Adequacy Ratio and 12.96% for Common Equity Tier 1 ratio remained above the minimum regulatory requirement of 10%.

On April 23, 2021, the Board of Directors of the Bank approved and confirmed the property dividend declaration of up to 239,353,710 common shares of PNB Holdings Corporation (PHC), with par value of ₱100 per share, to all shareholders of record as of May 18, 2021. The property dividends shall be



paid at a ratio of about 0.1568 shares of PHC for every one share of PNB. In case a shareholder is entitled to a fractional PHC share, the Bank shall pay for such fraction in cash based on par value on the dividend settlement date. We are pleased to inform our shareholders that on December 24, 2021, the Securities and Exchange Commission noted and approved the distribution of such property dividends.

Finally, as required by Section 49 of the Revised Corporation Code, we would like to inform our shareholders that the Bank maintains a system of internal controls and risk management systems adequate to enable the preparation of the financial statements in accordance with Philippine Financial Reporting Standards that are free from any material misstatement.”

Ms. Isabelita M. Papa, Member of the Board of Directors and Chairman of the Board Audit and Compliance Committee (BACC), thereafter presented pertinent regulatory matters for the year 2021, as follows:

“In compliance with Sections 29 and 49 of the Revised Corporation Code, we are required to present to our stockholders a report on the total compensation received by the directors for the year. In the Bank’s Information Statement, pages 37 and 38, the Bank has disclosed that the total per diem paid to the Board of Directors for 2021 amounted to approximately ₱67.375M. Flashed on the screen is the table showing the emoluments and compensation received by each director.

Further, Section 49 of the Revised Corporation Code requires disclosure of directors’ self-dealings and related party transactions with the Bank. I would like to report that information on the Bank’s transaction with related parties and certain directors, officers, stockholders and related interests (DOSRI) are shown under Note 33 and 41 of the Audited Financial Statements of the Bank and Subsidiaries and Part II, Schedules B and C of the Supplementary Code, Rule 68, Annex J.

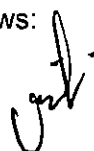
In the aggregate, DOSRI loans generally should not exceed the Bank’s equity or 15% of the Bank’s total loan portfolio, whichever is lower. As of 31 December 2021, the Bank and its subsidiaries were compliant with regulations. The Bank’s Audited Financial Statement had been uploaded to the Bank’s website and PSE EDGE profile.”

Chairman Pascual thanked Mr. Veloso, Mr. Gregorio and Ms. Papa for an extensive report on the overall performance of the Bank. He also acknowledged the invaluable service, contribution, and commitment to the Bank of the Board of Directors, the Board Advisors, the President, Senior Management, officers and all the employees of PNB.

V. APPROVAL OF THE 2021 ANNUAL REPORT

The Corporate Secretary presented the proposed resolution regarding the notation and approval of the Bank’s 2021 Annual Report, together with the Audited Financial Statement as of 31 December 2021. She further reported that copies of the Annual Report and the Audited Financial Statement were attached to the Information Statement and uploaded to the Bank’s website.

The Corporate Secretary confirmed that based on the total votes received, a total of 1,211,787,301 shares voted in favor of approving the Bank’s 2021 Annual Report, together with the Audited Financial Statement as of 31 December 2021; thus, with the shareholders owning more than a majority of the outstanding shares voting in favor of the matter, the Bank’s 2021 Annual Report, together with its Audited Financial Statement as of 31 December 2021, was noted and confirmed, as follows:



STOCKHOLDERS' RESOLUTION NO. 01-22

RESOLVED, AS IT IS HEREBY RESOLVED, that the Bank's 2021 Annual Report, together with the Audited Financial Statement for the year ended 31 December 2021, be noted and approved.

The Chairman instructed the Corporate Secretary to reflect the tally of votes in the Minutes, thus:

	No. of Shares	%
Approving	1,211,787,301	79.42%
Dissenting	-	-
Abstaining	573,533	0.04%

VI. RATIFICATION OF ALL THE LEGAL ACTS, RESOLUTIONS AND PROCEEDINGS OF THE BOARD OF DIRECTORS AND CORPORATE OFFICERS SINCE THE 2021 ANNUAL STOCKHOLDERS' MEETING

The next item in the Agenda was the confirmation and ratification of all the legal acts, resolutions and proceedings of the Board of Directors and Officers since the 2021 Annual Stockholders' Meeting held on 27 April 2021. A summary of the acts submitted for ratification was flashed on the screen for the examination of the stockholders. As explained by the President, these acts, resolutions and proceedings submitted for approval of the stockholders consisted of regular banking transactions and policy formulation undertaken in the regular course of business of the Bank. These acts were standard, if not customary, in the Banking industry.

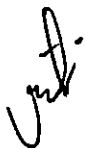
The Corporate Secretary confirmed that, based on the total votes received, a total of 1,211,787,301 outstanding shares of the Bank voted in favor of approving all the legal acts, resolutions and proceedings of the Board of Directors and Corporate Officers of the Bank from the date of the Bank's last Annual Stockholders' Meeting on 27 April 2021 up to the present date.

The Chairman said that, with the shareholders owning more than a majority of the outstanding shares voting in favor of the matter, the legal acts, resolutions and proceedings of the Board of Directors and Corporate Officers of the Bank from the date of the Bank's last Annual Stockholders' Meeting on April 27, 2021 up to the present date were approved, confirmed and ratified. The proposed resolution was presented for approval and confirmation, thus:

STOCKHOLDERS' RESOLUTION NO. 02-22

RESOLVED, AS IT HEREBY RESOLVED that all legal acts, resolutions and proceedings of the Board of Directors and Corporate Officers of the Bank from the last Annual Stockholders' Meeting on 27 April 2021 up to the present, as reflected in the Minutes of the Meetings of the Board of Directors and the Board Committees be approved, confirmed and ratified.

The Chairman, thus, instructed the Corporate Secretary to reflect the following tally of votes in the Minutes, thus:



	No. of Shares	%
Approving	1,211,787,301	79.42%
Dissenting	0	0
Abstaining	573,533	0.04%

VII. ELECTION OF DIRECTORS

The Corporate Secretary reported that the Bank's Corporate Governance and Sustainability Committee, acting as the Nomination Committee, approved the nomination of the following as Directors of the Bank for 2022-2023, in alphabetical order:

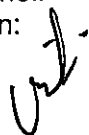
- 1. Mr. Florido P. Casuela
- 2. Mr. Leonilo G. Coronel
- 3. Mr. Edgar A. Cua
- 4. Mr. Estelito P. Mendoza
- 5. Ms. Isabelita M. Papa
- 6. Mr. Federico C. Pascual
- 7. Ms. Sheila T. Pascual
- 8. Mr. Wilfrido E. Sanchez
- 9. Ms. Carmen K. Tan
- 10. Mr. Lucio C. Tan
- 11. Mr. Lucio C. Tan III
- 12. Mr. Michael G. Tan
- 13. Ms. Vivienne K. Tan
- 14. Mr. Jose Arnulfo A. Veloso; and
- 15. Mr. Domingo H. Yap

The Corporate Secretary further reported that Mr. Edgar A. Cua, Ms. Isabelita M. Papa, Mr. Federico C. Pascual, Mr. Wilfrido E. Sanchez and Mr. Domingo H. Yap were nominated as Independent Directors. She clarified that, as recommended by the Corporate Governance and Sustainability Committee, should any of the regulators not approve the independent directorship of any of the nominees, such nominee shall be deemed automatically elected as a regular director.

The Corporate Secretary further explained that the Revised Corporation Code of the Philippines required the presentation of a summary of the attendance report, the appraisal and performance reports of the members of the Board, and the criteria and procedure for assessing the performance of the directors, which could be found in the Bank's Manual of Corporate Governance provided in the Bank's website.

The Corporate Secretary proposed that, since there were only fifteen (15) nominees to the fifteen (15) available seats in the Board of Directors, and since each of the nominees received votes in their respective names, the fifteen (15) nominees be proclaimed as duly elected directors of the Bank, to serve as such until the election and qualification of their successors.

The Corporate Secretary presented the votes received by each of the nominees and the proposed resolution for the election of Directors for 2022-2023. Having received the requisite votes, the nominees were then declared as duly elected Directors of the Bank for 2022-2023 to serve immediately as such until the election and qualification of their successors. The following resolution was, thus, proposed for approval and confirmation:



STOCKHOLDERS RESOLUTION NO. 03-22

RESOLVED, AS IT IS HEREBY RESOLVED, to approve and confirm the election of the following as members of the Board of Directors of the Bank for the year 2022-2023:

- 1. Mr. Florido P. Casuela
- 2. Mr. Leonilo G. Coronel
- 3. Mr. Edgar A. Cua (Independent Director)
- 4. Mr. Estelito P. Mendoza
- 5. Ms. Isabelita M. Papa (Independent Director)
- 6. Mr. Federico C. Pascual (Independent Director)
- 7. Ms. Sheila T. Pascual
- 8. Mr. Wilfrido E. Sanchez (Independent Director)
- 9. Ms. Carmen K. Tan
- 10. Mr. Lucio C. Tan
- 11. Mr. Lucio C. Tan III
- 12. Mr. Michael G. Tan
- 13. Ms. Vivienne K. Tan
- 14. Mr. Jose Arnulfo A. Veloso
- 15. Mr. Domingo H. Yap (Independent Director)

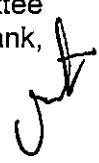
The Corporate Secretary was also instructed to reflect in the Minutes the votes received by each of the nominees, as follows:

NOMINEE	NO. OF VOTES
Mr. Florido P. Casuela	1,212,516,465
Mr. Leonilo G. Coronel	1,212,287,820
Mr. Edgar A. Cua	1,212,287,820
Mr. Estelito P. Mendoza	1,201,624,748
Ms. Isabelita M. Papa	1,211,981,329
Mr. Federico C. Pascual	1,211,931,029
Ms. Sheila T. Pascual	1,212,287,820
Mr. Wilfrido E. Sanchez	1,212,256,039
Ms. Carmen K. Tan	1,211,931,029
Mr. Lucio C. Tan	1,211,931,029
Mr. Lucio C. Tan III	1,211,931,029
Mr. Michael G. Tan	1,211,749,354
Ms. Vivienne K. Tan	1,211,931,029
Mr. Jose Arnulfo A. Veloso	1,212,287,820
Mr. Domingo H. Yap	1,212,287,820

VIII. APPOINTMENT OF EXTERNAL AUDITOR

Ms. Isabelita M. Papa, Chairman of the BACC, explained that the appointment of the Bank's External Auditor underwent a process mandated by the Bank's Manual of Corporate Governance, which was in compliance with the requirements of the SEC.

The BACC was responsible for the selection, evaluation, appointment, dismissal, replacement and reappointment of the External Auditor, which was thereafter endorsed to the Board of Directors and presented to the stockholders for approval. The Committee took into consideration the following factors in selecting an External Auditor for the Bank, thus:



- size of the auditing firm;
- reputation and professionalism of the partners;
- track record;
- knowledge of current auditing and accounting practices;
- integrity and competencies of their staff;
- resources and facilities; and,
- the Bank's trust and confidence in their skills.

Ms. Papa reported that, after careful deliberations and compliance with the Bank's rules and procedures for the appointment of External Auditor, the BACC recommended and endorsed the appointment of SGV & Co. as External Auditor of the Bank. The partner-in-charge of the Bank's account, Ms. Vicky B. Lee-Salas, was appointed on 01 September 2020. As such, there was no need to request for a change in the partner-in-charge of the Bank's account. The appointment of SGV & Co. as External Auditor of the Bank was approved by the Board of Directors on 28 February 2022 and, thus, presented for the ratification of the stockholders.

Ms. Papa discussed that, in compliance with Section 49 of the Revised Corporation Code, the total engagement fees billed and paid for the professional services rendered by SGV & Co. in 2021 (inclusive of out-of-pocket expenses and value-added tax) amounted to ₱22.945 million.

The Corporate Secretary reported that, based on the total votes received by proxy and via remote communication, a total of 1,212,325,050 shares of the Bank voted in favor of the appointment of SGV & Co. as External Auditor of the Bank.

The Chairman said that, with the shareholders voting in favor of the matter, SGV & Co. was appointed as External Auditor of the Bank for the ensuing year. Thus, the Corporate Secretary presented the proposed resolution for the appointment of the External Auditor for the ensuing year, as follows:

STOCKHOLDERS' RESOLUTION NO. 04-22

RESOLVED, AS IT IS HEREBY RESOLVED, to approve the appointment of SGV & Co. as the External Auditor of the Bank for the fiscal year 2022 to 2023.

The Corporate Secretary was then instructed to reflect in the Minutes the votes received, as follows:

	No. of Shares	%
Approving	1,212,325,050	79.46%
Dissenting	20,500	0.00
Abstaining	-	-

IX. OTHER MATTERS

The Chairman then requested Ms. Emeline C. Centeno, Investors Relations Officer of the Bank, to read and relay the questions received from the stockholders, to be addressed by the PNB Management.

Ms. Centeno relayed the first two queries sent via email by Ms. Divina F. Cavestany on (1) whether there was an update on when the latter could receive her PNB Holdings



Corporation (PHC) shares given that PNB declared property dividends last year; and, (2) whether PNB had plans to declare cash dividends this year.

On the first question of Ms. Cavestany, Mr. Jonathan Uy, Strategy Division Head of PNB, replied that, as communicated last year, all PNB shareholders as of 18 May 2021 would receive 0.156886919 PHC share for every 1 PNB common share. Mr. Uy said that he was pleased to inform Ms. Cavestany that the Bank had already completed several internal and regulatory milestones pertaining to the distribution of these property dividends. Further, the Bank was currently working on the remaining approvals from regulatory bodies. The Bank would provide public disclosures and advisory through the Philippine Stock Exchange or PSE as soon as the Bank obtained all the necessary internal and regulatory approvals to facilitate the distribution of the PHC shares. He said that the Bank hoped to receive the necessary regulatory approvals soon, so that the Bank could distribute the property dividends within the year.

Mr. Uy mentioned that PHC had crafted its strategic business plan that would be disclosed once it was listed in the PSE. Since PHC had been aiming to improve its financial performance significantly in the future, Ms. Cavestany and all other PNB shareholders, who were entitled to receive PHC shares, could possibly benefit should Ms. Cavestany choose to hold onto her PHC shares over the long term.

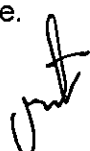
In response to the second question of Ms. Cavestany, Mr. Aidell Gregorio, Acting CFO of the Bank, said that since PNB was a publicly listed company, it was unable to provide definitive, forward looking statements. However, he said that the Bank wanted to assure the stockholders that PNB's Senior Management team and its Board of Directors recognized the shareholder's interests and concerns and had been working very hard to sustain the growth in the Bank's profitability, which would eventually allow declaration of cash dividends on a regular and sustainable basis, without compromising its growth trajectory.

Mr. Gregorio further said that, as the Bank would navigate through a challenging business environment brought about by the prolonged COVID-19 pandemic, the Bank, however, would have to take into consideration the compliance with regulations on capital adequacy to absorb possible asset quality deterioration, as well as build up the capital requirements for the Bank's business growth, while taking into account the shareholders' interest.

Ms. Centeno read the next question sent via email by Mr. Jose Marie Erwin H. Duran. Mr. Duran asked that, as a stockholder, what would he do to receive and cash in the PHC shares allocated to him?

Mr. Jonathan Uy replied that, after PNB's public disclosure that it had already obtained all the necessary approvals for the distribution of PHC shares as property dividends, the Bank would provide step by-step instructions on how the PNB shareholders would receive their dividends. He advised Mr. Duran to contact the PNB Trust Banking Group through email address pnbtransferagency@pnb.com.ph to ensure that they had Mr. Duran's updated contact details and other important information, and so Mr. Duran could receive the instructions.

Mr. Uy said that, upon listing of PHC shares in the PSE, the investing public would have a better understanding of the company's strategic business plan, specifically with regard to the three prime properties. The listing would enable Mr. Duran (or any stockholder) to cash in the dividends by selling his shares through the PSE, where he would likely get the best market-based return from his stake in PHC. Alternatively, Mr. Duran may choose to hold on to his shares to take advantage of potential valuation gains in the future.



According to Mr. Uy, PHC already hired PNB Capital and Investment Corporation as financial adviser and Picazo Buyco Tan Fider & Santos Law Offices as its legal counsel to work on the listing requirements of the PSE. While PHC would need to complete the listing requirements, Mr. Uy assured the Bank's shareholders that the Parent bank/PNB was providing the necessary assistance to PHC since the company's listing was a priority of the Bank.

Mr. Uy said that PNB would provide the necessary assistance, on a best-effort basis, to enable the shareholders to sell their shares should they intend to sell their PHC shares before the PSE listing.

Ms. Centeno mentioned that the next question was from Ms. Elvira V. Gonzales who asked what were the factors that contributed to the Bank's high net income in 2021.

In reply to Ms. Gonzales' question, President Veloso said that despite the adverse impact of the prolonged COVID-19 pandemic, the Bank still managed to grow its income from its core banking operations by 2% year-on-year. Further, he gave the idiomatic expression, "*(w)hen there is fog on the road, you do not drive fast and aggressive.*".

President Veloso mentioned that the Bank's revenues from fee-based activities grew by 43% from the previous year, as the year 2021 marked the gradual reopening of the economy, which resulted in higher volume of loan-related and deposit-related transactions of the Bank. He said that the Bank also participated in several underwriting arrangements as entities took advantage of the capital markets during 2021. This core operating income was complemented by a P33.4B-gain of the property for shares swap completed during the year with PHC. This was part of a series of transactions which aimed to monetize the value of the Bank's low earning assets. The Bank's expenses excluding provisions for credit losses were lower by 6% in 2021 as the Bank continued to focus on essential expenditures especially during this challenging time. The Bank had set aside much lower credit provisions in 2021 taking into consideration the significant recent developments in the status of the Bank's borrowers who had now been gradually recovering from the pandemic. The secret sauce to this was the men and women who ensured that PNB was running on a well-oiled machine.

President Veloso also addressed the Members of the Board, Management, and every staff across the 670 branches and 76 offices in 16 countries with the words – "*(k)apit bisig, tulong-tulong para kumita ang Philippine National Bank.*"

Ms. Centeno stated that the next question was from Ms. Leonila F. Coquilla, who asked about the Bank's outlook with regard to the Non-Performing Loans (NPL) ratio this year given that PNB posted a lower NPL ratio of 9.97% as of end-2021 compared to previous year's ratio of 10.09%.

Mr. Aidell Gregorio, Acting CFO of the Bank, responded and said that the Bank's NPL ratio was projected to further decline to low single-digit by end-2022, supported by the anticipated downtrend in gross NPLs. He stated that as part of the Bank's NPL reduction strategy, the Bank had been focusing on the restructuring of accounts and, leveraging on regulatory relief measures for loan accounts affected by the pandemic. Mr. Gregorio said that along this line, the Bank ensured that repayment plans for those that would be restructured were aligned with borrowers' cash flows and industry recovery prospects. Likewise, the Bank closely monitored those restructured accounts to make sure that payments would not be missed or delayed while they were still within the curing/observation period before they were re-classified as current loans.

Mr. Gregorio said that to minimize NPL formation, the Bank would continue with its strategy to re-focus the Bank's new credit exposures to essential sectors and industries critical to function during community quarantines as well as to those that would thrive in



the new normal. In this regard, the Bank implemented Quadrant Classification of the Borrower based on financial resiliency and industry vulnerability to the COVID-19 situation. The Bank would concentrate on Quadrant 1 portfolio (least impacted by pandemic) and strong Quadrant 3 borrowers (those resilient borrowers in highly vulnerable industries).

Ms. Centeno read the first question sent in via the MS Live Chatbox. She said that the question was from Mr. Justino Aquino. Mr. Aquino said that PNB incurred substantial provisioning in 2020 and 2021; thus, he asked if the Bank expected to raise additional loan loss provisions for 2022 and onwards.

Mr. Gregorio said that the Bank booked approximately ₱17B worth of impairment provisions for credit losses in 2020 and another ₱13B in 2021 as a pro-active approach in addressing potential delinquencies that may arise from the impact of the prolonged pandemic. For 2022 and onwards, the additional provisioning would depend on the Bank's assessment if there were significant changes in the economic scenarios and macroeconomic factors considered in the calculation of Expected Credit Loss (ECL) or if there were actual delinquencies that happened which would require increase in provisioning. However, with the expected downtrend in the Bank's NPLs amidst improving economic outlook, most likely, there would be reversals of credit provisions in 2022. Thus, provisions for credit losses would no longer weigh down the Bank's profitability unlike during the pandemic year.

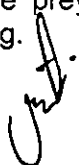
Ms. Centeno relayed that the next question posed by Mr. Joseph Reyes was from the MS Live Chatbox. He asked if PNB had been adopting a hybrid work arrangement similar to other companies now that the situation had significantly improved to allow more mobility and less restriction. He further asked how the new work arrangement would affect the Bank's manpower productivity.

President Veloso said that PNB had adopted a Telecommuting Policy pertaining to a work arrangement that had allowed an employee to work from home or a designated alternative workplace with the use of telecommunication and computer technologies. President Veloso said that, along this line, the Bank had equipped its teams with available technologies and logistical support to enable the Bank to thrive in a business landscape that had been radically transformed by the pandemic.

According to President Veloso, the Bank's hybrid work arrangement was envisioned to help reduce carbon footprint, improve employees' well-being, promote work-life fit, reduce operating costs, and improve employee retention.

President Veloso explained that the pandemic had proven that certain roles and positions could be delivered from home with the same or even higher level of productivity. In fact, during the peak of the pandemic, the Bank continued to touch base with the Bank's employees on the ground through the virtual *Kumustahan* sessions using Microsoft Teams. President Veloso said that he visited the entirety of the branches nationwide, including overseas branches located in Los Angeles and in New York, and was able to find out the condition of the Bank's team members. The Bank's efforts to drive the business during the pandemic were noticed by award-giving bodies. The Bank was recognized by The Asian Banker Leadership Achievement Awards as "Best Managed Bank during COVID-19" and "Best CEO Response to COVID-19" in 2020. The Bank continued to be communicative in 2021 as the Bank pushed efficiency measures and ways to improve profitability.

Ms. Centeno read the last question taken from the MS Live Chatbox from Ms. Elijeneah T. Ecaruan who asked for the Bank's actions to improve its technology to make PNB a safer bank against bad actors who were preying on customers, especially as online transactions/number of users were growing.



President Veloso said that the Bank had implemented defense in-depth or layered security to ensure that the Bank's systems and services offered were monitored and protected so the Bank's customers could safely use the Bank's services.

According to President Veloso, the Bank had engaged a 3rd-party service provider to provide 24x7 monitoring and threat detection in the Bank's environment. The Bank's services used multi-factor authentication to ensure that customers were protected when they transact using the Bank's services.

President Veloso mentioned that the Bank improved its One-Time-Password (OTP) protection for financial transaction for online services by requiring clients to verify every fund transfer with a Short Message Service (SMS) for OTP in contrast to only one SMS OTP verification for each login session in the past.

President Veloso further mentioned that the Bank had been utilizing threat intelligence to pro-actively identify threats that may be directed to the Bank's customer like phishing sites or fake (spoof) PNB website that might be used to lure target customers into believing they were dealing with a legitimate PNB representative. These were complemented by continuous cyber threat and scam awareness broadcast by the Bank's concerned business units. Also, the Bank had been enhancing the multi-factor authentication capabilities of the mobile and internet banking platforms within the year to include soft token verification of transactions other than SMS OTP. In this regard, money transfers would have to be approved through the primary mobile device of the client, without the use of OTP that could be compromised. Similarly, the Bank would put in place detection of "out-of-normal" transaction amount/s or location of transactions, as compared to the usual behavior of a client. Triggering of such transactions would require additional authentication that only the legitimate client could provide.

To conclude, Ms. Centeno said that questions submitted during the live Q & A segment but were not answered due to time constraints would be answered by Management via email. She thanked the stockholders for their questions and for the opportunity given to the PNB Management Team to answer them.

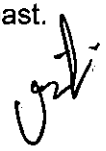
X. ADJOURNMENT

After the discussion of all the items in the Agenda, the Chairman, on behalf of PNB's Board of Directors, Advisors, and Senior Management, thanked everyone who joined the virtual meeting today – especially those who had been joining the Bank's annual meetings.

Chairman Pascual said that since March 2020, many Filipinos had been faced with challenges as the entire nation and the whole world adjusted to the so called "new normal." The Bank felt the impact of the pandemic amongst employees, customers, and the banking public. If there were an important thing that the Bank learned during this worldwide crisis, it was how to work together and strengthen the Bank's team to continue serving the banking public while supporting the overall economy.

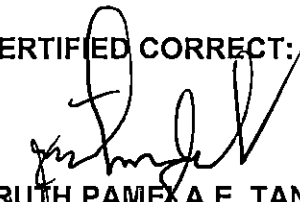
Chairman Pascual expressed his gratitude to the stockholders for choosing to stay with PNB throughout these tough times. The stockholders' support inspired the Bank to continue doing its job well and to be Stronger, Better, and Younger in the years to come.

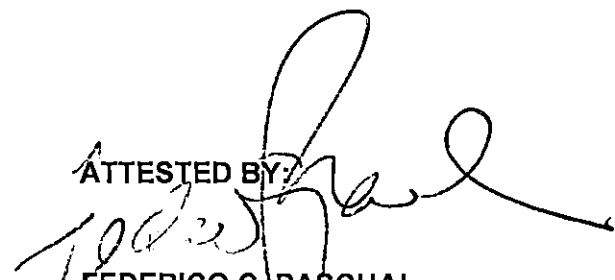
Chairman Pascual mentioned that Filipinos were now seeing an economy that was on the road to recovery. He said that stockholders may be assured that the Bank would carry on to further enhance the Bank's shareholder value just as the Bank had done in years past.



In closing, Mr. Pascual said “(a)ng PNB ay patuloy ninyong masasandalan kahit saan, kahit kailan.”

The 2022 Annual Stockholders' Meeting adjourned at 9:20 a.m.

CERTIFIED CORRECT:

RUTH PAMELA E. TANGHAL
Corporate Secretary

ATTESTED BY:

FEDERICO C. PASCUAL
Chairman of the Meeting



ANNUAL STOCKHOLDERS' MEETING
Held on April 26, 2022
via Microsoft Live Events

NUMBER OF SHARES HELD BY SHAREHOLDERS:

Total Outstanding Shares	-	1,525,764,850
Total No. of Shares Represented by Proxy and Present Remotely or via Voting in Absentia	-	1,212,902,770
Percentage of the Total Shares Represented by Proxies and Present Remotely or via Voting in Absentia	-	79.49%

DIRECTORS PRESENT:

FLORIDO P. CASUELA, Director
 LEONILO G. CORONEL, Director
 EDGAR A. CUA, Independent Director
 ESTELITO P. MENDOZA, Director
 ISABELITA M. PAPA, Independent Director
 FEDERICO C. PASCUAL, Independent Director
 SHEILA T. PASCUAL, Director
 WILFRIDO E. SANCHEZ, Director
 CARMEN K. TAN, Director
 LUCIO C. TAN, Director
 LUCIO C. TAN III, Director
 MICHAEL G. TAN, Director
 VIVIENNE K. TAN, Director
 JOSE ARNULFO A. VELOSO, Director
 DOMINGO H. YAP, Independent Director

ALSO PRESENT:

FELIX ENRICO R. ALFILER, Board Advisor	CARLO S. DIMAALA, Senior Vice President
WILLIAM T. LIM, Board Advisor	CLARO P. FERNANDEZ, Senior Vice President
CHESTER Y. LUY, Board Advisor	CHRISTIAN JEROME O. DOBLES, Senior Vice President
CHRISTOPHER J. NELSON, Board Advisor	ANA ROSE T. KWAN, Senior Vice President
FLORENCIA G. TARRIELA, Board Advisor	CELESTE MARIE V. LIM, Senior Vice President
RUTH PAMELA E. TANGHAL, Corporate Secretary	MA. LOURDES S. LIWAG, Senior Vice President
MICHELLE A. PAHATI-MANUEL, Asst. Corporate Secretary	MICHAEL M. MORALLOS, Senior Vice President
CENON C. AUDENCIAL, JR., Executive Vice President	JENNIFER Y. NG, Senior Vice President
ROBERTO D. BALTAZAR, Executive Vice President	NIXON S. NGO, Senior Vice President
ISAGANI A. CORTES, Executive Vice President	BERNABE R. PUNSALAN, Senior Vice President
AIDA M. PADILLA, Executive Vice President	TERESITA U. SEBASTIAN, Senior Vice President
ALLAN L. ANG, First Senior Vice President	MARIZA L. TIBURCIO, Senior Vice President
MANUEL C. BAHENA, JR., First Senior Vice President	MARIA TERESA C. VELASCO, Senior Vice President
ZACARIAS E. GALLARDO, JR., First Senior Vice President	MA. AGNES T. ALMOSARA, First Vice President
ERWIN C. GO, First Senior Vice President	KELVIN S. AQUILINO, First Vice President
MARIE FE LIZA S. JAYME, First Senior Vice President	AARON L. ASTOR, First Vice President
MARIA ADELIA A. JOSON, First Senior Vice President	KATHERINE H. CABRERA, First Vice President
NOEL C. MALABAG, First Senior Vice President	NEIL B. CAMPOS, First Vice President
JOSE GERMAN M. LICUP, First Senior Vice President	DAMASEN PAUL C. CID, First Vice President
MARIA PAZ D. LIM, First Senior Vice President	DAVID STEPHEN T. CU, First Vice President
ROLAND V. OSCURO, First Senior Vice President	MA. THERESA P. DEL ROSARIO, First Vice President
NANETTE O. VERGARA, First Senior Vice President	DENNIS ANTHONY L. ELAYDA, First Vice President
SOCORRO D. CORPUS, Officer-in-Charge	HERNANDO J. ELMIDO, JR., First Vice President
PAOLO EUGENIO J. BALTAO, Senior Vice President	MARK ANGELO Z. ESPIRITU, First Vice President
JEAN MARIE B. BARUELO, Senior Vice President	AIDELL AMOR R. GREGORIO, First Vice President & Acting CFO
MARIANA F. CACULITAN, Senior Vice President	CANDICE T. LIM, First Vice President
EMELINE C. CENTENO, Senior Vice President & Investor Relations Officer	JOHN CHRISTOPHER C. LU, First Vice President
ELISA M. CUA, Senior Vice President	MARIE GRACE P. MARCELO, First Vice President
	MARY ROSE U. MENDEZ, First Vice President

GERALDINE S. PUNZALAN, First Vice President
MA. CECILIA DB. REGALARIO, First Vice President
JOY JASMIN R. SANTOS, First Vice President
RODERICK SORIANO, First Vice President
ROBINA S. SY, First Vice President
DON A. TAMAYO, First Vice President
GININA C. TRAZO, First Vice President
JONATHAN L. UY, First Vice President
MARY LOURDES T. UY, First Vice President
ARLENE S. VIERNES, First Vice President
CONSTANTINO T. YAP, First Vice President
ALFONSO ISMAEL A. ALCUAZ, Vice President
ALVIN JOSEPH A. AROGO, Vice President
JOCELYN R. BRONIOLA, Vice President
ERIC B. BUSTAMANTE, Vice President
ANNA LIZA S. CALAYAN, Vice President
RALPH BENEDICT B. CENTENO, Vice President
SHIRLEY T. CHING, Vice President
JULIET S. DYTOC, Vice President
JOSE MARIE ERWIN H. DURAN, Vice President

MELISSA K. GABOR, Vice President
MARIE ROSE D. GONZALES, Vice President
ZORINA C. JINGCO, Vice President
MA. CECILIA C. LACHICA, Vice President
SAMUEL G. LAZARO, Vice President
CARLOS OLIVER L. LEYTTTE, Vice President
EDGARDO S. MALDONADO, Vice President
MARIA KAREN M. MENEZ, Vice President
MARIE THERESE T. MONTECER, Vice President
ROBERTO R. NOCEDA, Vice President
JAY B. PESIGAN, Vice President
JULIUS T. RIFAREAL, Vice President
ANGELITO MARIA E. RIVERA, Vice President
MARIA LUCIA L. RODEROS, Vice President
JOHN HILARION C. SALAS, Vice President
MA. TERESA D. TOLENTINO, Vice President
LOURDES M. VALENCIA, Vice President
ANALISA I. SAN PEDRO, Senior Assistant Vice President

SHAREHOLDERS/OTHER ATTENDEES:

ANTONIO S. ABACAN, JR. Bangko Sentral ng Pilipinas
PAUL R. VEHEMENTE, Bangko Sentral ng Pilipinas
CHRISTIAN NEIL A. PAZCOGUIN, Philippine Stock Exchange
WILSON P. TAN, SGV & Co.
AILEEN L. SARINGAN, SGV & Co.
LESLIE ANNE G. HUANG, SGV & Co.
DANA DANIELLE U. SAMSON, SGV & Co.
GERRY B. VALENCIANO, PNB Capital and Investment Corporation
MANUEL ANTONIO G. LISBONA, PNB Securities, Inc.
CHRISTINE GRACE A. BANDOL, PNB-Mizuho Leasing and Finance Corporation
LIMWEL M. CAPARROS, PNB-Mizuho Leasing and Finance Corporation
JUANITA TAN-LEE, LT Group, Inc.
ANABELLE D. ARCEO, LT Group, Inc.
DIOSCORO TEODORICO L. LIM, LT Group, Inc.
ABINADAB BANARES, LT Group, Inc.
ANTHONY A. ASUNCION
LEILA A. DELOS REYES
CARLO SALVADOR T. CHUA
JOEL H. MALING
JUSTINO AQUINO
MA. CRISTINA M. ADVINCULA
JOCELYN D. OPACO
JULEE MAE B. LASCANO
RAPHAEL JUSTIN S. MAGNO
KATRINA JANE O. MAYOCA
ANALIN B BUSTAMANTE
HAROLD T. TAGUBA
ELIJENEAH ECARUAN
MARILEN P. NATIVIDAD
CANDLE JOY D. RUGAS
CYNTHIA S. GARCIA
MARRITA G. LIM
NELIA FARIN
TITO B. EBRADA
CESAR C. SEVILLA
CHRISTINE JOY TOC
EDUARDO JOSEPH F. REYES
MERLY I. MERCADO
JAYSON I. EVANGELISTA
MELVAR C. BENEDICTO
MARIA HASMIN B. SENORAN
MA. CONTRERAS L. CONTRERAS

MELANIE M. MANCENIDO
RAMIR E. GARBO
RICHARD R. MANINGO
MARIAMEL V. CORDOVA
RANIEL R. MANIQUIZ
ALBERT C. LOPEZ
MARIA ROSARIO V. GARCIA
FELISABEL L. TAGANAS
JOCELYN P. ROSAL
DESIREE D. TUMPAG
DORIS C. BARGAYO
BLAINE P. KOW
MARIA CECILIA V. FABELLA
ISABELLA LOUISE E. MARASIGAN
LAURA P. BAYONITO
REY G. POSECION
ELAINE D. JANIOLA
JANET D. ANTONIO
JOBE S. DIESTA
MARILA S. BALAQUIOT
ERNEST T. UY
SHEILA O. CAEG-BILOG
JOCELYN C. DIAWAN
MA. KATHELYN JENICA B. DELA CRUZ
WALTER T. LASACA
JOSEPHINE L. CALUAG
NINA MELISSA C. ROBLES
BONNIE M. DURAN
NIKKI ANGELA I. ORSOLINO
RHIZZY ANN G. ROQUE
JOHN MICHAEL L. TAN
ROBERTO F. BARTOLOME
CESAR D. SOTOZA
ARON B. BUGALON
JACLYN FAITH C. LIPANA
ELINOR A. MACROHON
JO-AN A. ISAAC
MICHAEL D. UY
HILDA P. RIVADELO
JULIE ANNE L. DIMAYUGA
SHIELA MARIE T. FIEL
MARK JULIUS D. MENESES
MARK LEE G. QUINANOLA
CONRAD PAUL D. PASCUAL
JOANA DIANA M. ARAGON

MARY GRACE B. LUMONGSOD
ARTURO S. MARTINEZ
JOVEN F. MAABA
MICHAEL M. MARIANO
DANIEL JOSEPH SANJAY L. CANTOS
JULIAN MIGUEL P. OCAMPO
ABIGAIL LORRAINE C. BALILI
ROMMEL T. REMOTIGUE
NICOLE ANN R. MALE
ABIGAIL P. GIRONELLA
GUILBERT A. TAMPARONG
MEYLORD M. CAPANZANA
FLORISA ADELA D. LEOPANDO
JOANNA MARIE L. AVILES
CHERY GRACE N. DOMINGO
RICARDO B. DIMACALI, JR.
JOSE BENJAMIN A. NUNEZ III
MADELEINE PATRICIA LEAH M. ONG
MARY ANN L. LABANDA
JEMM A. DE LEON
MA. VICTORIA V. PINERO
KASHEMERE C. LAORDEN
FERDINAND A. MEDINA
MARIA SOLEDAD A. COSUCO
LORNA S. GAMBOA
JENNY M. SALES
GRACE BEATRIX C. PANDES
JOEL JEROME L. ONG
JOAN COLEEN LIM
MARIA JESSICA N. REYES
RODESSA D. DADIA
MERCY P. AMADO
RHONDO R. ROBERTO
TRACY ANN S. SIO
DAVID S. SALVADOR
JOHANN S. GAN
LENNIE B. HONG
MICHAEL A. MARTE
MAUREEN APPLE L. GONZALES
ROGELIO C. ESTRELLA, JR.
SHEILA Z. SY
CARISA C. DOMINGO
JERRY C. ROSETE
SHERMAN ANDY M. MEPICO
ROWENA V. PRADO
LUZVIMINDA V. MAGSINO
MICHAEL G. TAASAN
CARLO LUCAS M. BUAN

BERNIE H. TOCMO
GEMMA S. LIM
VALERY S. AGAPITO
EMJAY SOCORRO C. DE CHAVEZ
DEREINA LISSA R. ABIOG
AMELIA R. LAUS
MA. ISABEL V. MAKAYAN
MARIA CECILIA L. GUARINO
MARIO R. PALISOC
AL JHUN M. PATRICIO
GRACIANO C. SANTOS, JR.
AGNES A. DIMATULAC
SHARON MARIE C. MAGPAYO
LOUISE B. TANZO
MABEL L. MATEO
GREGORIO G. SANTIAGO, JR.
MARIA TERESA D. MACATUNO
JUDITH C. AGLOSOLOS
CHRISTINE MARIE M. RILLERA
SELENA MAGDALENA M. MADARANG
MA. GEMMA G. SUBIATE
PAULO LORENZO G. BERNARDO
NOEMIE T. FLORESCA
HAROLD P. PONTANOS
ALYANA YSABLE L. GUTIERREZ
MA. ANNALIZA A. BARTOLOME
ROSLYN P. DOMINGO
RALPH TERENCE S. BALABA
SHERLYNE M. CHUA
ANNA LIZA A. BULLECEER
MARIA CARMINA P. POBLETE
MARY GRACE O. ESTALILLA
EMYLYN P. AUDEMARD
BIANCA MARIE P. ANGALA
MARA VICTORIA C. MENDOZA
KRITHSAN G. CHOI
FRANCIS G. ADRIANO
BERNADETTE M. QUIZON
KIMBERLY ANN L. YU
HANZ MANUEL A. DELA CRUZ
JANEEN IRISH G. SIY
APRIL ROSE D. UMADHAY
MARIA BELEN G. CARLOS
MICHAEL RAY C. DIZON
JAMIE Q. MARISCAL
CARISSA S. CAPARAS
MIA F. JAVIER
MA. LUISA L. VINLUAN

MAGGIE M. DEGAMO
MARIA BELLA G. CASIO
EMETERIO M. VALERDE III
JANIELLE MAY T. DELFIN
JAIME B. FERNANDEZ
RHODEL C. SAYSON
ANGELA KOLEEN F. RIVERA
PEARLEN G. TRABASAS
JHUMAR D. LABARO
PAMELA S. TORRES
VITO ANTONIO D. RUBIO
LUDY R. LANDINGIN
ABIGAIL V. CHUA
ELEZAR A. ABRIGANA, JR.
VEVERLY P. VICTORIA
RHAPUNZEL R. CASTILLO
JOSE FRANCIS M. JARDIOLIN
THERESE ANN S. ALGARRA
ARLENE B. MORALES
MIGUEL M. GUTIERREZ
NANCY B. CAPISTRANO
ROXANNE L. NIVERA
PERLITA I. CALANGI
LENIE L. PASCUAL
CECILIA T. AGUILLO
ALVIN J. PORNASDORO
ASHLEY NICOLE S. TICZON
MARY ANN A. BRINAS
FORTUNATO C. CONCEJA
MERLYN B. JAVELLANA
ZANDRA C. CANTILANG
JOEL A. TALOSIG
MA. ETHEL A. CRUZ
MARICEL PRUDENTE
RENEIL ALLAN A. CRUZ
REGINALD MENDOZA
ROLANDO A. TANDOC
CRYSTAL CHRISTINE T. CHAVEZ
MICHELLE MAE M. VIDANES
MARIA CRISTINA S. BERNARDO
SHEELA MAY ANN A. MALIMUTIN
JOEY P. BUENO
JEFFREY C. QUERUBIN
PAT PIO F. FONDEVILLA
ANNE MICHELLE A. CANAPI

**PNB****CERTIFICATION OF INDEPENDENT DIRECTOR**

I, **EDGAR A. CUA**, Filipino, of legal age and a resident of _____
 after having duly sworn to in accordance with law,
 do hereby declare that:

1. I am a nominee for Independent Director of the Philippine National Bank and have been its Independent Director since May 31, 2016;
2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
PNB-Mizuho Equipment Rentals Corporation	Independent Director	April 2021 to Present
Allied Integrated Holdings, Inc. (formerly PNB Savings Bank)	Chairman/Independent Director	February 2021 to Present
PNB-Mizuho Leasing and Finance Corporation	Independent Director	April 2020 to Present
Allied Commercial Bank, Xiamen	Independent Director	June 2017 to Present
PNB Capital and Investment Corporation	Independent Director	June 2016 to Present
Davao Unicar Corporation	Director	August 1993 to Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Philippine National Bank, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances;
4. I am not related to any director/officer/substantial shareholder of the Philippine National Bank, any of its related companies or any of its substantial shareholders;
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation proceeding;
6. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances; and
7. I shall inform the Corporate Secretary of the Philippine National Bank of any changes in the abovementioned information within five days from its occurrence.

Done on MAR 21 2023 in PASAY CITY.

EDGAR A. CUA
 Independent Director

SUBSCRIBED AND SWORN to before me this MAR 21 2023 in Makati City,
 affiant personally appeared before me and exhibited to me his TIN No. _____

Doc. No. 343
 Page No. 30
 Book No. XXXII
 Series of 2023.

Philippine National Bank
 PNB Financial Center
 Pres. Diosdado Macapagal Blvd.,
 Pasay City, Metro Manila 1300, Philippines

Authorized Depository of the Republic of the Philippines
 Member: PDIC

T. (632) 8526-3131 to 70/8891-6040
 P.O. Box 1884 (Manila)
 P.O. Box 410 (Pasay City)
 www.pnb.com.ph

ATTY. EDGARDO V. SATUR
 Notary Public for Makati City
 Appointment No. M-106 until Dec. 31, 2023
 MCLE Compliance Certificate No. VII-0004912
 PTR No. PC805870 dated Jan. 5, 2023 Pasay City
 Roll No. 34783, IBP OR No. 292157 dated January 21, 2023
 5th Flr. Eton Center, 6754 Ayala Ave., Makati City



CERTIFICATION OF INDEPENDENT DIRECTOR

I, **MARIA ALMASARA CYD N. TUAÑO-AMADOR**, Filipino, of legal age and a resident of _____ after having duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for Independent Director of the Philippine National Bank;
2. I am not affiliated with any company or organization;
3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Philippine National Bank, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances;
4. I am not related to any director/officer/substantial shareholder of the Philippine National Bank, any of its related companies or any of its substantial shareholders;
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation proceeding;
6. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances; and
7. I shall inform the Corporate Secretary of the Philippine National Bank of any changes in the abovementioned information within five days from its occurrence.

Done on MAR 21 2023 in PASAY CITY.

Maria Cyd N. Tuano - Amador
MARIA ALMASARA CYD N. TUAÑO-AMADOR
Independent Director

SUBSCRIBED AND SWORN to before me this MAR 21 2023 in Makati City,
affiant personally appeared before me and exhibited to me her TIN _____

Doc. No. 347;
Page No. 31;
Book No. XXXI;
Series of 2023.

[Signature]
ATTY. EDGARDO V. SATUR
Notary Public for Makati City
Appointment No. M-106 until Dec. 31, 2023
MCLE Compliance Certificate No. VII-0004912
PTR No. PC805870 dated Jan. 5, 2023 Pasay City
Roll No. 34783, IBP OR No. 292157 dated January 21, 2023
Steph: Bond Center, 6754 Ayala Ave., Makati City

Philippine National Bank
PNB Financial Center
Pres. Diosdado Macapagal Blvd.,
Pasay City, Metro Manila 1300, Philippines

T. (632) 8526-3131 to 7
P.O. Box 1884 (Manila)
P.O. Box 410 (Pasay City)
www.pnb.com.ph

Authorized Depository of the Republic of the Philippines
Member: PDIC



CERTIFICATION OF INDEPENDENT DIRECTOR

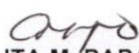
I, **ISABELITA M. PAPA**, Filipino, of legal age and a resident of _____, after having been duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for Independent Director of the Philippine National Bank and have been its Independent Director since August 5, 2021;
2. I am affiliated with the following companies or organizations:

COMPANY/ ORGANIZATION	POSITION/ RELATIONSHIP	PERIOD OF SERVICE
PNB-Mizuho Leasing and Finance Corporation	Independent Director	January 2022 to Present
PNB-Mizuho Equipment Rentals Corporation	Independent Director	January 2022 to Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Philippine National Bank, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances;
4. I am not related to any director/officer/substantial shareholder of the Philippine National Bank, any of its related companies or any of its substantial shareholders;
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation proceeding;
6. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances; and
7. I shall inform the Corporate Secretary of the Philippine National Bank of any changes in the abovementioned information within five days from its occurrence.

Done on MAR 21 2023 in Mandaluyong City.

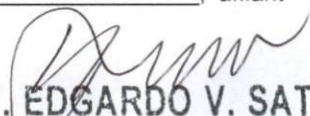

ISABELITA M. PAPA
Independent Director

SUBSCRIBED AND SWORN to before me on MAR 21 2023 at Makati City, affiant personally appeared before me and exhibited to me her TIN _____

Doc. No. 346
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Book No. XXX/11
Series of 2023.

Philippine National Bank
PNB Financial Center
Pres. Diosdado Macapagal Blvd.
Pasay City, Metro Manila 1300, Philippines

Authorized Depository of the Republic of the Philippines
Member: PDIC


ATTY. EDGARDO V. SATUR
Notary Public for Makati City

Appointment No. M-106 until Dec. 31, 2023

T. (632) 8526-3131 to 70/8891-8046
P.O. Box 1884 (Manila)
P.O. Box 410 (Pasay City)
www.pnb.com.ph
Compliance Certificate No. VII-0004912
PTR No. PC805870 dated Jan. 5, 2023 Pasay City
Roll No. 34783, IBP OR No. 292157 dated January 21, 2023
5th Flr. Eton Center, 6754 Ayala Ave., Makati City



CERTIFICATION OF INDEPENDENT DIRECTOR

I, **WILFRIDO E. SANCHEZ**, Filipino, of legal age and a resident of _____, after having been duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for Independent Director of the Philippine National Bank and have been its Independent Director since April 27, 2021;
2. I am affiliated with the following companies or organizations:

COMPANY/ ORGANIZATION	POSITION/ RELATIONSHIP	PERIOD OF SERVICE
Quiason Makalintal Barot Torres Ibarra Sison & Damaso Law Firm	Tax Counsel	1993 to Present
Asia Brewery, Inc.	Independent Director	January 2017 to Present
EEL Corporation	Director	2005 to Present
EMCOR, Inc.	Director	2007 to Present
Eton Properties Philippines, Inc.	Independent Director	2007 to Present
Gokongwei Brothers Foundation	Trustee	2019 to Present
House of Investments, Inc.	Director	2000 to Present
J-DEL Investments and Management Corp.	Director	2008 to Present
JVR Foundation, Inc.	Trustee	1996 to Present
Kawasaki Motor Corp.	Director	2004 to Present
KS Prime Financial Corp.	Director	2020 to Present
K-Servico, Inc.	Director	2007 to Present
LT Group, Inc.	Independent Director	July 31, 2012 to Present
Tanduay Distillers, Inc.	Independent Director	January 2017 to Present
Trimotors Technology Corp.	Director	January 2020 to Present
Wodel, Inc.	Director	January 2014 to Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Philippine National Bank, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances;
4. I am not related to any director/officer/substantial shareholder of the Philippine National Bank, any of its related companies or any of its substantial shareholders;
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation proceeding;
6. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances; and
7. I shall inform the Corporate Secretary of the Philippine National Bank of any changes in the abovementioned information within five days from its occurrence.

Done on MAR 21 2023 in PASAY CITY.


WILFRIDO E. SANCHEZ
Independent Director

SUBSCRIBED AND SWORN to before me on MAR 21 2023 at Makati City,
affiant personally appeared before me and exhibited to me his Passport No. _____ issued on _____
at DFA Manila, Philippines.

Doc. No. 345;
Page No. 70;
Book No. XXXII
Series of 2023.


ATTY. EDGARDO V. SATUR
Notary Public for Makati City
Appointment No. M-106 until Dec. 31, 2023
MCLE Compliance Certificate No. VII-0004912
PTR No. PC805870 dated Jan. 5, 2023 Pasay City
Roll No. 34783, IBP OR No. 292157 dated January 21, 2023
5th Flr. Eton Center, 6754 Ayala Ave., Makati City



CERTIFICATION OF INDEPENDENT DIRECTOR

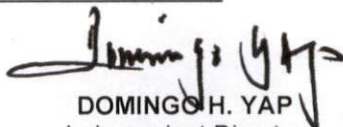
I, **DOMINGO H. YAP**, Filipino, of legal age and a resident of
after having duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for Independent Director of the Philippine National Bank and have been its Independent Director since September 1, 2019;
2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Philippine Kang Ha Association, Inc.	President	2021 to Present
AllianceLand Development Corporation	President/Part Owner	2014 to Present
Universal Paint & Coating Philippines, Inc.	President/Owner	2009 to Present
Colorado Chemicals Sales Corporation	President/Owner	1976 to Present
DHY Realty and Development Inc.	President/Owner	1976 to Present
H-Chem Industries, Inc.	Chairman/President/Owner	1963 to Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Philippine National Bank, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances;
4. I am not related to any director/officer/substantial shareholder of the Philippine National Bank, any of its related companies or any of its substantial shareholders;
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation proceeding;
6. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances; and
7. I shall inform the Corporate Secretary of the Philippine National Bank of any changes in the abovementioned information within five days from its occurrence.

Done on MAR 21 2023 in PASAY CITY


DOMINGO H. YAP
Independent Director
MAR 21 2023

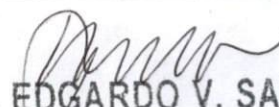
SUBSCRIBED AND SWORN to before me this _____ in Makati City,
affiant personally appeared before me and exhibited to me his TIN No.

Doc. No. 344;
Page No. 70;
Book No. XXX/11
Series of 2023.

Philippine National Bank
PNB Financial Center
Pres. Diosdado Macapagal Blvd.,
Pasay City, Metro Manila 1300, Philippines

Authorized Depository of the Republic of the Philippines
Member: PDIC

T. (632) 8526-3131 to 70/8891-604
P.O. Box 1884 (Manila)
P.O. Box 410 (Pasay City)
www.pnb.com.ph


ATTY. EDGARDO V. SATUR

Notary Public for Makati City
Appointment No. M-106 until Dec. 31, 2023
MCLC Compliance Certificate No. VII-0004912
PTR No. PC805870 dated Jan. 5, 2023 Pasay City
Roll No. 34783, IBP OR No. 292157 dated January 21, 2023
5th Flr. Eton Center, 6754 Ayala Ave., Makati City



Office of the Corporate Secretary

Direct Line: 8536-0540

Trunk Lines: 8891-6040 to 70

Local: 4582

SECRETARY'S CERTIFICATE

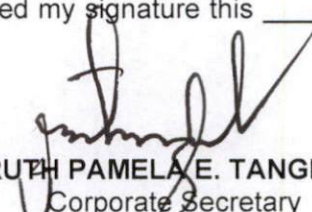
I, **RUTH PAMELA E. TANGHAL**, Corporate Secretary of the Philippine National Bank ("PNB"), a universal banking corporation organized and existing under the laws of the Republic of the Philippines, with principal office address at the PNB Financial Center, Pres. Diosdado Macapagal Boulevard, Pasay City, Metro Manila, do hereby certify that:

1. The following are the incumbent directors of PNB:

• Mr. Federico C. Pascual	• Mr. Wilfrido E. Sanchez
• Mr. Leonilo G. Coronel	• Ms. Carmen K. Tan
• Mr. Felix Enrico R. Alfiler	• Mr. Lucio C. Tan
• Mr. Florido P. Casuela	• Mr. Lucio C. Tan III
• Mr. Edgar A. Cua	• Mr. Michael G. Tan
• Mr. Estelito P. Mendoza	• Ms. Vivienne K. Tan
• Ms. Isabelita M. Papa	• Mr. Domingo H. Yap
• Ms. Sheila T. Pascual	

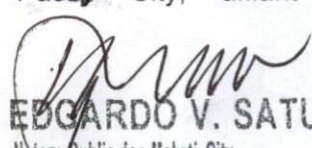
2. To the best of my knowledge, none of the above-mentioned directors are appointed officials or employees of any agency of the government of the Philippines.

IN WITNESS WHEREOF, I have hereunto affixed my signature this MAR 14 2023
in Makati City.


RUTH PAMELA E. TANGHAL
Corporate Secretary

SUBSCRIBED AND SWORN to before me this MAR 14 2023 in Pasay City, affiant exhibited to me her TIN No. _____

Doc. No. 124
Page No. 26
Book No. XXXI
Series of 2023.


ATTY. EDGARDO V. SATUR

Notary Public for Makati City

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