



Office of the FVP and Acting Chief Financial Officer

Trunk Lines: 8526-3131 to 70/8891-6040 to 70
Locals: 4075

August 12, 2022

MS. ALEXANDRA D. TOM WONG

Officer-in-Charge, Disclosure Department
Philippine Stock Exchange
6/F PSE Tower
28th Street corner 5th Avenue
BGC, Taguig City

ATTY. MARIE ROSE M. MAGALLEN-LIRIO

Head, Issuer Compliance and Disclosure Department
Philippine Dealing & Exchange Corporation
29/F, BDO Equitable Tower
8751 Paseo de Roxas, Makati City

Dear Mesdames:

In compliance with the reportorial requirements of Section 17 of the Securities Regulation Code (SRC) and Section 177 of the Revised Corporation Code of the Philippines, we provide you the SEC Form 17-Q report of the Philippine National Bank as of and for the period ended June 30, 2022.

Very truly yours,

A handwritten signature in black ink, appearing to read "Aidel Amorr. Gregorio", is positioned above the printed name.

AIDELL AMORR. GREGORIO
First Vice President &
Acting Chief Financial Officer

COVER SHEET

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S.E.C. Registration Number

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(Company's Full Name)

P	N	B		F	I	N	A	N	C	I	A	L		C	E	N	T	E	R									
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(Business Address: No. Street City/Town/ Province)

Aidell Amor R. Gregorio

Contact Person

8891-60-40

Company Telephone Number

	6
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Month

3	0
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Day

Fiscal Year

17 - Q

FORM TYPE

4	26
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Month

Day

Annual Meeting

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Secondary License Type, If Applicable

C	F	D
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Dept. Requiring this Doc.

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Amended Articles Number/Section

36,245

Total No. of Stockholders

Total amount of Borrowings

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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File Number

LCU

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Document I.D.

Cashier

S T A M P S

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SEC Number AS096-005555
File Number

**PHILIPPINE NATIONAL BANK
AND SUBSIDIARIES**

(Company's Full Name)

**PNB Financial Center,
Pres. Diosdado P. Macapagal Boulevard, Pasay City**

(Company's Address)

(632) 8891-6040 to 70

(Telephone Number)

December 31, 2021

(Calendar Year Ended)

SEC FORM 17-Q REPORT

Form Type

(Amendment Designation (if applicable))

JUNE 30, 2022

Period Ended Date

LISTED

(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

**QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION
CODE AND SRC RULE 17(2)(b) THEREUNDER**

1. For the quarter ended : **June 30, 2022**
2. Commission Identification No. : **AS096-005555**
3. BIR Tax Identification No. : **000-188-209-000**
4. Exact name of issuer as specified in its charter : **Philippine National Bank**
5. Province, country or other jurisdiction of incorporation or organization : **Metro Manila, Philippines**
6. Industry Classification Code : (SEC Use Only)
7. Address of principal office : **PNB Financial Center, Pres. Diosdado P. Macapagal Blvd, Pasay City, 1300**
8. Issuer's telephone number, including area code : **(632) 8891-60-40 up to 70 / (632) 8526-3131 to 70**
9. Former name, former address, and former fiscal year, if changed since last report : **N/A**
10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA

<u>Title of Each Class</u>	<u>No. of Shares of Common Stock Outstanding</u>	<u>Amount of Debt Outstanding (Unpaid Subscription)</u>
Common Shares	1,525,764,850	None

11. Are any or all of these securities listed on a Stock Exchange:

Yes [☒] No [☐]

Stock Exchange : **Philippine Stock Exchange**
Class of Securities : **Common Shares**

12. Indicate by check mark whether the registrant:

- a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11 (a) – 1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports)

Yes [☒] No [☐]

- b) has been subject to such filing requirements for the past ninety (90) days.

Yes [☒] No [☐]

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Please see Annex A for the accompanying unaudited interim consolidated financial statements.

Item 2. Management's Discussion and Analysis

Financial Condition as at June 30, 2022 (Unaudited) Compared to December 31, 2021 (Audited)

The Group's consolidated total assets stood at ₱1,165.8 billion as of June 30, 2022, 2.1% or ₱25.0 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 Other Cash Items, Due from Bangko Sentral ng Pilipinas, Due from Other Banks, Interbank Loans Receivable and Securities Held under Agreements to Resell as of June 30, 2022 at ₱21.1 billion, ₱120.4 billion, ₱24.4 billion, ₱12.4 billion and ₱10.6 billion, respectively, decreased by ₱6.4 billion, ₱40.6 billion, ₱2.8 billion, ₱19.7 billion and ₱5.2 billion compared to ₱27.6 billion, ₱161.0 billion, ₱27.2 billion, ₱32.1 billion and ₱15.8 billion, respectively, as of December 31, 2021.

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 28.1% and 22.6% of the Group's total assets as of June 30, 2022 and December 31, 2021, respectively, increased by ₱59.0 billion or 22.0%, mainly due to higher volume of acquisitions of financial assets at FVOCI and investment securities at amortized cost during the period.
- Loans and Receivables, net of allowance for credit losses, represent 51.2% and 51.0% of the Group's total assets as of June 30, 2022 and December 31, 2021, respectively. Loans and Receivables declined by ₱10.5 billion at ₱596.5 billion as of June 30, 2022 from ₱607.0 billion as of December 31, 2021, mainly due to the ₱13.6 billion net paydowns of loans and receivables, offset by net reversals of provision for impairment, credit and other losses of ₱3.2 billion.
- Property and Equipment and Intangible Assets as of June 30, 2022 at ₱12.6 billion and ₱2.2 billion, respectively, decreased by ₱0.8 billion and ₱0.2 billion, respectively, compared to ₱13.5 billion and ₱2.4 billion, respectively, as of December 31, 2021, mainly due to depreciation and amortization during the period.
- Investment Properties as of June 30, 2022, at ₱13.7 billion increased by ₱2.9 billion compared to ₱10.7 billion as of December 31, 2021, due to new foreclosures during the period, offset by disposals of real and other properties during the period.
- Investment in an Associate went down by ₱0.4 billion at ₱2.1 billion as of June 30, 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 period.

- Deferred Tax Assets decreased by ₱1.0 billion at ₱5.4 billion as of June 30, 2022, compared to ₱6.4 billion as of December 31, 2021 mainly due to the reduction in deferred tax assets on allowance for credit losses as the Group reversed credit provisions of ₱3.2 billion during the period.
- Other Assets as of June 30, 2022, at ₱5.4 billion grew by ₱0.6 billion from ₱4.8 billion as of December 31, 2021, mainly coming from increases in creditable withholding taxes and other deferred charges.

The Group's consolidated liabilities were at ₱995.9 billion as of June 30, 2022, 3.3% or ₱33.7 billion lower from ₱1,029.6 billion as of December 31, 2021. Major changes in liability accounts were as follows:

- Deposit Liabilities at ₱885.5 billion and ₱894.9 billion, which represent 88.9% and 86.9% of the Group's total liabilities as of June 30, 2022 and December 31, 2021, respectively, are lower by ₱9.5 billion or 1.1% mainly due to decrease in Time Deposits by ₱28.8 billion or 19.0%, and maturity of a Long-Term Negotiable Certificate of Deposit amounting to ₱5.4 billion last June 2022, partially offset by an increase in Demand and Savings Deposits of ₱16.4 billion or 7.6%, and ₱8.3 billion or 1.7%, respectively.
- Financial Liabilities at FVTPL are ₱3.1 billion higher than the 2021 year-end balance of ₱891.5 million mainly from the increase in negative fair value balance of stand-alone forwards as of June 30, 2022.
- Bills and Acceptances Payable is lower by ₱35.4 billion or 66.8% from ₱53.0 billion as of December 31, 2021, to ₱17.6 billion as of June 30, 2022, brought by net settlements of short-term interbank borrowing and repurchase agreements during the period.
- Bonds Payable increased by ₱4.2 billion from ₱53.4 billion as of December 31, 2021 to ₱57.6 billion as of June 30, 2022, driven by the revaluation of foreign currency-denominated bonds.
- Accrued Taxes, Interest and Other Expenses were higher by ₱1.7 billion, from ₱7.8 billion as of December 31, 2021, to ₱9.5 billion as of June 30, 2022, mainly due to the increase in accrued rental payable.
- Income Tax Payable increased by ₱808.0 million from ₱157.7 million as of December 31, 2021 to ₱965.7 million as of June 30, 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 June 30, 2022 from ₱161.2 billion as of December 31, 2021, or an increase of ₱8.7 billion attributed mainly to the ₱11.1 billion consolidated net income reported for the semester ended June 30, 2022 and ₱0.8 billion increase in Accumulated Translation Adjustment and ₱0.5 billion decrease in Share in Aggregate Losses on Life Insurance Policies.

The increase in the consolidated total equity was offset by net change in unrealized losses on financial assets at FVOCI, and decrease in surplus reserves for the period, amounting to ₱3.9 billion, and ₱0.3 billion from ₱0.7 billion, and ₱5.1 billion as of December 31, 2021, respectively, to ₱4.6 billion, and ₱4.9 billion as of June 30, 2022, respectively.

Results of Operation for the Semester Ended June 30, 2022 (Unaudited) Compared to Same Period Ended June 30, 2021 (Unaudited)

For the six months ended June 30, 2022, the Group posted a net income of ₱11.1 billion, ₱11.0 billion lower than the ₱22.1 billion net income for the same period last year. Movements in net income are primarily due to the following:

- Net interest income amounted to ₱17.3 billion, higher by 2.9% or ₱0.5 billion compared to the same period last year. Total interest income slightly decreased by 0.2% or ₱38.0 million to ₱20.8 billion for the six months ended June 30, 2022 mainly due to lower interest yields on loans and receivables. However, reduction in total interest expense by ₱0.5 billion to ₱3.5 billion from ₱4.0 billion for the same period last year is faster than the decline in total interest income. This is primarily due to reduced interest cost on deposits, bonds payable, bills payable and other borrowings as compared to the same period last year.
- Net service fees and commission income decreased by ₱68.8 million or 2.8% at ₱2.4 billion for the six months ended June 30, 2022, mainly due to decreases in loan-related, remittance-related and underwriting fees partly offset by increases in bancassurance, deposit-related, and interchange fees.
- Other income decreased to ₱6.4 billion compared to ₱36.0 billion for the same period last year mainly due to the recognition of a one-off ₱33.6 billion gain on loss of control over PNB Holdings Corporation (PNB Holdings) as a subsidiary of the Group in 2021. Further, for the six months ended June 30, 2022, the Group recorded net trading and investment securities losses of ₱165.0 million and equity in net losses of an associate of ₱75.6 million, as a result of the hike in benchmark interest rates during the period affecting both the Parent Company and its associate. This was partly offset by a gain on the sale of a major property in April 2022 amounting to ₱3.6 billion and gain on exchange of another property in May 2022 amounting to ₱1.5 billion, as well as net foreign exchange gains of ₱0.8 billion.
- Administrative and other operating expenses amounted to ₱14.9 billion for the six months ended June 30, 2022, ₱1.5 billion or 11.4% higher compared to the same period last year, mainly due to the increase of ₱0.7 billion, ₱0.4 billion and ₱0.4 billion in Taxes and Licenses, Compensation and fringe benefits, and Depreciation and amortization, respectively.
- Net reversals of impairment, credit and other losses amounting to ₱3.2 billion was recognized for the six months ended June 30, 2022 mainly coming from the reclassification of previously-booked non-performing loans to performing status during the second quarter of the year. This was a turnaround from the prior year when the Group booked additional provision for impairment, credit and other losses at ₱19.0 billion for the same period last year.

Total comprehensive income for the six months ended June 30, 2022 amounted to ₱8.7 billion, registering a decrease of ₱11.6 billion compared to the same period last year mainly due to the lower net income during the period, 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 ₱11.1 billion, ₱1.4 billion, ₱0.4 billion, respectively. This is offset by higher accumulated translation adjustment, share in the changes in aggregate reserves (losses) on life insurance policies, and remeasurement gains (losses) on retirement plan of ₱0.6 billion, ₱0.3 billion, and ₱0.2 billion, respectively.

Results of Operation for the Quarter Ended June 30, 2022 (Unaudited) Compared to Same Quarter Ended June 30, 2021 (Unaudited)

- For the quarter ended June 30, 2022, the Group registered a net income of ₱8.2 billion, lower than the ₱20.3 billion net income for the quarter ended June 30, 2021 as the Group recognized the one-off ₱33.6 billion gain on loss of control over PNB Holdings during the second quarter of 2021.
- Net interest income is at ₱8.8 billion for the quarter ended June 30, 2022, higher than the ₱8.6 billion in the same period last year by ₱0.2 billion on account of higher interest earned on the Group's investment securities, as well as lower interest incurred on deposits and other interest-bearing liabilities of the Group.
- Other income is lower at ₱5.9 billion in the current quarter from ₱34.5 billion for the same quarter last year mainly due to the recognition of the one-off gain as discussed above.
- This one-off gain also caused the total comprehensive income for the quarter ended June 30, 2021 amounting to ₱21.4 billion to be higher compared to ₱8.0 billion for the quarter ended June 30, 2022.

PART II – OTHER INFORMATION

Key Performance Indicators and Selected Financial Ratios

	For the semesters ended		
	2022	2021	
	(Unaudited)	(Unaudited)	
Statement of Income			
Return on Average Equity (ROE) ^{1/}	11.4%	7.9%	
Return on Average Assets ^{2/}	1.6%	1.0%	
Net Interest Margin ^{3/}	3.4%	3.3%	
Cost Efficiency Ratio ^{4/}	57.1%	61.6%	
Basic Earnings Per Share	₱7.23	₱14.47	
Interest Coverage	514.8%	674.8%	
^{1/} Annualized net income (except for one-off transactions which are not annualized) divided by average total equity for the period indicated			
^{2/} Annualized net income (except for one-off transactions which are not annualized) divided by average total assets for the period indicated			
^{3/} Annualized net interest income divided by average interest-earning assets for the period indicated			
^{4/} Ratio of total operating expenses to total operating income			
	June 30,	June 30,	December 31,
	2022	2021	2021
	(Unaudited)	(Unaudited)	(Audited)
Statement of Financial Position			
Capital Ratios:			
Capital Adequacy Ratio	15.2%	14.0%	13.7%
Common Equity Tier 1 Ratio	14.5%	13.2%	13.0%
Non-Performing Loans Ratios:			
Net of allowance	2.8%	5.7%	5.3%
Gross of allowance	6.5%	11.5%	10.1%
NPL coverage	79.8%	60.1%	59.1%
Current Ratio	65.5%	62.4%	65.1%
Liquid Assets-to-Total Assets	28.5%	23.9%	29.4%
Liquid Assets-to-Liquid Liabilities	38.4%	31.9%	38.2%
Debt-to-Equity	5.9x	6.3x	6.4x
Assets-to-Equity	6.9x	7.3x	7.4x
Book Value per Share	₱109.1	₱97.6	₱103.6

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereto duly authorized.

PHILIPPINE NATIONAL BANK



FLORIDO P. CASUELA
Acting President



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

ANNEX A

Philippine National Bank and Subsidiaries

Unaudited Interim Condensed Consolidated Financial Statements
as at June 30, 2022 and
for the six-month periods ended
June 30, 2022 and 2021

*(With Comparative Audited Consolidated Statement of Financial Position
as at December 31, 2021)*

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT JUNE 30, 2022****(With Comparative Audited Figures as at December 31, 2021)
(In Thousands)**

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
ASSETS		
Cash and Other Cash Items	₱21,136,065	₱27,552,773
Due from Bangko Sentral ng Pilipinas (Note 6)	120,424,802	161,001,912
Due from Other Banks (Note 19)	24,409,739	27,222,083
Interbank Loans Receivable (Notes 19 and 21)	12,437,217	32,106,088
Securities Held Under Agreements to Resell	10,616,727	15,796,673
Financial Assets at Fair Value Through Profit or Loss (FVTPL) (Note 7)	23,219,647	11,167,657
Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI) (Notes 7 and 19)	197,499,290	167,987,290
Investment Securities at Amortized Cost (Note 7)	106,867,788	89,455,843
Loans and Receivables (Note 8)	596,500,215	606,953,751
Property and Equipment (Note 9)	12,629,763	13,472,320
Investment in an Associate	2,068,641	2,468,107
Investment Properties (Note 10)	13,675,643	10,735,896
Deferred Tax Assets (Note 17)	5,440,613	6,405,505
Intangible Assets (Note 11)	2,233,325	2,429,434
Goodwill (Note 11)	11,221,410	11,221,410
Other Assets (Note 12)	5,397,408	4,807,920
TOTAL ASSETS	₱1,165,778,293	₱1,190,784,662
LIABILITIES AND EQUITY		
LIABILITIES		
Deposit Liabilities (Notes 14 and 19)		
Demand	₱232,769,648	₱216,367,830
Savings	506,850,570	498,581,535
Time	122,965,404	151,729,554
Long Term Negotiable Certificates of Deposit	22,879,312	28,245,390
	885,464,934	894,924,309
Financial Liabilities at FVTPL	3,951,090	891,531
Bills and Acceptances Payable (Notes 14, 19 and 21)	17,599,277	52,953,797
Lease Liabilities (Notes 19 and 21)	3,761,645	3,765,391
Accrued Taxes, Interest and Other Expenses (Note 19)	9,448,700	7,765,650
Bonds Payable (Notes 14, 19 and 21)	57,580,425	53,383,421
Income Tax Payable	965,692	157,735
Other Liabilities (Note 12)	17,106,034	15,719,872
TOTAL LIABILITIES	995,877,797	1,029,561,706

(Forward)

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		
Capital Stock (Note 15)	₱61,030,594	₱61,030,594
Capital Paid in Excess of Par Value	32,116,560	32,116,560
Surplus Reserves (Notes 8 and 15)	4,858,175	5,147,440
Surplus	73,326,150	61,998,232
Net Unrealized Losses on Financial Assets at FVOCI (Note 7)	(4,596,455)	(703,737)
Remeasurement Losses on Retirement Plan	(2,720,605)	(2,725,067)
Accumulated Translation Adjustment	2,328,950	1,503,396
Other Equity Reserves	248,830	248,830
Share in Aggregate Losses on Life Insurance Policies	(165,260)	(626,394)
Other Equity Adjustment	13,959	13,959
	166,440,898	158,003,813
NON-CONTROLLING INTERESTS	3,459,598	3,219,143
TOTAL EQUITY	169,900,496	161,222,956
TOTAL LIABILITIES AND EQUITY	₱1,165,778,293	₱1,190,784,662

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF INCOME
(In Thousands, Except Earnings Per Share)

	For the Semesters Ended		For the Quarters Ended	
	June 30		June 30	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
INTEREST INCOME ON				
Loans and receivables (Notes 8 and 19)	₱16,414,768	₱16,648,224	₱8,144,290	₱8,525,739
Investment securities at amortized cost and financial assets at FVOCI (Note 7)	3,271,577	3,090,044	1,699,073	1,527,760
Deposits with banks and others (Notes 6 and 19)	707,060	702,798	315,957	231,461
Interbank loans receivable and securities held under agreements to resell	262,612	40,371	250,878	11,248
Financial assets at FVTPL (Note 7)	151,478	364,013	74,601	162,265
	20,807,495	20,845,450	10,484,799	10,458,473
INTEREST EXPENSE ON				
Deposit liabilities (Notes 14 and 19)	2,243,097	2,435,891	1,058,811	1,152,802
Bonds payable (Notes 14 and 19)	1,006,644	1,262,083	506,067	563,537
Bills payable and other borrowings (Note 19)	214,159	293,849	100,598	125,972
	3,463,900	3,991,823	1,665,476	1,842,311
NET INTEREST INCOME	17,343,595	16,853,627	8,819,323	8,616,162
Service fees and commission income (Notes 16 and 19)	2,990,819	2,985,118	1,479,242	1,413,827
Service fees and commission expense	606,912	532,417	346,385	255,050
NET SERVICE FEES AND COMMISSION INCOME	2,383,907	2,452,701	1,132,857	1,158,777
OTHER INCOME				
Net gains on sale or exchange of assets (Notes 9 and 10)	5,248,659	85,993	5,109,667	61,067
Foreign exchange gains - net	804,899	337,530	554,441	193,672
Equity in net earnings (losses) of an associate	(75,636)	103,875	(13,652)	10,457
Trading and investment securities gains (losses) - net (Note 7)	(165,010)	1,244,533	(107,294)	331,175
Gain on loss of control of a subsidiary (Note 19)	—	33,596,132	—	33,596,132
Miscellaneous	571,879	656,312	317,186	279,484
TOTAL OTHER INCOME	6,384,791	36,024,375	5,860,348	34,471,987
TOTAL OPERATING INCOME	26,112,293	55,330,703	15,812,528	44,246,926
PROVISION FOR (REVERSAL OF) IMPAIRMENT, CREDIT AND OTHER LOSSES (Note 13)	(3,157,841)	19,022,178	(2,764,310)	16,927,016
OPERATING EXPENSES				
Compensation and fringe benefits	5,604,692	5,177,108	2,855,040	2,581,214
Taxes and licenses	2,929,978	2,230,476	1,715,184	932,467
Depreciation and amortization	2,090,326	1,673,643	1,047,453	941,722
Occupancy and equipment-related costs	444,626	525,468	214,903	283,959
Miscellaneous (Note 16)	3,832,503	3,776,352	2,006,183	1,956,035
TOTAL OPERATING EXPENSES	14,902,125	13,383,047	7,838,763	6,695,397
INCOME BEFORE INCOME TAX	14,368,009	22,925,478	10,738,075	20,624,513
PROVISION FOR INCOME TAX (Note 17)	3,305,102	816,114	2,488,602	286,449
NET INCOME FROM CONTINUING OPERATIONS	11,062,907	22,109,364	8,249,473	20,338,064
NET INCOME FROM DISCONTINUED OPERATIONS, NET OF TAX	—	20,616	—	—
NET INCOME	₱11,062,907	₱22,129,980	₱8,249,473	₱20,338,064
ATTRIBUTABLE TO:				
Equity Holders of the Parent Company (Note 18)	₱11,038,653	₱22,077,277	₱8,238,215	₱20,310,991
Non-controlling Interests	24,254	52,703	11,258	27,073
	₱11,062,907	₱22,129,980	₱8,249,473	₱20,338,064
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 18)	₱7.23	₱14.47	₱5.40	₱13.31
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company from Continuing Operations (Note 18)	₱7.23	₱14.46	₱5.40	₱13.31

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

	For the Semesters Ended June 30		For the Quarters Ended June 30	
	2022 (Unaudited)	2021 (Unaudited)	2022 (Unaudited)	2021 (Unaudited)
NET INCOME	P11,062,907	P22,129,980	P8,249,473	P20,338,064
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Items that recycle to profit or loss in subsequent periods:</i>				
Net change in unrealized gains (losses) on financial assets at FVOCI, net of tax	(3,107,755)	(1,729,543)	(881,234)	797,519
Share in changes in net unrealized gains (losses) on financial assets at FVOCI of an associate	(784,963)	(429,074)	(447,964)	82,451
	(3,892,718)	(2,158,617)	(1,329,198)	879,970
Accumulated translation adjustment	1,042,843	413,043	769,984	208,559
	(2,849,875)	(1,745,574)	(559,214)	1,088,529
<i>Items that do not recycle to profit or loss in subsequent periods:</i>				
Share in the changes in aggregate reserves (losses) on life insurance policies	461,134	147,525	267,706	(1,526)
Remeasurement gains (losses) on retirement plan	5,401	(216,712)	3,765	(1,482)
	466,535	(69,187)	271,471	(3,008)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX	(2,383,340)	(1,814,761)	(287,743)	1,085,521
TOTAL COMPREHENSIVE INCOME	P8,679,567	P20,315,219	P7,961,730	P21,423,585
ATTRIBUTABLE TO:				
Equity Holders of the Parent Company	P8,437,085	P20,153,410	P7,772,633	P21,378,141
Non-controlling Interests	242,482	161,809	189,097	45,444
	P8,679,567	P20,315,219	P7,961,730	P21,423,585

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands)

For the Semester Ended June 30, 2022 (Unaudited)													
Equity Attributable to Equity Holders of the Parent Company													
	Capital Stock (Note 15)	Capital Paid in Excess of Par Value	Surplus Reserves (Notes 8 and 15)	Surplus	Net Unrealized Losses on Financial Assets at FVOCI (Note 7)	Remeasurement Losses on Retirement Plan	Accumulated Translation Adjustment	Other Equity Reserves	Share in Aggregate Losses on Life Insurance Policies	Other Equity Adjustment	Total	Non- Controlling Interests	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 period	—	—	—	11,038,653	(3,892,718)	4,462	825,554	—	461,134	—	8,437,085	242,482	8,679,567
Dividends by subsidiaries to non- controlling interests	—	—	—	—	—	—	—	—	—	—	—	(2,027)	(2,027)
Reversal of general loan loss reserves under BSP Circular 1011	—	—	(289,265)	289,265	—	—	—	—	—	—	—	—	—
Balance at June 30, 2022	₱61,030,594	₱32,116,560	₱4,858,175	₱73,326,150	(₱4,596,455)	(₱2,720,605)	₱2,328,950	₱248,830	(₱165,260)	₱13,959	₱166,440,898	₱3,459,598	₱169,900,496

For the Semester Ended June 30, 2021 (Unaudited)														
Equity Attributable to Equity Holders of the Parent Company														
	Capital Stock	Capital Paid in Excess of Par Value	Surplus Reserves	Surplus	Net Unrealized Gains on Financial Assets at FVOCI	Remeasurement Losses on Retirement Plan	Accumulated Translation Adjustment	Other Equity Reserves	Share in Aggregate Losses on Life Insurance Policies	Other Equity Adjustment	Reserves of a Disposal Group Classified as Held for Sale	Total	Non- Controlling Interests	Total Equity
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)	₱13,959	₱88,616	₱152,781,732	₱3,201,276	₱155,983,008
Total comprehensive income (loss) for the period	—	—	—	22,077,277	(2,158,617)	(216,477)	303,702	—	147,525	—	—	20,153,410	161,809	20,315,219
Dividends by subsidiaries to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	—	(1,577)	(1,577)
Disposal of a subsidiary	—	—	—	—	—	—	—	—	—	—	(88,616)	(88,616)	(259,721)	(348,337)
Declaration of property dividends	—	—	—	(23,935,371)	—	—	—	—	—	—	—	(23,935,371)	—	(23,935,371)
Transfer to surplus reserves	—	—	458,380	(458,380)	—	—	—	—	—	—	—	—	—	—
Balance at June 30, 2021	₱61,030,594	₱32,116,560	₱5,490,477	₱52,181,592	₱895,786	(₱3,225,929)	₱1,021,574	₱ 277,855	(₱891,313)	₱13,959	₱—	₱148,911,155	₱3,101,787	₱152,012,942

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

	For the Semesters Ended	
	2022	2021
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax from continuing operations	P14,368,009	P22,925,478
Income before income tax from discontinued operations	–	25,390
Income before income tax	14,368,009	22,950,868
Adjustments for:		
Net gains on sale or exchange of assets (Notes 9 and 10)	(5,248,659)	(85,993)
Unrealized foreign exchange loss on bonds payable	4,163,605	812,659
Provision for (reversal of) impairment, credit and other losses (Note 13)	(3,157,841)	19,023,352
Depreciation and amortization	2,090,326	1,680,235
Unrealized foreign exchange loss on bills and acceptances payable	1,312,589	494,593
Loss (gain) on mark-to-market of derivatives	760,665	(203,721)
Accretion to interest income of loss on loan modifications	(175,174)	(90,623)
Loss on financial assets at FVTPL (Note 7)	164,734	272,769
Equity in net losses (earnings) of an associate	75,636	(103,875)
Amortization of transaction costs on borrowings	47,322	70,564
Amortization of premium/(discount) on investment securities	(45,257)	36,578
Loss (gain) on sale and redemption of financial assets at FVOCI and investment securities at amortized cost (Note 7)	276	(1,517,302)
Loss on loan modifications	–	92,169
Gain on loss of control of a subsidiary (Note 19)	–	(33,596,132)
Changes in operating assets and liabilities:		
Decrease (increase) in amounts of:		
Interbank loans receivable	(2,257,554)	(174,924)
Financial assets at FVTPL	(12,977,389)	(75,917)
Loans and receivables	11,559,672	(33,241,523)
Other assets	(300,290)	1,417,229
Increase (decrease) in amounts of:		
Financial liabilities at FVTPL	3,059,559	116,054
Deposit liabilities	(9,473,297)	(62,232,435)
Accrued taxes, interest and other expenses	1,912,032	532,911
Other liabilities	1,449,872	(5,740,396)
Net cash generated from (used in) operations	7,328,836	(89,562,860)
Income taxes paid	(839,418)	(1,624,040)
Net cash provided by (used in) operating activities	6,489,418	(91,186,900)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale/maturities of:		
Financial assets at FVOCI	276,234,738	120,315,311
Investment securities at amortized cost	33,353,271	18,967,919
Investment properties	4,468,314	118,204
Property and equipment	308,438	113,037
Acquisitions of:		
Financial assets at FVOCI	(308,743,009)	(94,639,553)
Investment securities at amortized cost	(50,959,098)	(10,782,462)
Software cost (Note 11)	(528,897)	(209,748)
Property and equipment (Note 9)	(348,284)	(550,409)
Additional investment in an associate	–	(245,000)
Net cash provided by (used in) investing activities	(46,214,527)	33,087,299
(Forward)		

	For the Semesters Ended	
	June 30	
	2022	2021
	(Unaudited)	(Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bills and acceptances payable (Note 21)	₱101,820,300	₱109,246,077
Settlement of bills and acceptances payable (Note 21)	(138,487,409)	(149,970,033)
Payment of principal portion of lease liabilities (Note 21)	(520,315)	(309,415)
Maturity of bonds payable	—	(13,870,000)
Net cash used in financing activities	(37,187,424)	(54,903,371)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(76,912,533)	(113,002,972)
CASH AND CASH EQUIVALENTS AT		
BEGINNING OF PERIOD		
Cash and other cash items	27,552,773	25,135,724
Due from BSP	161,001,912	202,129,356
Due from other banks	27,222,083	19,733,300
Interbank loans receivable (Note 21)	30,453,378	38,939,572
Securities held under agreements to resell	15,796,673	15,819,273
	262,026,819	301,757,225
CASH AND CASH EQUIVALENTS AT END OF PERIOD		
Cash and other cash items	21,136,065	27,052,464
Due from BSP	120,424,802	98,781,548
Due from other banks	24,409,739	21,900,118
Interbank loans receivable (Note 21)	8,526,953	27,074,235
Securities held under agreements to resell	10,616,727	13,945,888
	₱185,114,286	₱188,754,253
OPERATIONAL CASH FLOWS FROM INTEREST		
Interest received	₱20,445,930	₱21,846,682
Interest paid	3,426,804	4,189,062

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES**NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED 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 June 30, 2022 and December 31, 2021, the shares of PNB are held by the following:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
LT Group, Inc. (LTG) (indirect ownership through its various holding companies)	59.83%	59.83%
PCD Nominee Corporation *	15.93%	15.94%
Other stockholders owning less than 10% each	24.24%	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 June 30, 2022 and December 31, 2021, respectively. As of the same dates, the Parent Company has 71 and 70 overseas branches, representative offices, remittance centers and subsidiaries in 17 locations in Asia, North America and Europe.

The subsidiaries of the Parent Company are engaged in a number of diversified financial and related businesses such as remittance, banking, leasing, investment banking, stock brokerage, 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. Preparation of the Interim Financial Statements**Basis of Preparation of Unaudited Interim Consolidated Financial Statements**

The accompanying unaudited interim consolidated financial statements of the Group as of June 30, 2022 and for the six-month periods ended June 30, 2022 and 2021 have been prepared in accordance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*. The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements as of and for the year ended December 31, 2021 prepared under the Philippine Financial Reporting Standards (PFRS).

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements of the Group are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2021, except for the adoption of the following amendments to PFRS effective beginning January 1, 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective:

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

The adoption of such amendments did not have a significant impact on the Group's unaudited interim condensed consolidated financial statements.

Significant Judgments and Assumptions

The significant judgments and assumptions made in the unaudited interim condensed consolidated financial statements of the Group are consistent with the most recent annual financial statements issued.

Seasonality or Cyclicity of Interim Operations

Seasonality or cyclicity of interim operations is not applicable to the Group's type of business.

3. Financial Risk Management

The Parent Company's Board of Directors (BOD), through the Risk Oversight Committee (ROC), exercises oversight and provides guidance to an experienced Senior Management team who works closely with their teams in managing risk. There is a rich risk culture, which seamlessly flows through not only within PNB, but also across the Group's subsidiaries and affiliates.

The BOD has delegated specific responsibilities to various board committees, which are integral to PNB's risk governance framework and allow executive management, through management committees, to evaluate the risks inherent in the business and to manage them effectively.

Executive officers are assigned to various management committees that provide the leadership and execution of the vision and policies approved by the BOD. PNB's business strategies are driven for most part by the day-to-day directions decided by these management committees with approvals and notation by the various board level committees.

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

The Risk Management Framework includes:

- a comprehensive risk management approach;
- a detailed structure of limits, guidelines and other parameters used to govern risk-taking;
- a clear delineation of lines of responsibilities for managing risk;
- an adequate system for measuring risk; and
- effective internal controls and a comprehensive monitoring and risk-reporting process.

The Management Risk Committee (MRC) was created as a forum ensuring that PNB's ERMF is operationalized, and that Senior Management has an enterprise-level view of all material risks and that risk-mitigating actions properly determined and effectively executed. Mainly composed of PNB'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 shall periodically assess that PNB's risk appetite statements are aligned with the business strategy and the overall objectives.

The Risk Management Group (RMG) is primarily responsible for the monitoring of risk management functions to ensure that a robust risk-oriented organization is maintained. RMG is independent from the business lines and is organized as follows:

- BASEL/ICAAP/Operational Risk Management Division;
- Business Continuity Management and Vendor Risk Monitoring Division;
- Business Intelligence and Data Warehouse Division;
- Credit Risk Division;
- Data Privacy and Technology Risk Management Division;
- Market and ALM Division;
- Model Validation Division;
- Trust Risk Division; and
- Administrative and Support Department

Each unit monitors the implementation of the processes and procedures that support the policies for risk management applicable to the organization. These 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 policies also provide for the validation, audits and compliance testing, to measure the effectiveness and suitability of the risk management structure.

RMG also functions as the Secretariat to the MRC and ROC which meets monthly to discuss the immediate previous month's total risk profile according to the material risks defined by PNB. 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 the moment of origination.

The PNB ERMF banks on a dynamic process that supports the development and implementation of the strategy of PNB. The process revolves around methodically addressing risks associated with the business lines of PNB. With regular reviews and updates, the ERMF has served PNB well and has been resilient through economic cycles. The organization has placed a strong reliance on this risk governance framework and the three-line model, which are fundamental to PNB's aspiration to be world-class at managing risk:

- The first line is made up of the management of business lines and legal entities. Business units are responsible for their risks. Effective first line management includes:
 - a. The proactive self-identification/assessment of issues and risks, including emerging risks;
 - b. The design, implementation and ownership of appropriate controls;
 - c. The associated operational control remediation; and
 - d. A strong control culture of effective and transparent risk partnership.
- The second line comes from both the risk management function, the compliance function, and information and cyber security functions of PNB, which are independent of business operations. Our risk management unit implements the risk management framework, helps risk owners in reporting adequate risk-related information up and down PNB, provides independent oversight over specific Board directives and conducts regular reporting to the ROC. Our compliance unit ensures that strong security policies are in place and effectively monitored and aligned with the risks of PNB's individual business processes. Compliance testing function reports directly to the Board Audit and Compliance Committee (BACC). The second line may also recommend implementation of action plans, corrective actions, or service recovery in managing the risk impact and prevent recurrence.
- The third line is the internal audit function which provides independent assessment of the adequacy and effectiveness of the overall risk management framework and governance structures. The internal audit function and compliance testing function report directly to the BACC.

Risk Categories and Definitions

The Group broadly classify and define risks into the following categories and manage the risks according to their characteristics. These are monitored accordingly under the PNB ERMF:

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
Credit Risk (including Credit Concentration Risks and Counterparty Risks)	<p>Credit 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.</p> <p>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 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 (<i>BSP MORB Sec 301.6, Series of 2009; BCBS</i>)</p>	<ul style="list-style-type: none"> ▪ Loan Portfolio Analysis ▪ Credit Dashboards ▪ Credit Review ▪ Credit Model Validation 	<ul style="list-style-type: none"> ▪ Trend Analysis (Portfolio / Past Due and NPL Levels) ▪ Regulatory and Internal Limits ▪ Stress Testing ▪ Rapid Portfolio Review ▪ CRR Migration ▪ Movement of Portfolio ▪ Concentrations and Demographics Review ▪ Large Exposure Report ▪ Counterparty Limits Monitoring ▪ Adequacy of Loan Loss Reserves Review ▪ Specialized Credit Monitoring (Power, Real Estate)
Market Risk	<p>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</p>	<ul style="list-style-type: none"> ▪ Value at Risk Utilization ▪ Results of Marking to Market ▪ Risks Sensitivity/ Duration Report ▪ Exposure to Derivative/ Structured Products 	<ul style="list-style-type: none"> ▪ VaR Limits ▪ Stop Loss Limits ▪ Management Triggers ▪ Duration Report ▪ ROP Exposure Limit ▪ Limit to Structured Products ▪ Exception Report on Traders' Limit ▪ Exception Report on Rate Tolerance ▪ Stress Testing ▪ BSP Uniform Stress Testing

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
	position taking in interest rate, foreign exchange, equity, and commodities market. <i>(BSP Cir. No. 544, Series of 2006)</i>		
Liquidity Risk	Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from an FI'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 PNB's ability to liquidate assets quickly and with minimal loss in value. <i>(BSP Cir. No. 510/545)</i>	<ul style="list-style-type: none"> ▪ Funding Liquidity Plan ▪ Liquidity Ratios ▪ Large Fund Providers ▪ Maximum Cumulative Outflow (MCO) ▪ Liquid Gap Analysis 	<ul style="list-style-type: none"> ▪ MCO Limits ▪ Liquid Assets Monitoring ▪ Stress testing ▪ Large Fund Provider Analysis ▪ 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. <i>(BSP Cir. No. 1044, Series of 2019)</i>	<ul style="list-style-type: none"> ▪ Interest Rate Gap Analysis ▪ Earnings at Risk (EaR) Measurement ▪ Cashflow based Economic Value of Equity 	<ul style="list-style-type: none"> ▪ EAR Limits ▪ Balance Sheet Profiling ▪ Repricing Gap Analysis ▪ Cashflow based 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 processes, people and systems or from	<ul style="list-style-type: none"> ▪ Risk Identification ▪ Risk Measurement ▪ Risk Evaluation (i.e. Analysis of Risk) 	<ul style="list-style-type: none"> ▪ Internal Control ▪ Board Approved Operating Policies and Procedures Manuals

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
	<p>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. (<i>BSP Circular 900, dated 18 January 2016</i>)</p>	<ul style="list-style-type: none"> ▪ Risk Management (i.e. Monitor, Control or Mitigate Risk) <p>Monitoring of Pillar II Risks fall under the purview of Operational Risk Management: Risk Identification – Risk Maps Risk Measurement and Analysis – ICAAP Risk Assessment</p>	<ul style="list-style-type: none"> ▪ Board Approved Product Manuals ▪ Loss Events Report (LER) ▪ Risk and Control Self-Assessment (RCSA) ▪ Key Risk Indicators (KRI) ▪ Business Continuity Management (BCM) ▪ Statistical Analysis
Included in the Operational Risks:			
Reputational Risk	<p>Reputational risk is the current and prospective impact on earnings or capital arising from negative public opinion. This affects PNB's ability to establish new relationships or services or continue servicing existing relationships. This risk may expose PNB to litigation, financial loss, or a decline in its customer base. In extreme cases, PNB loses its reputation and may suffer a run on deposits. (<i>BSP Cir. No. 510, dated 03 Feb 2006</i>).</p> <p>Reputational Risk also covers Customer Franchise Risk and Consumer Protection Risk. Customer Franchise Risk is defined in PNB's Policy on ICAAP, as the failure to find, attract, and win new clients, nurture and retain those PNB already has, and entice former clients back into the fold as well as the failure to meet client's expectation in delivering PNB's products and services. Consumer Protection Risk is defined</p>	<ul style="list-style-type: none"> ▪ Risk Identification ▪ Risk Measurement ▪ Risk Evaluation (i.e. Analysis of Risk) ▪ Risk Management (i.e. Monitor, Control or Mitigate Risk) <p>Monitoring of Pillar II Risks fall under the purview of Operational Risk Management: Risk Identification – Risk Maps Risk Measurement and Analysis – ICAAP Risk Assessment</p> <p>Major Factors considered:</p> <ul style="list-style-type: none"> ▪ Products ▪ Technology ▪ People ▪ Policies and Processes ▪ Stakeholders (including customer and regulators) 	<ul style="list-style-type: none"> • Consolidated Complaints Report • Mystery Caller/Shopper • Public Relations Campaign • Profiling on the mobile and internet banking users • Social Media Risk Management • Review of news articles published by major news outlets • Branch Customer Feedback mechanism • Management Committee Oversight • Fraud Management Program

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
	as failure of PNB to deliver its mandate to provide appropriate service and protection to its financial consumers.		
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. <i>(BSP Cir. No. 510, dated 03 Feb 2006)</i>		<ul style="list-style-type: none"> ▪ 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
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. <i>(NIST IR 7298 Revision 2, Glossary of Key Information Security</i>		<ul style="list-style-type: none"> ▪ 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

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
	<i>Terms, Page Numbers 98 and 100)</i>		
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 PNB's reputation and may result to noncompliance issue and financial losses. (<i>Data Privacy Act of 2012 or RA 10173</i>)		<ul style="list-style-type: none"> • Installation of firewalls, IPS/IDS, enterprise security solution (anti-virus for endpoint, email and internet). • Enterprise-wide Implementation of the Information Security Management Systems • Education / InfoSec Awareness is also constantly conducted • 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 • Implementing the enterprise-wide data privacy risk management framework which complies with both domestic and global requirements • Institutionalization of data protection culture within the group through regular awareness programs
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 PNB. It 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		<ul style="list-style-type: none"> ▪ 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 engagement for problem resolution ▪ Technology Operations Management Policies & Guidelines ▪ IT Risk Monitoring ▪ IT Risk Assessment ▪ Project Risk Assessment

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
	is, confidentiality, integrity and availability of information asset. (ISACA Risk IT Framework)		
Human Resource Risk	Human Resource Risk covers PNB'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.	<ul style="list-style-type: none"> ▪ Risk Identification ▪ Risk Measurement ▪ Risk Evaluation (i.e. Analysis of Risk) ▪ Risk Management (i.e. Monitor, Control or Mitigate Risk) 	<p>Institutionalize policies covering Talent Acquisition/Retention and Career Management; Remuneration Management; Performance Appraisal System covering the following main tools:</p> <ul style="list-style-type: none"> • 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 PNB's Performance Appraisal System (e.g., targets versus achievements) <p>Provide training and/or issue guidelines to ensure that the process is done objectively.</p>

4. 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

As of June 30, 2022 and December 31, 2021, the Group held the following assets and liabilities measured at fair value and at cost but for which fair values are disclosed:

June 30, 2022 (Unaudited)					
	Carrying Value	Level 1	Level 2	Level 3	Total
Measured at Fair Value					
Financial Assets					
Financial assets at FVTPL:					
Government securities	P17,892,567	P5,192,350	P12,700,217	P-	P17,892,567
Private debt securities	1,660,034	147,020	1,513,014	-	1,660,034
Equity securities	4,906	4,906	-	-	4,906
Derivative assets	3,662,140	-	3,662,140	-	3,662,140
Financial assets at FVOCI:					
Government securities	154,276,468	61,964,775	92,311,693	-	154,276,468
Private debt securities	18,599,963	7,885,995	10,713,968	-	18,599,963
Equity securities	24,622,859	219,064	640,936	23,762,859	24,622,859
	P220,718,937	P75,414,110	P121,541,968	P23,762,859	P220,718,937
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	P3,951,090	P-	P3,951,090	P-	P3,951,090
Fair Values are Disclosed:					
Financial Assets					
Financial assets at amortized cost:					
Investment securities at amortized cost *	P106,867,788	P27,239,723	P81,527,145	P-	P108,766,868
Receivables from customers **	583,219,090	-	-	613,567,401	613,567,401
	P690,086,878	P27,239,723	P81,527,145	P613,567,401	P722,334,269
Nonfinancial Assets					
Investment property:					
Land ***	P12,342,184	P-	P-	P28,871,796	P28,871,796
Buildings and improvements ***	1,333,459	-	-	3,496,398	3,496,398
	P13,675,643	P-	P-	P32,368,194	P32,368,194
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	P122,965,404	P-	P-	P122,965,404	P122,965,404
Long-term negotiable certificates of deposits (LTNCD)	22,879,312	-	23,062,407	-	23,062,407
Bonds payable	57,580,425	39,941,949	16,564,737	-	56,506,686
Bills payable	10,965,048	-	-	10,904,310	10,904,310
	P214,390,189	P39,941,949	P39,627,144	P133,869,714	P213,438,807

* Net of expected credit losses and other deferred credits

** Net of expected credit losses and unearned and other deferred income

*** Net of impairment losses

December 31, 2021 (Audited)					
	Carrying Value	Level 1	Level 2	Level 3	Total
Measured at Fair Value					
Financial Assets					
Financial assets at FVTPL:					
Government securities	P7,956,013	P3,309,163	P4,646,850	P-	P7,956,013
Private debt securities	1,841,548	949,208	892,340	-	1,841,548
Equity securities	5,045	5,045	-	-	5,045
Derivative assets	1,365,051	-	1,365,051	-	1,365,051
Financial assets at FVOCI:					
Government securities	120,453,593	63,357,650	57,095,943	-	120,453,593
Private debt securities	23,115,479	10,175,734	12,939,745	-	23,115,479
Equity securities	24,418,218	252,902	500,259	23,665,057	24,418,218
	P179,154,947	P78,049,702	P77,440,188	P23,665,057	P179,154,947
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	P891,531	P-	P891,531	P-	P891,531
Fair Values are Disclosed:					
Financial Assets					
Financial assets at amortized cost:					
Investment securities at amortized cost *	P89,455,843	P17,676,548	P77,195,379	P-	P94,871,927
Receivables from customers **	593,615,093	-	-	627,304,434	627,304,434
	P683,070,936	P17,676,548	P77,195,379	P627,304,434	P722,176,361
Nonfinancial Assets					
Investment property:					
Land ***	P9,582,916	P-	P-	P26,914,713	P26,914,713
Buildings and improvements ***	1,152,980	-	-	3,030,859	3,030,859
	P10,735,896	P-	P-	P29,945,572	P29,945,572

(Forward)

December 31, 2021 (Audited)					
	Carrying Value	Level 1	Level 2	Level 3	Total
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	P151,729,554	P-	P-	P151,729,554	P151,729,554
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
	P279,202,266	P38,997,788	P44,041,796	P197,590,549	P280,630,133

* Net of expected credit losses and other deferred credits

** Net of expected credit losses and unearned and other deferred income

*** Net of impairment losses

As of June 30, 2022 and December 31, 2021, there were no transfers between Level 1 and Level 2 fair value measurements. Transfers into Level 3 reflect changes in market conditions as a result of which instruments become less liquid.

5. Segment Information

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

The Group's business segments follow:

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

Transactions between segments are conducted at prevailing market rates on an arm's length basis. Interest is credited to or charged against business segments based on market rates which approximate 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 Regulatory Accounting Principles 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:

For the Semester Ended June 30, 2022 (Unaudited)						
	Retail Banking	Corporate Banking	Global Banking and Market	Others	Adjustments and Eliminations*	Total
Net interest margin						
Third party	P610,756	P13,232,703	P3,326,136	P7,804	P166,196	P17,343,595
Inter-segment	8,260,804	(6,924,900)	(1,335,904)	–	–	–
Net interest margin after inter-segment transactions	8,871,560	6,307,803	1,990,232	7,804	166,196	17,343,595
Other income	2,268,078	4,508,569	247,622	2,317,823	33,518	9,375,610
Segment revenue	11,139,638	10,816,372	2,237,854	2,325,627	199,714	26,719,205
Other expenses	2,758,855	1,171,370	130,788	630,322	199,714	4,891,049
Segment result	P8,380,783	P9,645,002	P2,107,066	P1,695,305	P–	21,828,156
Unallocated expenses						7,460,147
Net income before income tax						14,368,009
Income tax						3,305,102
Net income						11,062,907
Non-controlling interests						24,254
Net income for the period attributable to equity holders of the Parent Company						P11,038,653
Other segment information						
Capital expenditures	P87,898	P2,895	P15,932	P3,712	P–	P110,437
Unallocated capital expenditures						766,744
Total capital expenditures						P877,181
Depreciation and amortization	P633,897	P199,012	P34,554	P133,822	P–	P1,001,285
Unallocated depreciation and amortization						1,089,041
Total depreciation and amortization						P2,090,326
Provision for (reversal of) impairment, credit and other losses	(P2,687,640)	(P377,067)	(P222,336)	P129,202	P–	(P3,157,841)
As of June 30, 2022 (Unaudited)						
	Retail Banking	Corporate Banking	Global Banking and Market	Others	Adjustments and Eliminations*	Total
Segment assets	P750,287,727	P268,150,764	P176,152,515	P8,571,207	(P37,383,919)	P1,165,778,293
Unallocated assets						–
Total assets						P1,165,778,293
Segment liabilities	P728,926,162	P191,226,432	P32,135,700	P86,064,576	(P42,475,073)	P995,877,797
Unallocated liabilities						–
Total liabilities						P995,877,797

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

For the Semester Ended June 30, 2021 (Unaudited)						
	Retail Banking	Corporate Banking	Global Banking and Market	Others	Adjustments and Eliminations*	Total
Net interest margin						
Third party	(P13,779)	P14,058,293	P2,701,645	P49,332	P58,136	P16,853,627
Inter-segment	7,712,657	(7,561,160)	(151,497)	–	–	–
Net interest margin after inter-segment transactions	7,698,878	6,497,133	2,550,148	49,332	58,136	16,853,627
Other income	2,045,723	860,455	1,453,498	34,856,757	(206,940)	39,009,493
Segment revenue	9,744,601	7,357,588	4,003,646	34,906,089	(148,804)	55,863,120
Other expenses	5,864,025	20,074,888	307,878	360,824	(148,804)	26,458,811
Segment result	P3,880,576	(P12,717,300)	P3,695,768	P34,545,265	P–	29,404,309
Unallocated expenses						6,478,831
Net income before income tax						22,925,478
Income tax						816,114
Net income from continuing operations						22,109,364
Net income from discontinued operations						20,616
Net income						22,129,980
Non-controlling interests						52,703
Net income for the period attributable to equity holders of the Parent Company						P22,077,277
Other segment information						
Capital expenditures	P110,748	P1,422	P3,222	P140	P–	P115,532
Unallocated capital expenditures						644,625
Total capital expenditures						P760,157
Depreciation and amortization	P426,378	P155,899	P1,424	P178,461	P–	P762,162
Unallocated depreciation and amortization						911,481
Total depreciation and amortization						P1,673,643
Provision for (reversal of) impairment, credit and other losses	P541,944	P18,534,492	(P39,169)	(P15,089)	P–	P19,022,178

As of December 31, 2021 (Audited)						
	Retail Banking	Corporate Banking	Global Banking and Market	Others	Adjustments and Eliminations*	Total
Segment assets	P730,811,300	P264,879,265	P113,978,883	P95,128,444	(P21,793,763)	P1,183,004,129
Unallocated assets						7,780,533
Total assets						P1,190,784,662
Segment liabilities	P726,607,402	P214,925,795	P15,636,431	P85,879,581	(P21,417,503)	P1,021,631,706
Unallocated liabilities						7,930,000
Total liabilities						P1,029,561,706

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

Although the Group's businesses are managed on a worldwide basis, the Group operates in four (4) principal geographical areas of the world. The distribution of assets, liabilities, and credit commitments items as of June 30, 2022 and December 31, 2021 and capitalized expenditures and revenues for the semesters ended June 30, 2022 and 2021 by geographic region of the Group follows:

	Non-Current Assets		Liabilities		Credit Commitments	
	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Philippines	P612,332,500	P634,529,203	P944,667,446	P980,065,000	P47,371,594	P45,038,930
Asia (excluding Philippines)	20,583,925	21,099,162	40,086,657	39,749,446	—	—
USA and Canada	1,870,032	1,593,358	11,031,682	9,629,585	—	—
United Kingdom	1,289	1,002	92,012	117,675	—	—
	P634,787,746	P657,222,725	P995,877,797	P1,029,561,706	P47,371,594	P45,038,930

	Capital Expenditures		Revenues	
	June 30, 2022 (Unaudited)	June 30, 2021 (Unaudited)	June 30, 2022 (Unaudited)	June 30, 2021 (Unaudited)
Philippines	P876,590	P590,477	P28,678,477	P58,721,647
Asia (excluding Philippines)	73	169,680	1,105,810	741,683
USA and Canada	518	—	348,926	337,267
United Kingdom	—	—	49,892	54,346
	P877,181	P760,157	P30,183,105	P59,854,943

6. Due from Bangko Sentral ng Pilipinas

This account consists of:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Term deposit	P84,424,802	P81,273,307
Demand deposit	36,000,000	79,728,605
	P120,424,802	P161,001,912

For the six-month periods ended June 30, 2022 and 2021, Due from BSP bears annual interest rates ranging from 2.0% to 2.7% and from 1.8% to 2.0%, respectively.

7. Trading and Investment Securities

This account consists of:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Financial assets at FVTPL	P23,219,647	P11,167,657
Financial assets at FVOCI	197,499,290	167,987,290
Investment securities at amortized cost	106,867,788	89,455,843
	P327,586,725	P268,610,790

Financial Assets at FVTPL

This account consists of:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Government securities	₱17,892,567	₱7,956,013
Private debt securities	1,660,034	1,841,548
Derivative assets	3,662,140	1,365,051
Equity securities	4,906	5,045
	₱23,219,647	₱11,167,657

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

	For the Semesters Ended June 30	
	2022	2021
Government securities	1.4% - 9.5%	1.6% - 8.0%
Private debt securities	4.9% - 6.9%	4.9% - 6.6%

Financial Assets at FVOCI

This account consists of:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Government securities	₱154,276,468	₱120,453,593
Private debt securities	18,599,963	23,115,479
Equity securities		
Quoted	696,990	669,585
Unquoted	23,925,869	23,748,633
	₱197,499,290	₱167,987,290

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 June 30, 2022 and December 31, 2021, respectively. The Group determines its fair value using the net asset value method after applying a 16.50% discount for lack of marketability by referring to a number of recent initial public offerings.

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

	For the Semesters Ended June 30	
	2022	2021
Government securities	0.1% - 18.3%	0.2% - 18.3%
Private debt securities	0.4% - 6.9%	2.0% - 6.9%

As of June 30, 2022 and December 31, 2021, net unrealized losses on financial assets at FVOCI amounted to ₱4.6 billion and ₱703.7 million, respectively.

Investment Securities at Amortized Cost

This account consists of:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Government securities	P40,087,684	P34,133,294
Private debt securities	70,619,130	59,144,715
	110,706,814	93,278,009
Less allowance for credit losses (Note 13)	3,839,026	3,822,166
	P106,867,788	P89,455,843

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

	For the Semesters Ended June 30	
	2022	2021
Government securities	0.8% - 10.6%	2.4% - 10.6%
Private debt securities	2.0% - 8.3%	0.3% - 8.3%

Interest Income on Investment Securities at Amortized Cost and Financial Assets at FVOCI

This account consists of:

	For the Semesters Ended June 30	
	2022 (Unaudited)	2021 (Unaudited)
Continuing operations:		
Financial assets at FVOCI	P1,899,586	P1,411,794
Investment securities at amortized cost	1,371,991	1,678,250
	3,271,577	3,090,044
Discontinued operations:		
Financial assets at FVOCI	—	11,135
Investment securities at amortized cost	—	8,695
	—	19,830
	P3,271,577	P3,109,874

Trading and Investment Securities Gains (Losses) - net

This account consists of:

	For the Semesters Ended June 30	
	2022 (Unaudited)	2021 (Unaudited)
Continuing operations:		
Financial assets at FVTPL		
Private debt securities	(P164,595)	(P357,332)
Equity securities	(139)	84,541
Derivatives	—	22
Financial assets at FVOCI		
Government securities	—	1,271,429
Private debt securities	—	246,477
Equity securities	—	2
Investment securities at amortized cost	(276)	(606)
	(P165,010)	P1,244,533

8. Loans and Receivables

This account consists of:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Receivables from customers (Note 19):		
Loans and discounts	P577,485,187	P597,979,601
Credit card receivables	14,338,112	13,156,945
Customers' liabilities on letters of credit and trust receipts	9,369,948	8,315,300
Customers' liabilities on acceptances	6,629,264	7,109,896
Lease contracts receivable	2,310,907	2,615,992
Bills purchased	1,260,402	1,364,543
	611,393,820	630,542,277
Less unearned and other deferred income	869,225	1,118,244
	610,524,595	629,424,033
Other receivables:		
Accrued interest receivable (Note 19)	6,194,791	6,053,656
Sales contract receivables (Note 19)	5,759,087	6,029,384
Accounts receivable (Note 19)	4,442,840	4,191,402
Miscellaneous	333,764	596,037
	16,730,482	16,870,479
	627,255,077	646,294,512
Less allowance for credit losses (Note 13)	30,754,862	39,340,761
	P596,500,215	P606,953,751

Included in 'Surplus reserves' is the amount of P4.2 billion and P4.5 billion as of June 30, 2022 and December 31, 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* (Note 15).

As of June 30, 2022 and December 31, 2021, 73.6% and 68.3%, respectively, of the total receivables from customers of the Parent Company were subject to interest repricing. For the six-month periods ended June 30, 2022 and 2021, remaining receivables carry annual fixed interest rates ranging from 1.1% to 9.0% and from 1.0% to 9.0%, respectively, for foreign currency-denominated receivables, and from 1.6% to 31.0% and from 1.1% to 31.5%, respectively, for peso-denominated receivables.

9. Property and Equipment

For the six-month periods ended June 30, 2022 and 2021, the Group purchased assets with cost of P0.3 billion and P0.6 billion, respectively. For the same periods, the Group disposed property and equipment with net book value of P8.1 million and P9.6 billion, respectively, incurring gain on sale of P5.3 million and P8.1 million, respectively.

10. Investment Properties

For the six-month periods ended June 30, 2022 and 2021, the Group foreclosed investment properties amounting to ₱3.9 billion and ₱127.5 million, respectively. For the same periods, the Group disposed investment properties with net book value of ₱719.1 million and ₱4.4 billion, recognizing gain on sale of ₱3.8 billion and ₱6.5 million, respectively.

11. Goodwill and Intangible Assets

Software Costs

For the six-month periods ended June 30, 2022 and 2021, the Group purchased software with cost of ₱0.5 billion and ₱0.2 billion, respectively.

Goodwill

As of June 30, 2022 and December 31, 2021, goodwill for each cash-generating unit amounted to:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Retail Banking	₱6,110,312	₱6,110,312
Global Banking and Market	3,074,730	3,074,730
Corporate Banking	2,036,368	2,036,368
	₱11,221,410	₱11,221,410

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. As of June 30, 2022, the Parent Company assessed no events or changes in circumstances that will require impairment testing of its goodwill.

12. Other Assets and Other Liabilities

Other Assets

This account consists of:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Financial		
Return checks and other cash items	₱75,698	₱133,631
Security deposits	18,232	12,984
Receivable from special purpose vehicle	500	500
Miscellaneous	5,649	2,907
	100,079	150,022
Non-financial		
Creditable withholding taxes	1,919,119	1,686,145
Deferred charges	1,468,239	1,065,090
Prepaid expenses	728,978	645,222
Real estate inventories held under development	638,875	638,875
Documentary stamps on hand	303,009	357,884
Chattel mortgage properties - net of depreciation	185,361	227,187
(Forward)		

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Stationeries and supplies	₱96,671	₱87,651
Input value-added tax (VAT)	82,284	119,762
Other investments	31,067	30,760
Miscellaneous	893,271	868,538
	6,346,874	5,727,114
	6,446,953	5,877,136
Less allowance for credit and impairment losses (Note 13)	1,049,545	1,069,216
	₱5,397,408	₱4,807,920

Other Liabilities

This account consists of:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Financial		
Accounts payable	₱5,469,045	₱4,724,720
Manager's checks and demand drafts outstanding	1,960,565	1,256,121
Dormant credits	1,438,837	1,303,713
Bills purchased - contra	760,676	1,053,517
Deposits on lease contracts	583,048	593,903
Margin deposits and cash letters of credit	412,938	325,829
Accounts payable - electronic money	371,454	408,858
Due to other banks	252,620	154,949
Payment order payable	237,437	196,718
Transmission liability	104,211	58,308
Deposit for keys on safety deposit boxes	16,445	16,742
	11,607,276	10,093,378
Nonfinancial		
Provisions	1,096,639	1,095,325
Retirement benefit liability	1,020,447	926,259
Due to Treasurer of the Philippines	877,584	882,769
Deferred revenue - Credit card-related	577,868	548,630
Deferred revenue - Bancassurance	555,374	573,674
Deferred tax liabilities	165,024	165,228
Withholding tax payable	160,721	309,897
SSS, Philhealth, Employer's compensation premiums and Pag-IBIG contributions payable	46,301	43,359
Miscellaneous	998,800	1,081,353
	5,498,758	5,626,494
	₱17,106,034	₱15,719,872

13. Impairment, Credit and Other Losses

Provision for (Reversal of) Impairment, Credit and Other Losses

This account consists of:

	For the Semesters Ended June 30	
	2022	2021
	(Unaudited)	(Unaudited)
Continuing operations:		
Provision for (reversal of) credit losses	(P3,325,115)	P18,993,566
Provision for impairment and other losses	167,274	28,612
	(3,157,841)	19,022,178
Discontinued operations:		
Provision for impairment, credit and other losses	–	1,174
	(P3,157,841)	P19,023,352

Allowance for Impairment and Credit Losses

Movements in this account follow:

	June 30,	December 31,
	2022	2021
	(Unaudited)	(Audited)
Balance at beginning of period:		
Loans and receivables	P39,340,761	P32,414,652
Investment securities at amortized cost	3,822,166	3,982,398
Investment properties	2,204,822	2,583,670
Goodwill	2,153,997	–
Property and equipment	1,168,887	1,168,887
Financial assets at FVOCI	134,151	67,399
Cash and cash equivalents	20,816	12,781
Other assets	1,069,216	1,040,596
	49,914,816	41,270,383
Movements during the period:		
Provision for (reversal of) impairment, credit and other losses	(3,157,841)	12,967,152
Accounts charged-off	(486,636)	(1,439,313)
Disposals	–	(2,722,994)
Transfers and others	(4,812,966)	(160,412)
	(8,457,443)	8,644,433
Balance at end of period:		
Loans and receivables (Note 8)	30,754,862	39,340,761
Investment securities at amortized cost (Note 7)	3,839,026	3,822,166
Investment properties	2,388,784	2,204,822
Goodwill	2,153,997	2,153,997
Property and equipment	1,168,887	1,168,887
Financial assets at FVOCI	90,423	134,151
Cash and cash equivalents	11,849	20,816
Other assets (Note 12)	1,049,545	1,069,216
	P41,457,373	P49,914,816

14. Financial Liabilities

Deposit Liabilities

As of June 30, 2022, and December 31, 2021, noninterest-bearing deposit liabilities amounted to ₱32.6 billion and ₱28.6 billion, respectively. For the six-month periods ended June 30, 2022 and 2021, the remaining deposit liabilities of the Group generally bear annual fixed interest rates ranging from 0.1% to 6.8% for peso-denominated deposit liabilities, and from 0.0% to 3.0% for foreign currency-denominated deposit liabilities.

LTNCDs issued by the Parent Company consist of:

Issue Date	Maturity Date	Face Value	Coupon Rate	Interest Repayment Terms	Carrying Value	
					June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
October 11, 2019	April 11, 2025	₱4,600,000	4.38%	Quarterly	₱4,580,679	₱4,578,946
February 27, 2019	August 27, 2024	8,220,000	5.75%	Quarterly	8,191,466	8,187,523
October 26, 2017	April 26, 2023	6,350,000	3.88%	Quarterly	6,343,618	6,339,910
April 27, 2017	October 27, 2022	3,765,000	3.75%	Quarterly	3,763,549	3,761,261
December 6, 2016	June 6, 2022	5,380,000	3.25%	Quarterly	—	5,377,750
		₱28,315,000			₱22,879,312	₱28,245,390

Interest expense on deposit liabilities consists of:

	For the Semesters Ended June 30	
	2022 (Unaudited)	2021 (Unaudited)
Savings	₱981,851	₱980,891
LTNCD	619,780	635,617
Time	540,408	729,007
Demand	101,058	90,376
	₱2,243,097	₱2,435,891

Bonds Payable

This account consists of:

					Carrying Value	
				Interest	June 30,	December 31,
Issue Date	Maturity Date	Face Value	Coupon Rate	Repayment Terms	2022 (Unaudited)	2021 (Audited)
Fixed rate medium term senior notes						
June 27, 2019	September 27, 2024	USD750,000	3.28%	Semi-annually	₱41,111,357	₱38,117,754
April 26, 2018	April 27, 2023	300,000	4.25%	Semi-annually	16,469,068	15,265,667
		USD1,050,000			₱57,580,425	₱53,383,421

As of June 30, 2022 and December 31, 2021, the unamortized transaction costs of bonds payable amounted to ₱135.3 million and ₱168.7 million, respectively. For the six-month periods ended June 30, 2022 and 2021, amortization of transaction costs amounting to ₱33.4 million and ₱52.9 million, were charged to 'Interest expense on bonds payable' in the statements of income.

15. Equity

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 period	1,525,764,850	₱61,030,594

As of June 30, 2022 and December 31, 2021, the Parent Company had 36,245 and 36,286 stockholders, respectively.

Surplus Reserves

This account consists of:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Reserves under BSP Circular 1011 (Note 8)	₱4,172,592	₱4,461,857
Reserves for trust business	605,583	605,583
Reserves for self-insurance	80,000	80,000
	₱4,858,175	₱5,147,440

Regulatory Reporting for Capital Management

As of June 30, 2022, Common Equity Tier 1 (CET1) ratio as reported to the BSP was 14.5% while total Capital Adequacy Ratio (CAR) was computed at 15.2%. As of December 31, 2021, CET1 ratio was 13.0%, while total CAR was computed at 13.7%.

16. Other Operating Income and Expenses

Service Fees and Commission Income

This account consists of:

	For the Semesters Ended June 30	
	2022 (Unaudited)	2021 (Unaudited)
Continuing operations:		
Deposit-related	₱726,340	₱626,663
Loan-related	533,966	764,727
Remittance	318,085	341,814
Credit card-related	316,175	332,089
Bancassurance	275,901	120,056
Underwriting fees	250,080	327,991
Interchange fees	200,690	163,284
Trust fees	156,009	162,902
Miscellaneous	213,573	145,592
	2,990,819	2,985,118
Discontinued operations:		
Miscellaneous	—	110
	₱2,990,819	₱2,985,228

Miscellaneous Expenses

This account consists of:

	For the Semesters Ended June 30	
	2022	2021
	(Unaudited)	(Unaudited)
Continuing operations:		
Insurance	₱992,425	₱1,008,465
Secretarial, janitorial and messengerial	685,513	794,233
Marketing expenses	523,283	347,258
Information technology	515,157	499,650
Litigation and assets acquired expenses	194,081	250,700
Travelling	147,511	134,918
Management and other professional fees	131,667	170,997
VAT on leases	75,680	52,155
Postage, telephone and cable	69,200	69,914
Entertainment, amusement and recreation (EAR)	65,785	73,790
Repairs and maintenance	26,081	28,380
Freight	12,962	13,262
Fuel and lubricants	7,180	5,457
Others	385,978	327,173
	3,832,503	3,776,352
Discontinued operations:		
Information technology	—	2,906
Secretarial, janitorial and messengerial	—	1,620
Postage, telephone and cable	—	751
Marketing expenses	—	717
Travelling	—	508
Management and other professional fees	—	416
Fuel and lubricants	—	411
EAR	—	142
Insurance	—	5
Others	—	1,355
	—	8,831
	₱3,832,503	₱3,785,183

17. Income Taxes

Provision for income tax consists of:

	For the Semesters Ended June 30	
	2022	2021
	(Unaudited)	(Unaudited)
Continuing operations:		
Current		
Regular	₱1,444,179	₱794,081
Final	768,651	751,439
	2,212,830	1,545,520
Deferred	1,092,272	(729,406)
	3,305,102	816,114
Discontinued operations:		
Final tax	—	4,774
	₱3,305,102	₱820,888

As of June 30, 2022 and December 31, 2021, the Group recognized deferred tax assets amounting to ₱5.4 billion and ₱6.4 billion, respectively, with the decrease in 2022 mainly coming from the reduction of deferred tax assets on allowance for impairment and credit losses due to the reversal of credit provisions amounting to ₱3.2 billion during the period.

18. Earnings Per Share

Earnings per share of the Group, attributable to equity holders of the Parent Company, are calculated as follows:

	For the Semesters Ended June 30	
	2022 (Unaudited)	2021 (Unaudited)
a) Net income attributable to equity holders of the Parent Company	₱11,038,653	₱22,077,277
b) Weighted average number of common shares for basic earnings per share	1,525,765	1,525,765
c) Basic and diluted earnings per share (a/b)	₱7.23	₱14.47

Earnings per share attributable to equity holders of the Parent Company from continuing operations is computed as follows (amounts in thousands):

	For the Semesters Ended June 30	
	2022 (Unaudited)	2021 (Unaudited)
a) Net income from continuing operations attributable to equity holders of the Parent Company	₱11,038,653	₱22,056,661
b) Weighted average number of common shares for basic earnings per share	1,525,765	1,525,765
c) Basic and diluted earnings per share (a/b)	₱7.23	₱14.46

The June 2021 earnings per share was restated to reflect the net income attributable to equity holders of the Parent Company for the six-month period ended June 30, 2021 and not being annualized for 12 months.

There are no potential common shares that would dilute the earnings per share.

19. 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;
- subsidiaries, joint ventures and associates and their respective subsidiaries; and
- post-employment benefit plans for the benefit of the Group's employees.

Balances of significant related party transactions of the Group as of June 30, 2022 and December 31, 2021 are shown in the following table (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 affiliates represent companies which are under common control.

	Significant Investors		Subsidiaries		Affiliates		Associate	
	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021
Receivables from customers	P=	P=	P1,214,377	P1,471,253	P45,227,099	P57,580,429	P=	P=
Loan commitments	—	—	13,011,730	13,796,172	95,424,283	32,168,949	—	—
Financial assets at FVOCI	—	—	—	—	23,158,670	22,989,975	—	—
Interbank loans receivable	—	—	41,623	29,403	—	—	—	—
Due from other banks	—	—	262	248,314	—	—	—	—
Accounts receivable	—	—	26,987	67,772	—	—	—	—
Accrued interest receivable	—	—	3,287	7,520	104,087	127,339	—	—
Right-of-use assets	—	—	—	—	3,354,358	3,354,358	—	—
Rental deposits	—	—	—	4,044	—	—	27	27
Deposit liabilities	955,606	4,415	4,587,850	12,687,720	30,710,968	36,117,192	526,489	554,606
Bills payable	—	—	42,538	30,477	—	—	—	—
Bonds payable	—	—	—	—	82,463	76,499	—	—
Accrued interest payable	—	—	31,996	103,473	19,369	16,900	13	—
Accrued other expenses	—	—	—	—	200,446	57,369	—	—
Lease liabilities	—	—	—	—	3,737,162	3,180,228	—	—
Deferred revenues	—	—	—	—	46,111	47,778	658,791	695,391
Due to other banks	—	—	267,998	35,719	—	—	—	—

Significant related party transactions of the Group for the six-month periods ended June 30, 2022 and 2021 follow (transactions with subsidiaries have been eliminated in the consolidated financial statements):

	Significant Investors		Subsidiaries		Affiliates		Associate	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Interest income	P=	P=	P51,701	P34,871	P345,473	P 1,142,144	P=	P=
Interest expense	2,866	4	14,417	55,863	202,674	22,911	335	121
Rental income	—	—	1,611	—	—	—	27	—
Miscellaneous other income	—	—	1,096	—	—	—	—	—
Purchases of securities	—	—	—	498,964	4,655,079	200,000	—	—
Sale of securities	—	—	243	(18,556)	1,281,826	150,000	—	—
Trading gains (losses)	—	—	18	1,931	(1,681)	—	—	—
Service fee income	—	—	—	—	—	—	36,600	36,600

Transactions with related parties are made on similar terms and conditions as disclosed in the most recent annual audited financial statements.

In 2021, the Group recognized a one-off P33.6 billion gain on loss of control over PNB Holdings as a subsidiary. Details of this gain is extensively discussed in the most recent annual audited financial statements of the Group.

20. Provisions, Contingencies and Other Commitments

In the normal course of business, the Group makes various commitments and incurs certain contingent liabilities which are not presented in the accompanying unaudited interim condensed 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 unaudited interim condensed financial statements.

There were no significant settlements made in 2022.

Tax Assessment

In the ordinary course of the Group's operations, certain entities within the Group have pending tax assessments/claims which are in various stages of protest/appeal with the tax authorities, the amounts of which cannot be reasonably estimated. Management believes that the bases of said protest/appeal are legally valid such that the ultimate resolution of these assessments/claims would not have material effects on the consolidated financial position and results of operations.

21. Notes to the Statements of Cash Flows

Interbank Loans Receivable

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

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Interbank loans receivable	P12,438,991	P32,112,667
Less: Allowance for credit losses	1,774	6,579
	12,437,217	32,106,088
Less: Interbank loans receivable not considered as cash and cash equivalents	3,910,264	1,652,710
	P8,526,953	P30,453,378

Cash Flows from Financing Activities

The changes in liabilities arising from financing activities for the six-month periods ended June 30, 2022 and 2021 follow:

	June 30, 2022 (Unaudited)			
	Beginning balance	Net cash flows	Others	Ending balance
Bills and acceptances payable	P52,953,797	(P36,667,109)	P1,312,589	P17,599,277
Bonds payable	53,383,421	–	4,197,004	57,580,425
Lease liabilities	3,765,391	(520,315)	516,569	3,761,645
	P110,102,609	(P37,187,424)	P6,026,162	P78,941,347

	June 30, 2021 (Unaudited)			
	Beginning balance	Net cash flows	Others	Ending balance
Bills and acceptances payable	P87,159,450	(P40,723,956)	P494,593	P46,930,087
Bonds payable	64,056,335	(13,870,000)	865,607	51,051,942
Lease liabilities	1,366,016	(309,415)	3,397,208	4,453,809
	P152,581,801	(P54,903,371)	P4,757,408	P102,435,838

Non-Cash Transactions

For the six-month periods ended June 30, 2022 and 2021, additions to right-of-use assets amounted to ₱0.3 billion and ₱3.3 billion, respectively, while additional lease liabilities amounted to ₱0.5 billion and ₱3.4 billion, respectively.

For the six-month periods ended June 30, 2022 and 2021, the Group foreclosed investment properties amounting to ₱3.9 billion and ₱127.5 million, respectively.

For the six-month periods ended June 30, 2022 and 2021, the Group applied creditable withholding taxes against its income tax payable amounting to ₱565.5 million and ₱771.9 million, respectively.

22. Events After the Reporting Date

On July 5, 2022, the BOD of the Parent Company approved the following:

- a. Resignation of Mr. Jose Arnulfo A. Veloso as President and Chief Executive Officer of PNB, effective July 5, 2022; and
- b. Appointment of Mr. Florido P. Casuela, Director, as Acting President of PNB, effective July 5, 2022.

On July 22, 2022, the BOD of the Parent Company approved the additional capital infusion of up to ₱392.0 million to Allianz-PNB Life Insurance, Inc., an associate, subject to regulatory approvals.

On August 12, 2022, the BOD of the Parent Company approved the appointment of Mr. Jose German M. Licup, First Senior Vice President, as Officer-in-Charge of PNB-Mizuho Leasing and Finance Corporation and PNB-Mizuho Equipment Rentals Corporation (collectively PMLFC), effective August 12, 2022 until termination of the winding down process of PMLFC.

23. Other Matters

The Group has nothing material to report on the following items:

- known demands or commitments that will have a material impact on the Group's liquidity and continuing operations within the next twelve (12) months, except for the proposal to amend the Articles of Incorporation of PMLFC to shorten its corporate term to March 31, 2024, which was approved by the BOD of the Parent Company on June 24, 2022, and still subject to necessary regulatory approvals;
- any events that will trigger direct or contingent financial obligations that is material to the Group, including any default or acceleration of an obligation;
- material off-balance sheet transactions, various commitments, arrangements, contingent assets and contingent liabilities other than those already discussed above;
- material commitments for capital expenditures;
- issuances, repurchases and repayments of debt and equity securities, except for the settlements for the maturity on June 6, 2022 of LTNCDs with face value of ₱5.38 billion;
- seasonal aspects that had a material effect on the Group's financial condition and results of operations;
- dividends declared or paid; and
- material events subsequent to June 30, 2022 other than the disclosure in Note 22.

24. Approval of the Release of the Unaudited Interim Condensed Consolidated Financial Statements

The accompanying unaudited interim condensed consolidated financial statements of the Group were authorized for issue by the Parent Company's BOD on August 12, 2022.

ANNEX B

PHILIPPINE NATIONAL BANK SCHEDULE OF AGING OF LOANS RECEIVABLES FROM CUSTOMERS

The Schedule of Aging of Loans Receivables from Customers, as required by Philippine Stock Exchange (PSE) in its Circular letter No. 2164-99 dated August 23, 2001, is shown below (in thousands):

	June 30, 2022
Current Accounts	P569,762,355
Past Due:	
Less than 30 days	6,003,322
31 to 90 days	729,278
91 to 180 days	4,708,235
More than 180 days	30,190,630
Loans Receivables, gross	611,393,820
Less:	
Unearned and other deferred income	(869,225)
Allowance for credit losses	(27,305,505)
Loans Receivables, net	P583,219,090