



Office of the EVP and Chief Financial Officer

Direct Lines: 573-4074 Fax: 526-3416
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Locals: 4074,4499


May 11, 2021

MS. JANET A. ENCARNACION
Head, Disclosure Department
Philippine Stock Exchange
6/F PSE Tower
28th Street corner 5th Avenue
BGC, Taguig City

Dear Ms. Encarnacion:

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 Philippine National Bank as of and for the period ended March 31, 2021.

Very truly yours,


NELSON C. REYES
Executive Vice President &
Chief Financial Officer

cc: ATTY. MARIE ROSE M. MAGALLEN-LIRIO
Head – Issuer Compliance and Disclosure Department (ICCD)
Philippine Dealing & Exchange Corporation
29/F, BDO Equitable Tower,
8751 Paseo de Roxas, Makati City

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

	3
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Month

3	1
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Day

Fiscal Year

17 - Q

FORM TYPE

4	27
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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

36,375

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

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Document I.D.

Cashier

S T A M P S

Remarks = pls. use black ink for scanning purposes

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, 2020

(Calendar Year Ended)

SEC FORM 17-Q REPORT

Form Type

(Amendment Designation (if applicable))

MARCH 31, 2021

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 : **March 31, 2021**
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

1. Philippine National Bank (the Parent Company or PNB) was established in the Philippines in 1916 and started commercial operations that same year. The Parent Company is one of the country's largest private universal banks in terms of assets and deposits. It 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 to its highly diverse clientele comprised of individual depositors, small and medium enterprise, domestic and international corporations, government institutions, and overseas Filipinos.

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

2. The unaudited interim consolidated financial statements included in this regulatory filing contains the following:
 - Interim consolidated statement of financial position
 - Interim consolidated statements of income
 - Interim consolidated statements of changes in equity
 - Interim consolidated statements of cash flows
 - Schedule of aging of loans receivables from customers
 - Selected explanatory notes and other schedules and information in compliance with the requirements of the Securities Regulations Code
3. The accompanying unaudited interim financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) adopted by the Philippine Securities and Exchange Commission (SEC).
4. The accompanying interim consolidated financial statements of the Group have been accordingly prepared consistent with the most recent annual audited financial statements as of December 31, 2020, except for the following amendments to PFRSs which became effective as of January 1, 2021:
 - Amendments to PFRS 9, *Financial Instruments*, PFRS 7, *Financial Instruments: Disclosures*, PFRS 4, *Insurance Contracts*, and PFRS 16, *Leases: Interest Rate Benchmark Reform – Phase 2*. The amendments provide the following temporary reliefs, which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):
 - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
 - Relief from discontinuing hedging relationships
 - Relief from the 'separately identifiable' requirement when an RFR instrument is designated as a hedge of a risk component

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Financial condition as at March 31, 2021 (Unaudited) compared to December 31, 2020 (Audited)

The Group's consolidated total assets stood at ₱1,135.5 billion as of March 31, 2021, 7.8% or ₱95.6 billion lower compared to ₱1,231.1 billion reported as of December 31, 2020. Major changes in assets were registered in the following accounts:

- Cash and Other Cash Items, Due from Bangko Sentral ng Pilipinas, and Interbank Loan Receivables as of March 31, 2021 decreased by ₱3.3 billion, ₱49.9 billion and ₱9.7 billion from ₱25.1 billion, ₱202.1 billion and ₱39.7 billion, respectively, as of December 31, 2020. Conversely, Due from Other Banks and Securities Held Under Agreements to Resell as of March 31, 2021 at ₱22.4 billion, and ₱16.8 billion, respectively, increased by ₱2.6 billion, and ₱0.9 billion compared to ₱19.7 billion, and ₱15.8 billion, respectively, as of December 31, 2020.

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 19.0% and 20.5% of the Group's total assets as of March 31, 2021 and December 31, 2020, respectively, declined by ₱37.2 billion or 14.7%, mainly due to net losses on Financial Assets at FVTPL and disposal of various Financial Assets at FVOCI and maturities of Investment Securities at Amortized Cost, net of purchases.
- Loans and Receivables represent 53.7% and 48.7% of the Group's total assets as of March 31, 2021 and December 31, 2020, respectively. Loans and Receivables increased by ₱9.3 billion or 1.5%, at ₱609.3 billion as of March 31, 2021 from ₱600.0 billion as of December 31, 2020, mainly due to ₱11.6 billion net releases of loans and receivables, offset by additional provision for impairment, credit and other losses of ₱2.1 billion.
- Investment in an Associate decreased by ₱0.3 billion or 11.6%, at ₱2.0 billion as of March 31, 2021 from ₱2.3 billion as of December 31, 2020, mainly due to the Group's share in net comprehensive losses of an associate.
- Assets of Disposal Group Classified as Held for Sale decreased by ₱7.9 billion or 100.0% due to the sale of the Group's remaining stake in PNB Gen.

The Group's consolidated total liabilities stood at ₱981.0 billion as of March 31, 2021, decreased by 8.8% or ₱94.1 billion from ₱1,075.1 billion as of December 31, 2020. Major changes in liabilities were registered in the following accounts:

- Deposit Liabilities at ₱847.6 billion and ₱890.3 billion which represent 86.4% and 82.8% of the Group's total liabilities as of March 31, 2021 and December 31, 2020, respectively, dropped by ₱42.7 billion or 4.8%. Demand and Savings Deposits increased by ₱7.6 billion or 3.8%, and ₱23.6 billion or 5.5%, respectively. Time Deposits went down by ₱73.9 billion or 31.2%.
- Financial Liabilities at FVTPL decreased by ₱241.2 million or 34.4% from 2020 year-end balance of ₱701.2 million mainly from the maturities for the period.

- Bills and Acceptances Payable declined by ₱45.7 billion or 52.4% from ₱87.2 billion to ₱41.5 billion as of December 31, 2020 and March 31, 2021, respectively, brought by the decrease in the level of interbank borrowing and repurchase agreements.
- Income Tax Payable decreased by ₱509.1 million from ₱903.0 million as of December 31, 2020 to ₱393.9 million as of March 31, 2021 with the effectivity of Republic Act No. 11534, otherwise known as Corporate Recovery and Tax Incentives for Enterprises Act or “CREATE” in March 2021.
- Liabilities of Disposal Group Classified as Held for Sale decreased by ₱6.4 billion or 100.0% due to the sale of the Group’s remaining stake in PNB Gen.

The Group’s consolidated total equity stood at ₱154.5 billion as of March 31, 2021 from ₱156.0 billion as of December 31, 2020, or a decrease of ₱1.5 billion attributed mainly to the decline in Net Unrealized Gains on Financial Assets at FVOCI from ₱3.0 billion as of December 31, 2020 to ₱15.8 million as of March 31, 2021 and ₱0.2 billion increase in Remeasurement Losses on Retirement Plan. The decline in total equity was offset by the consolidated net income for the three months ended March 31, 2021 amounting to ₱1.8 billion and increase in Accumulated Translation Adjustment by ₱0.1 billion.

Results of operation for the three months ended March 31, 2021 (Unaudited) compared to same period ended March 31, 2020 (Unaudited)

- For the three months ended March 31, 2021, the Group recorded net income of ₱1.8 billion, ₱0.5 billion or 34.0% higher than the ₱1.3 billion net income for the same period last year.
- Net interest income amounted to ₱8.2 billion, lower by 6.7% or ₱0.6 billion compared to the same period last year. Total interest income decreased by 17.3% or ₱2.2 billion to ₱10.4 billion from ₱12.6 billion for the same period last year due to lower yields on loans and receivables, trading and investment securities and interbank receivables. Total interest expense decreased to ₱2.1 billion or by ₱1.6 billion from ₱3.7 billion for the same period last year primarily due to reduction in levels of high-cost deposits as compared to the same period last year.
- Net service fees and commission income increased by ₱0.3 billion or 34.6% at ₱1.3 billion for the three months ended March 31, 2021 from ₱961.5 million for the same period last year due to higher credit card-related fees and underwriting fees.
- Other income decreased to ₱1.6 billion compared to ₱2.5 billion for the same period last year mainly due to the decline in net gains on trading and investment securities by ₱1.1 billion.
- Administrative and other operating expenses amounted to ₱8.8 billion for the three months ended March 31, 2021, ₱1.8 billion or 17.1% lower compared to the same period last year, mainly due to the decrease in provisions for impairment, credit and other losses by ₱1.3 billion.
- Total comprehensive income (loss) for the three months ended March 31, 2021 amounted to (₱1.1 billion) registering an improvement of ₱1.6 billion or 59.2% compared to the same period last year mainly due to the declines in Net Change in Unrealized Gain on Debt Securities at FVOCI and Share in Changes in Aggregate Losses on Life Insurance Policies, and higher Accumulated Translation Adjustment, offset by higher Remeasurement Losses on Retirement Plan.

Key performance indicators

	<u>03/31/2021</u>	<u>03/31/2020</u>	<u>12/31/2020</u>
Income statement			
Return on equity (ROE) ^{1/}	4.68%	3.53%	1.69%
Return on assets (ROA) ^{2/}	0.61%	0.49%	0.22%
Net interest margin (NIM) ^{3/}	3.17%	3.33%	3.31%
Cost efficiency ratio ^{4/}	60.34%	58.86%	61.27%
Balance sheet			
BSP Capital Adequacy Ratios (CAR):			
CAR	14.77%	14.72%	15.14%
Tier 1 Ratio	14.11%	13.80%	14.47%
Non-performing loans (NPL) Ratio:			
Net of allowance	6.37%	1.78%	6.99%
Gross of allowance	10.74%	3.27%	10.20%
Liquid assets-to-Total assets Ratio	32.32%	22.23%	37.37%
Current assets-to-Current liabilities	65.05%	64.38%	69.19%

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

^{2/} Annualized net income 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 (excluding provision for impairment, credit and other losses) to total operating income.

- Consolidated risk-based CAR and Tier 1 ratio computed based on BSP guidelines continue to remain above minimum regulatory requirements. These ratios measure the Group's capital buffers relative to various risks it assumes.
- Other financial soundness indicators are shown in Annex A.

SELECTED NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. Significant events during the period

- On January 13, 2021, the SEC approved the increase in the authorized capital stock of PNB Holdings Corporation (PNB Holdings) from ₱500.0 million divided into 5,000,000 shares with par value of ₱100 per share, to ₱50.5 billion divided into 505,000,000 shares with the same par value. On the same date, the Parent Company proceeded with the subscription of additional 466,770,000 shares of PNB Holdings shares in exchange for certain real estate properties with fair values of ₱46.7 billion.
- On February 19, 2021, the Parent Company's Board of Directors (BOD) approved the infusion of additional capital of up to ₱515.0 million to PNB Mizuho Leasing and Finance Corporation (PMLFC), subject to regulatory and other necessary approvals. The infusion of additional capital will increase the Parent Company shareholdings in PMLFC from 75.0% to 83.5%.
- On February 23, 2021, the SEC approved the change of the corporate name of PNB Savings Bank to Allied Integrated Holdings, Inc.
- On March 26, 2021, the Parent Company's BOD approved and confirmed the infusion of additional capital of up to ₱245.0 million to Allianz-PNB Life Insurance, Inc., an associate, subject to regulatory and other necessary approvals.

- On January 21 and March 19, 2021, the Parent Company received from Alliedbankers Insurance Corporation (ABIC), an affiliate, the first two tranches representing 10% and 45%, respectively, of the selling price for the sale of PNB's shares in PNB General Insurers, Inc. (PNB Gen). On March 31, 2021, ABIC advanced 80% of the last tranche of the selling price.

2. Fair value hierarchy

- The Group uses the following hierarchy for determining and disclosing the fair value of assets and liabilities:
 - Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
 - Level 2: valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable
 - Level 3: valuation techniques for which the lowest level of input that is significant to their fair value measurement is unobservable
- The Group held the following assets and liabilities measured at fair value and at cost but for which fair values are disclosed and their corresponding level in fair value hierarchy:

	Consolidated				
	March 31, 2021				
	Carrying Value	Level 1	Level 2	Level 3	Total
Measured at fair value:					
Financial Assets					
Financial assets at FVTPL:					
Government securities	P20,779,694	P20,276,096	P503,598	P—	P20,779,694
Private debt securities	2,498,481	—	2,498,481	—	2,498,481
Equity securities	1,078,906	1,078,906	—	—	1,078,906
Derivative assets	467,107	—	467,107	—	467,107
Investment in UITFs	2,938	—	2,938	—	2,938
Financial assets at FVOCI:					
Government securities	80,102,489	51,404,130	28,698,359	—	80,102,489
Private debt securities	17,438,046	—	17,438,046	—	17,438,046
Equity securities	1,457,962	396,807	386,309	674,846	1,457,962
	P123,825,623	P73,155,939	P49,994,838	P674,846	P123,825,623
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	P460,077	P—	P460,077	P—	P460,077
Fair values are disclosed:					
Financial Assets					
Financial assets at amortized cost:					
Investment securities at amortized cost*	P91,729,832	P12,692,938	P81,665,311	P—	P94,358,249
Receivables from customers **	596,387,373	—	—	631,892,282	631,892,282
	P688,117,205	P12,692,938	P81,665,311	P631,892,282	P726,250,531
Nonfinancial Assets					
Investment property:					
Land ***	P12,563,516	P—	P—	P33,738,102	P33,738,102
Buildings and improvements ***	1,879,535	—	—	4,672,421	4,672,421
	P14,443,051	P—	P—	P38,410,523	P38,410,523
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	P162,761,133	P—	P—	P162,761,133	P162,761,133
LTNCDs	28,220,230	—	28,314,629	—	28,314,629
Bonds payable	64,615,491	38,476,889	29,364,335	—	67,841,224
Bills payable	37,470,088	—	—	37,474,759	37,474,759
	P293,066,942	P38,476,889	P57,678,964	P200,235,892	P296,391,745

* Net of expected credit losses and other deferred credits

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

*** Net of impairment losses

	Consolidated				
	December 31, 2020				
	Carrying Value	Level 1	Level 2	Level 3	Total
Measured at fair value:					
Financial Assets					
Financial assets at FVTPL:					
Government securities	P18,136,391	P17,657,777	P478,614	P–	P18,136,391
Private debt securities	4,296,100	3,198,949	1,097,151	–	4,296,100
Equity securities	1,019,626	1,019,626	–	–	1,019,626
Derivative assets	370,653	–	370,653	–	370,653
Investment in UITFs	2,938	–	2,938	–	2,938
Financial assets at FVOCI:					
Government securities	110,846,766	67,513,412	43,333,354	–	110,846,766
Private debt securities	21,418,534	9,773,253	11,645,281	–	21,418,534
Equity securities	1,450,052	302,340	540,109	607,603	1,450,052
	P157,541,060	P99,465,357	P57,468,100	P607,603	P157,541,060
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	P701,239	P–	P701,239	P–	P701,239
Fair values are disclosed:					
Financial Assets					
Investment securities at amortized cost*	P95,235,993	P12,712,144	P86,656,274	P–	P99,368,418
Receivables from customers **	585,855,937	–	–	622,821,007	622,821,007
	P681,091,930	P12,712,144	P86,656,274	P622,821,007	P722,189,425
Nonfinancial Assets					
Investment property:					
Land ***	P12,488,869	P–	P–	P26,970,597	P26,970,597
Buildings and improvements ***	1,956,887	–	–	3,947,077	3,947,077
	P14,445,756	P–	P–	P30,917,674	P30,917,674
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	P236,694,042	P–	P–	P236,694,042	P236,694,042
LTNCDs	28,212,034	–	28,541,261	–	28,541,261
Bonds Payable	64,056,335	38,225,468	29,503,486	–	67,728,954
Bills payable	83,598,532	–	–	83,600,018	83,600,018
	P412,560,943	P38,225,468	P58,044,747	P320,294,060	P416,564,275

* Net of expected credit losses and other deferred credits

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

*** Net of impairment losses

- Fair values of listed securities at the reporting date are based on quoted market prices or binding dealer price quotations, without any deduction for transaction costs.
- For all other financial instruments, fair value is determined using valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist and other revaluation models.
- For nonfinancial assets, fair values are based on appraisal by independent external and in-house appraisers based on highest and best use of the property.

3. Financial risk management

- The Board of Directors, 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 robust risk culture, which seamlessly flows through not only within the Parent Company, but also across the Group subsidiaries and affiliates.
- The Parent Company's Board of Directors has delegated specific responsibilities to various board committees, which are integral to the 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 Group's board of directors. The Group'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 the Group's Enterprise Risk Management (ERM) Framework, 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 & risk-reporting process.
- 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 into 7 divisions:
 1. Credit Risk Division
 2. BASEL/ICAAP/Operational Risk Management Division
 3. Market & ALM Division
 4. Information Technology Risk Division (which include Business Continuity Management, Outsourcing Risk, Project Management Monitoring)
 5. Data Privacy Management Division
 6. Trust Risk Division
 7. Business Intelligence & Data Warehouse Division
- Each division 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 ROC which meets monthly to discuss the immediate previous month's total risk profile according to the material risks defined by the Group in its ICAAP document. Further, each risk division engages with all levels of the organization among its business and support groups. This ensures that the risk management and monitoring is embedded at the time of origination.

Risk Categories and Definitions

Risks are broadly classified and defined into the following categories, and are managed in accordance to their characteristics. These are monitored accordingly under the Enterprise Risk Management (ERM) Framework:

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
Credit Risk (including Credit Concentration Risks and	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	Loan Portfolio Analysis Credit Dashboards Credit Review	<ul style="list-style-type: none"> ▪ Trend Analysis (Portfolio / Past Due and NPL Levels)

Counterparty Risks)	<p>contract.</p> <p>Credit Concentration Risk is part of credit risk that measures the risk concentration to any single customer or group of closely-related customers with the potential threat of losses which are substantial enough to affect the financial soundness of a financial institution (<i>BSP Circular 414, dated 13 January 2004</i>)</p>	Credit Model Validation	<ul style="list-style-type: none"> ▪ 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 position taking in interest rate, foreign exchange, equity, and commodities market.</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
Liquidity Risk	<p>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.</p>	<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)	<p>Interest rate risk is the current and prospective risk to earnings or capital arising from movements in interest rates. 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 Circular 510, dated 03 February 2006</i>)</p>	<ul style="list-style-type: none"> ▪ Interest Rate Gap Analysis ▪ Earnings at Risk (EaR) Measurement ▪ Duration based Economic Value of Equity 	<ul style="list-style-type: none"> ▪ EAR Limits ▪ Balance Sheet Profiling ▪ Repricing Gap Analysis ▪ Duration based Economic Value of Equity ▪ Stress testing ▪ BSP Uniform Stress Testing
Operational Risk	<p>Operational Risk refers to the risk of loss resulting from inadequate or failed internal processes, people and systems; or from external events. This definition includes Legal Risk but excludes Strategic and Reputational Risk. Operational Risk is inherent in all activities, products and services, and cuts across multiple activities and business lines within the financial institution and across the different entities in a banking group or conglomerate where the</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</p>	<ul style="list-style-type: none"> ▪ Internal Control ▪ Board Approved Operating Policies and Procedures Manuals ▪ Board Approved Product Manuals ▪ Loss Events Report (LER) ▪ Risk and Control Self-Assessment (RCSA) ▪ Key Risk Indicators (KRI)

	financial institution belongs. (BSP Circular 900, dated 18 January 2016)	Operational Risk Management: Risk Identification – Risk Maps Risk Measurement and Analysis – ICAAP Risk Assessment	<ul style="list-style-type: none"> ▪ Business Continuity Management (BCM) ▪ Statistical Analysis
Included in the Operational Risks:			
Reputational Risk (Customer Franchise Risk) Including Social Media Risk and AML Risk	<p>Reputational risk is the current and prospective impact on earnings or capital arising from negative public opinion.</p> <p>Customer franchise risk is defined as the failure to find, attract, and win new clients, nurture and retain those the Bank already has, and entice former clients back into the fold as well as the failure to meet client's expectation in delivering the Bank's products and services.</p> <p>Risks in social media include susceptibility to account takeover, malware distribution, brand bashing, inadvertent disclosure of sensitive information and privacy violation, among other possible threats</p> <p>Risks relating to Money Laundering refers to transfers or movement of funds that falls into the following (but not limited to) categories:</p> <ol style="list-style-type: none"> 1. Terrorist financing; 2. Unlawful purposes; and 3. Transactions over certain amounts as defined by AMLC – Anti-Money Laundering Council. 	<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:</p> <ul style="list-style-type: none"> ▪ Risk Identification – Risk Maps ▪ Risk Measurement and Analysis – ICAAP Risk Assessment <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"> ▪ Account Closures Report ▪ Service Desk Customer Issues Report/Customer Complaints Monitoring Report ▪ Mystery Caller/Shopper ▪ Evaluation/ Risk Mitigation of negative media coverage ▪ Public Relations Campaign ▪ Review of Stock Price performance ▪ Fraud Management Program ▪ Social Media Management Framework ▪ Social Media Risk Management ▪ AML Compliance Review / Monitoring ▪ Enhanced Due Diligence Program for Customers
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.		<ul style="list-style-type: none"> ▪ Management Profitability Reports – Budgets vs Actuals ▪ Benchmarking vis-a-vis Industry, Peers ▪ Economic Forecasting ▪ Annual Strategic Planning Exercise
Cyber Security Risk	<p>Cyber Security Risk is the current and prospective impact on earnings, reputation, customer franchise, and/or capital arising from information security threats of attack on the Bank's digital footprint through (not limited to) the following:</p> <ul style="list-style-type: none"> • Breaches in data security; • Sabotage on online (web-based) activities (Ransomware, DDOS, etc.); 		<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

	<ul style="list-style-type: none"> Common threats (spam, phishing, malware, spoofing viruses, spoofing, etc.); and Scams and Frauds (Social engineering, identify thefts, email scams, etc.). 		<ul style="list-style-type: none"> Limits on Access Privileges Scanning of outbound and inbound digital traffic
Information Security / Data Privacy	<p>Information Security Risk is the risk to organizational operations 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). Social Engineering can result in various key risk indicators – phishing, spamming, dumpster diving, direct approach, baiting, spying & eaves dropping, among others.</p> <p>Data Privacy Risk refers to the risk of misuse of personal data that could lead to individual harm which may take the form of loss of income, other financial loss, reputational damage, discrimination, and other harms.</p>		<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 (including Core Banking Implementation)	<p>Technology Risk results from human error, malicious intent, or even compliance regulations. It threatens assets and processes vital to the Bank's business and may prevent compliance with regulations, impact profitability, and damage the Bank's reputation in the marketplace.</p> <p>Risks in the smooth operation of the newly implemented core banking application may also threaten the delivery of service to clients and customer.</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) 	<ul style="list-style-type: none"> Risk Asset Register 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 Vendor Management Process Monitoring

- The Group's risk management framework banks on a dynamic process that supports the development and implementation of the strategy of the Group. The process revolves around methodically addressing risks associated with the business lines of the Group. The ERM Framework, with regular reviews and updates, 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 lines-of-defense model, which are fundamental to PNB's aspiration to be world-class at managing risk.

1. The first line of defense 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
 - d. a strong control culture of effective and transparent risk partnership
2. The second line of defense comes from both the risk management function and the compliance function of the Group, which are independent of business operations. The risk management function implements the risk management framework, provides independent oversight over specific board directives and is responsible for regular reporting to the ROC. The compliance function develops and implements governance standards, frameworks and policies for each material risk type to which the group is exposed. This ensures consistency in approach across the group's business lines and legal entities. The compliance function reports directly to the Board Audit and Compliance Committee (BACC).
3. The third line of defense is the internal audit function which provides an independent assessment(s) of the adequacy and effectiveness of the overall risk management framework and governance structures. The internal audit function reports directly to the BACC.

4. Segment Reporting

- 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; and
 - 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, insurance, leasing, remittances and other support services. Other support services of the Group comprise of the operations and financial control groups.

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:

	March 31, 2021					Total
	Retail Banking	Corporate Banking	Global Banking and Market	Others	Adjustments and Eliminations*	
Net interest margin						
Third party	₱4,085	₱6,760,089	₱1,390,806	₱25,342	₱57,143	₱8,237,465
Inter-segment	4,337,570	(3,647,495)	(690,075)	—	—	—
Net interest margin after inter-segment transactions	4,341,655	3,112,594	700,731	25,342	57,143	8,237,465
Other income	1,100,819	400,410	1,026,394	705,786	(109,730)	3,123,679
Segment revenue	5,442,474	3,513,004	1,727,125	731,128	(52,587)	11,361,144
Other expenses	3,001,050	2,604,540	18,087	276,168	(52,587)	5,847,258
Segment result	₱2,441,424	₱908,464	₱1,709,038	₱454,960	₱—	5,513,886
Unallocated expenses						3,212,921
Net income before income tax						2,300,965
Income tax						529,665
Net income from continuing operations						1,771,300
Net income from discontinued operations						20,616
Net income						1,791,916
Non-controlling interests						25,630
Net income for the year attributable to equity holders of the Parent Company						₱1,766,286
Other segment information						
Capital expenditures	₱44,160	₱1,146	₱3,156	₱104,923	₱—	₱153,385
Unallocated capital expenditures						215,866
Total capital expenditures						₱369,251
Depreciation and amortization	₱213,199	₱43,380	₱713	₱182,839	₱—	₱440,131
Unallocated depreciation and amortization						291,790
Total depreciation and amortization						₱731,921
Provision for impairment, credit and other losses	(₱70,339)	₱2,216,621	(₱36,940)	(₱14,180)	₱—	₱2,095,162

	As of March 31, 2021					Total
	Retail Banking	Corporate Banking	Global Banking and Market	Others	Adjustments and Eliminations*	
Segment assets	₱710,651,420	₱249,599,332	₱92,797,985	₱99,487,797	(₱24,880,854)	₱1,127,655,680
Unallocated assets						7,892,675
Total assets						₱1,135,548,355
Segment liabilities	₱706,951,439	₱173,427,337	₱34,588,788	₱80,681,248	(₱22,834,066)	₱972,814,746
Unallocated liabilities						8,208,091
Total liabilities						₱981,022,837

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

March 31, 2020						
	Retail Banking	Corporate Banking	Global Banking and Market	Others	Adjustments and Eliminations*	Total
Net interest margin						
Third party	(P753,915)	P8,134,651	P1,327,620	P95,923	P23,938	P8,828,217
Inter-segment	6,469,896	(4,506,241)	(1,985,280)	21,625	—	—
Net interest margin after inter-segment transactions	5,715,981	3,628,410	(657,660)	117,548	23,938	8,828,217
Other income	639,458	418,189	2,433,582	340,177	(64,960)	3,766,446
Segment revenue	6,355,439	4,046,599	1,775,922	457,725	(41,022)	12,594,663
Other expenses	3,487,325	3,440,142	55,580	200,852	64,308	7,248,207
Segment result	P2,868,114	P606,457	P1,720,342	P256,873	(P105,330)	5,346,456
Unallocated expenses						3,641,758
Net income before income tax						1,704,698
Income tax						371,361
Net income from continuing operations						1,333,337
Net income from discontinued operations						3,784
Net income						1,337,121
Non-controlling interests						19,458
Net income for the year attributable to equity holders of the Parent Company						P1,317,663
Other segment information						
Capital expenditures	P361,149	P2,536	P3,714	P141,600	P—	P508,999
Unallocated capital expenditures						1,055,828
Total capital expenditures						P1,564,827
Depreciation and amortization	P255,622	P27,831	P1,123	P89,237	P—	P373,813
Unallocated depreciation and amortization						375,856
Total depreciation and amortization						P749,669
Provision for impairment, credit and other losses	P796,511	P2,528,432	(P51,054)	P81,938	P—	P3,355,827

As of December 31, 2020						
	Retail Banking	Corporate Banking	Global Banking and Market	Others	Adjustments and Eliminations*	Total
Segment assets	P710,168,556	P245,602,089	P188,310,761	P95,801,439	(P16,089,256)	P1,223,793,589
Unallocated assets						7,340,210
Total assets						P1,231,133,799
Segment liabilities	P695,809,767	P180,732,406	P125,848,434	P78,210,224	(P12,440,292)	P1,068,160,539
Unallocated liabilities						6,990,252
Total liabilities						P1,075,150,791

* 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 March 31, 2021 and December 31, 2020 and capitalized expenditures and revenues for the three months ended March 31, 2021 and 2020 by geographic region of the Group follows:

	Non Current Assets		Liabilities		Credit Commitments	
	March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020
Philippines	P552,621,849	P608,833,579	P944,502,511	P1,037,677,448	P40,345,636	P44,036,152
Asia (excluding Philippines)	20,973,273	20,923,854	34,592,411	35,588,190	24,686	90,715
USA and Canada	1,400,585	1,407,928	1,842,313	1,793,735	—	—
United Kingdom	1,261	1,276	85,602	91,418	—	—
	P574,996,968	P631,166,637	P981,022,837	P1,075,150,791	P40,370,322	P44,126,867

	Capital Expenditures		Revenues	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020 (As restated)
Philippines	₱268,799	₱1,560,704	₱13,177,438	₱15,571,383
Asia (excluding Philippines)	100,452	3,761	218,307	556,415
USA and Canada	–	362	88,191	172,472
United Kingdom	–	–	26,720	28,112
	₱369,251	₱1,564,827	₱13,510,656	₱16,328,382

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

5. Related party transactions

- In the ordinary course of business, the Parent Company has loans and other transactions with its subsidiaries and affiliates, and with certain Directors, Officers, Stockholders and Related Interests (DOSRI). Under the Parent Company's policy, these loans and other transactions are made substantially on the same terms as with other individuals and businesses of comparable risks. The amount of direct credit accommodations to each of the Parent Company's DOSRI, 70.00% of which must be secured, should not exceed the amount of their respective deposits and book value of their respective investments in the Parent Company.
- In the aggregate, DOSRI loans should not exceed the Parent Company's equity or 15.00% of the Parent Company's total loan portfolio, whichever is lower. As of March 31, 2021 and December 31, 2020, the Parent Company is in compliance with such regulations.
- Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Group's related parties include:
 - key management personnel, close family members of key management personnel and entities which are controlled, significantly influenced by or for which significant voting power is held by key management personnel or their close family members;
 - significant investors;
 - subsidiaries, joint ventures and associates and their respective subsidiaries; and
 - post-employment benefit plans for the benefit of the Group's employees.

6. Restatement of prior period interim financial report

As disclosed in the most recent annual audited financial statements, with PNB Gen being classified as a discontinued operation, the comparative interim consolidated statements of income and cash flows for the three months ended March 31, 2020 have been re-presented to show the discontinued operations separately from the continuing operations.

7. Events after the reporting period

On April 23, 2021, the Parent Company's BOD approved and confirmed the property dividend declaration of up to 239,353,710 common shares of PNB Holdings with a par value of ₱100 per share, to all stockholders of record as of May 18, 2021, subject to regulatory and other necessary approvals.

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

On April 30, 2021, the Parent Company received from ABIC the remaining 20% of the last tranche of the selling price for the sale of its shares in PNB Gen.

8. Other matters to report

- Changes in contingent assets and contingent liabilities since last annual balance sheet date are in the normal course of business and are not anticipated to cause any material losses from those commitments and/or contingent liabilities.
- Significant elements of the Group's revenues consist mainly of net interest margin, service fees, net trading revenues and gains from disposal of reacquired properties while the Group's expenses consist mainly of staff cost, depreciation and amortization of assets and provisions for impairment and credit losses. Please refer to the discussions on the results of operations for further details.
- For the three months ended March 31, 2021, 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;
 - 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;
 - seasonal aspects that had a material effect on the Group's financial condition and results of operations;
 - dividends declared or paid.
- There are no material disclosures that have not been reported under SEC Form 17-C during the period covered by this report.

PART II – OTHER INFORMATION

Aging of Loans Receivables from Customers

The schedule of consolidated 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):

	March 31, 2021
Current Accounts	
Up to 12 months	₱219,889,096
Over 1 year to 3 years	66,511,326
Over 3 years to 5 years	94,811,653
Over 5 years	208,036,783
Past due and items in litigation	39,492,629
Loans Receivables (gross)	628,741,487
Less:	
Unearned and other deferred income	(1,345,375)
Allowance for credit losses	(31,008,739)
Loans Receivables, net	₱596,387,373

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION****As of March 31, 2021****(With Comparative Audited Figures as of December 31, 2020)****(In Thousands)**

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
ASSETS		
Cash and Other Cash Items	₱21,791,687	₱25,135,724
Due from Bangko Sentral ng Pilipinas	152,259,923	202,129,356
Due from Other Banks	22,375,540	19,733,300
Interbank Loans Receivable	30,024,315	39,700,981
Securities Held Under Agreements to Resell	16,765,596	15,819,273
Financial Assets at Fair Value Through Profit or Loss (FVTPL)	24,827,126	23,825,708
Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI)	98,998,497	133,715,352
Investment Securities at Amortized Cost	91,729,832	95,235,993
Loans and Receivables	609,283,006	599,994,748
Property and Equipment	19,625,579	19,878,715
Investment in an Associate	2,041,357	2,310,410
Investment Properties	14,443,051	14,445,756
Deferred Tax Assets	9,248,511	9,036,908
Intangible Assets	2,489,079	2,512,013
Goodwill	13,375,407	13,375,407
Assets of Disposal Group Classified as Held for Sale	—	7,945,945
Other Assets	6,269,849	6,338,210
TOTAL ASSETS	₱1,135,548,355	₱1,231,133,799

LIABILITIES AND EQUITY**LIABILITIES****Deposit Liabilities**

Demand	₱207,414,005	₱199,770,048
Savings	449,225,227	425,611,765
Time	162,761,133	236,694,042
Long Term Negotiable Certificates of Deposits	28,220,230	28,212,034
	847,620,595	890,287,889
Financial Liabilities at FVTPL	460,077	701,239
Lease Liabilities	1,380,935	1,366,016
Bonds Payable	64,615,491	64,056,335
Bills and Acceptances Payable	41,505,062	87,159,450
Accrued Taxes, Interest and Other Expenses	6,620,939	6,449,026
Income Tax Payable	393,956	903,044
Liabilities of Disposal Group Classified as Held for Sale	—	6,353,964
Other Liabilities	18,425,782	17,873,828
TOTAL LIABILITIES	981,022,837	1,075,150,791

(Forward)

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		
Capital Stock	₱61,030,594	₱61,030,594
Capital Paid in Excess of Par Value	32,116,560	32,116,560
Surplus Reserves	5,116,298	5,032,097
Surplus	56,180,151	54,498,066
Net Unrealized Gain on Financial Assets at FVOCI	15,816	3,054,403
Remeasurement Losses on Retirement Plan	(3,224,447)	(3,009,452)
Accumulated Translation Adjustment	831,386	717,872
Other Equity Reserves	277,855	277,855
Share in Aggregate Losses on Life Insurance Policies	(889,787)	(1,038,838)
Reserves of a Disposal Group Classified as Held for Sale	—	88,616
Other Equity Adjustment	13,959	13,959
	151,468,385	152,781,732
NON-CONTROLLING INTERESTS	3,057,133	3,201,276
TOTAL EQUITY	154,525,518	155,983,008
TOTAL LIABILITIES AND EQUITY	₱1,135,548,355	₱1,231,133,799

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

	For the Three Months Ended March 31	
	2021	2020
	(Unaudited)	(As Restated) (Unaudited)
INTEREST INCOME ON		
Loans and receivables	₱8,122,485	₱10,095,883
Investment securities at amortized cost and financial assets at FVOCI	1,562,284	1,787,928
Deposits with banks and others	471,337	389,071
Financial assets at FVTPL	201,748	136,387
Interbank loans receivable and securities held under agreements to resell	29,123	152,667
	10,386,977	12,561,936
INTEREST EXPENSE ON		
Deposit liabilities	1,283,089	2,711,043
Bonds payable	698,546	726,320
Bills payable and other borrowings	167,877	296,356
	2,149,512	3,733,719
NET INTEREST INCOME	8,237,465	8,828,217
Service fees and commission income	1,571,291	1,254,085
Service fees and commission expense	277,367	292,543
NET SERVICE FEES AND COMMISSION INCOME	1,293,924	961,542
OTHER INCOME		
Trading and investment securities gains - net	913,358	2,058,276
Foreign exchange gains - net	143,858	153,342
Equity in net earnings (losses) of an associate	93,418	(14,589)
Net gain on sale or exchange of assets	24,926	12,432
Miscellaneous	376,828	302,900
TOTAL OTHER INCOME	1,552,388	2,512,361
TOTAL OPERATING INCOME	11,083,777	12,302,120
OPERATING EXPENSES		
Compensation and fringe benefits	2,595,894	2,552,060
Provision for impairment, credit and other losses	2,095,162	3,355,827
Taxes and licenses	1,298,009	1,408,720
Depreciation and amortization	731,921	749,669
Occupancy and equipment-related costs	241,509	239,231
Miscellaneous	1,820,317	2,291,915
TOTAL OPERATING EXPENSES	8,782,812	10,597,422
INCOME BEFORE INCOME TAX	2,300,965	1,704,698
PROVISION FOR INCOME TAX	529,665	371,361
NET INCOME FROM CONTINUING OPERATIONS	1,771,300	1,333,337
NET INCOME FROM DISCONTINUED OPERATIONS, NET OF TAX	20,616	3,784
NET INCOME	₱1,791,916	₱1,337,121
ATTRIBUTABLE TO:		
Equity Holders of the Parent Company	₱1,766,286	₱1,317,663
Non-controlling Interests	25,630	19,458
	₱1,791,916	₱1,337,121
Basic/Diluted Earnings Per Share Attributable to		
Equity Holders of the Parent Company	₱1.16	₱0.86
Basic/Diluted Earnings Per Share Attributable to		
Equity Holders of the Parent Company from		
Continuing Operations	₱1.14	₱0.86

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

	For the Three Months Ended	
	March 31	
	2021	2020
	(Unaudited)	(Unaudited)
NET INCOME	₱1,791,916	₱1,337,121
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that recycle to profit or loss in subsequent periods:		
Net change in unrealized gain on debt securities at FVOCI, net of tax	(2,527,062)	(3,665,145)
Share in changes in net unrealized losses financial assets at FVOCI of an associate	(511,525)	(25,700)
	(3,038,587)	(3,690,845)
Accumulated translation adjustment	204,484	(59,703)
	(2,834,103)	(3,750,548)
Items that do not recycle to profit or loss in subsequent periods:		
Share in changes in aggregate losses on life insurance policies	149,051	—
Remeasurement losses on retirement plan	(215,230)	(46,829)
Share in changes in remeasurement losses of an associate	—	(256,262)
	(66,179)	(303,091)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	(2,900,282)	(4,053,639)
TOTAL COMPREHENSIVE LOSS	(₱1,108,366)	(₱2,716,518)
ATTRIBUTABLE TO:		
Equity Holders of the Parent Company	(₱1,224,731)	(₱2,747,225)
Non-controlling Interests	116,365	30,707
	(₱1,108,366)	(₱2,716,518)

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

For the Three Months Ended March 31, 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 Gain on Financial Assets at FVOCI	Remeasurement Losses on Retirement Plan	Accumulated Translation Adjustment	Other Equity Reserves	Share in Aggregate Reserves on Life Insurance Policies	Other Equity Adjustment	Reserves of a Disposal Group Classified as Held for Sale	Non-Controlling Interests
											Total	Total Equity
Balance at January 1, 2021	P61,030,594	P32,116,560	P5,032,097	P54,498,066	P3,054,403	(P3,009,452)	P717,872	P277,855	(P1,038,838)	P13,959	P88,616	P152,781,732
Total comprehensive income (loss) for the period	-	-	-	1,766,286	(3,038,587)	(214,995)	113,514	-	149,051	-	(1,224,731)	116,365
Dividends by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(788)
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	(88,616)	(88,616)
Transfer to surplus reserves	-	-	84,201	(84,201)	-	-	-	-	-	-	-	-
Balance at March 31, 2021	P61,030,594	P32,116,560	P5,116,298	P56,180,151	P15,816	(P3,224,447)	P831,386	P277,855	(P889,787)	P13,959	P	P151,468,385

For the Three Months Ended March 31, 2020 (Unaudited)												
Equity Attributable to Equity Holders of the Parent Company												
	Capital Stock	Capital Paid in Excess of Par Value	Surplus Reserves	Surplus	Net Unrealized Gain (Loss) on Financial Assets at FVOCI	Remeasurement Losses on Retirement Plan	Accumulated Translation Adjustment	Other Equity Reserves	Share in Aggregate Reserves on Life Insurance Policies	Other Equity Adjustment	Total	Non-Controlling Interests
												Total Equity
Balance at January 1, 2020	P61,030,594	P32,116,560	P642,018	P56,273,492	P3,250,651	(P2,229,220)	P947,562	P35,466	P12,280	P13,959	P152,093,362	P2,882,038
Total comprehensive income (loss) for the period	-	-	-	1,317,663	(3,690,845)	(302,580)	(71,463)	-	-	-	(2,747,225)	30,707
Other equity reserves	-	-	-	-	-	-	-	-	-	-	-	27
Dividends by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(828)
Transfer to surplus reserves	-	-	3,640,767	(3,640,767)	-	-	-	-	-	-	-	-
Balance at March 31, 2020	P61,030,594	P32,116,560	P4,282,785	P53,950,388	(P440,194)	(P2,531,800)	P876,099	P35,466	P12,280	P13,959	P149,346,137	P2,911,944

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

	For the Three Months Ended	
	March 31	
	2021	2020
	(Unaudited)	(As restated)
		(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax from continuing operations	₱2,300,965	₱1,704,698
Income before income tax from discontinued operations	25,390	8,969
Income before income tax	2,326,355	1,713,667
Adjustments for:		
Provision for impairment, credit and other losses	2,096,336	3,355,542
Gains on financial assets at FVOCI	(1,513,506)	(2,296,295)
Depreciation and amortization	738,513	751,800
Losses on financial assets at FVTPL	600,146	238,021
Unrealized foreign exchange loss on bonds payable	530,075	46,896
Unrealized foreign exchange loss on bills payable and acceptances	512,582	38,057
Loss (gain) on mark-to-market of derivatives	(354,669)	123,100
Equity in net losses (income) of an associate	(93,418)	14,589
Loss on loan modifications	88,345	–
Amortization of premium/(discount) on investments securities	(46,136)	1,346,769
Amortization of transaction costs on borrowings	37,278	44,835
Net gain on sale or exchange of assets	(24,926)	(12,432)
Accretion to interest income of loss on loan modifications	(4,679)	–
Changes in operating assets and liabilities:		
Decrease (increase) in amounts of:		
Interbank loans receivables	(520,225)	1,029,683
Financial assets at fair value through profit or loss	(1,245,509)	(11,149,156)
Loans and receivables	(7,327,749)	3,429,009
Other assets	1,539,310	594,816
Increase (decrease) in amounts of:		
Financial liabilities at fair value through profit or loss	(241,162)	107,338
Deposit liabilities	(42,675,491)	(34,994,314)
Accrued taxes, interest and other expenses	(57,525)	(78,553)
Other liabilities	(5,733,227)	(3,166,636)
Net cash used from operations	(51,369,282)	(38,863,264)
Income taxes paid	(1,254,940)	(747,186)
Net cash used in operating activities	(52,624,222)	(39,610,450)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale/maturities of:		
Financial assets at FVOCI	107,027,875	78,232,569
Investment securities at amortized cost	9,159,574	81,598,330
Property and equipment	83,615	1,835
Investment properties	27,838	25,274
Acquisitions of:		
Financial assets at FVOCI	(72,143,559)	(9,255,361)
Investment securities at amortized cost	(4,816,699)	(80,400,533)
Property and equipment	(241,149)	(1,498,418)
Software cost	(128,102)	(66,409)
Net cash provided by investing activities	38,969,393	68,637,287

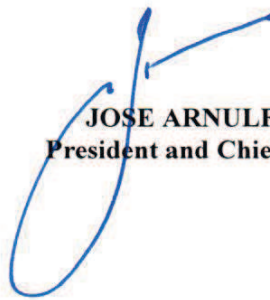
(Forward)

	For the Three Months Ended March 31	
	2021 (Unaudited)	2020 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bills and acceptances payable	₱54,351,460	₱70,147,831
Settlement of bills and acceptances payable	(100,518,430)	(80,740,272)
Net cash used in financing activities	(46,166,970)	(10,592,441)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(59,821,799)	18,434,396
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		
Cash and other cash items	25,135,724	30,500,927
Due from BSP	202,129,356	105,981,801
Due from other banks	19,733,300	17,758,143
Interbank loans receivable	38,939,572	22,946,748
Securities held under agreements to resell	15,819,273	2,517,764
	301,757,225	179,705,383
CASH AND CASH EQUIVALENTS AT END OF PERIOD		
Cash and other cash items	21,791,687	24,576,799
Due from BSP	152,259,923	104,450,985
Due from other banks	22,375,540	33,539,294
Interbank loans receivable	28,742,680	30,340,871
Securities held under agreements to resell	16,765,596	5,231,830
	₱241,935,426	₱198,139,779
OPERATIONAL CASH FLOWS FROM INTEREST		
Interest received	₱11,311,619	₱11,362,229
Interest paid	1,767,872	3,661,181

SIGNATURES

Pursuant to the requirement 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



JOSE ARNULFO A. VELOSO
President and Chief Executive Officer



NELSON C. REYES
Executive Vice President and Chief Financial Officer

Annex A

Selected Financial Ratios For the Periods Indicated

	<u>03/31/2021</u>	<u>12/31/2020</u>
Current Ratio	65.05%	69.19%
Liquid assets to total assets	32.32%	37.37%
Liquid assets to liquid liabilities	41.86%	40.67%
Debt to equity	6.35	6.89
Assets to equity	7.35	7.89
Book value per share	99.27	100.13
	<u>03/31/2021</u>	<u>03/31/2020</u>
Interest Coverage	208.01%	145.76%
Profitability		
Return on average equity	4.68%	3.53%
Return on average assets	0.61%	0.49%
Net interest margin	3.17%	3.33%
Cost efficiency ratio	60.34%	58.86%
Basic Earnings per share	1.16	0.86

^{1/} Book value per share without goodwill – **₱90.51**

^{2/} ROE without goodwill – **1.26%**