



Office of the FVP and Acting Financial Officer

Trunk Lines: 526-3131 to 70/891-6040 to 70
Locals: 4075

May 13, 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 March 31, 2022.

Very truly yours,

A handwritten signature in black ink, consisting of a large, stylized 'A' followed by a horizontal line and a small flourish.

AIDELL AMOR R. 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)

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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	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

36,268

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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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))

MARCH 31, 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 : **March 31, 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 [☐]

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION****As of March 31, 2022****(With Comparative Audited Figures as of December 31, 2021)****(In Thousands)**

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
ASSETS		
Cash and Other Cash Items	P22,650,326	P27,552,773
Due from Bangko Sentral ng Pilipinas	162,757,691	161,001,912
Due from Other Banks	23,335,420	27,222,083
Interbank Loans Receivable	18,462,599	32,106,088
Securities Held Under Agreements to Resell	18,881,194	15,796,673
Financial Assets at Fair Value Through Profit or Loss (FVTPL)	20,800,481	11,167,657
Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI)	148,331,621	167,987,290
Investment Securities at Amortized Cost	108,658,250	89,455,843
Loans and Receivables	561,459,199	606,953,751
Property and Equipment	12,880,454	13,472,320
Investment in an Associate	2,262,552	2,468,107
Investment Properties	10,667,320	10,735,896
Deferred Tax Assets	6,574,508	6,405,505
Intangible Assets	2,477,309	2,429,434
Goodwill	11,221,410	11,221,410
Other Assets	5,203,862	4,807,920
TOTAL ASSETS	P1,136,624,196	P1,190,784,662
LIABILITIES AND EQUITY		
LIABILITIES		
Deposit Liabilities		
Demand	P225,225,025	P216,367,830
Savings	492,777,500	498,581,535
Time	123,606,732	151,729,554
Long Term Negotiable Certificates of Deposits	28,253,933	28,245,390
	869,863,190	894,924,309
Financial Liabilities at FVTPL	1,266,409	891,531
Bills and Acceptances Payable	21,076,951	52,953,797
Lease Liabilities	3,457,132	3,765,391
Accrued Taxes, Interest and Other Expenses	8,176,084	7,765,650
Bonds Payable	54,178,448	53,383,421
Income Tax Payable	704,548	157,735
Other Liabilities	15,961,476	15,719,872
TOTAL LIABILITIES	974,684,238	1,029,561,706

(Forward)

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		
Capital Stock	P61,030,594	P61,030,594
Capital Paid in Excess of Par Value	32,116,560	32,116,560
Surplus Reserves	4,597,286	5,147,440
Surplus	65,348,824	61,998,232
Net Unrealized Losses on Financial Assets at FVOCI	(3,267,257)	(703,737)
Remeasurement Losses on Retirement Plan	(2,724,370)	(2,725,067)
Accumulated Translation Adjustment	1,736,805	1,503,396
Other Equity Reserves	248,830	248,830
Share in Aggregate Losses on Life Insurance Policies	(432,966)	(626,394)
Other Equity Adjustment	13,959	13,959
	158,668,265	158,003,813
NON-CONTROLLING INTERESTS	3,271,693	3,219,143
TOTAL EQUITY	161,939,958	161,222,956
TOTAL LIABILITIES AND EQUITY	P1,136,624,196	P1,190,784,662

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

	For the Three Months Ended	
	March 31	
	2022	2021
	(Unaudited)	(Unaudited)
INTEREST INCOME ON		
Loans and receivables	₱8,270,478	₱8,122,485
Investment securities at amortized cost and financial assets at FVOCI	1,572,503	1,562,284
Deposits with banks and others	391,103	471,337
Financial assets at FVTPL	76,877	201,748
Interbank loans receivable and securities held under agreements to resell	11,735	29,123
	10,322,696	10,386,977
INTEREST EXPENSE ON		
Deposit liabilities	1,184,286	1,283,089
Bonds payable	500,577	698,546
Bills payable and other borrowings	113,561	167,877
	1,798,424	2,149,512
NET INTEREST INCOME	8,524,272	8,237,465
Service fees and commission income	1,511,577	1,571,291
Service fees and commission expense	260,527	277,367
NET SERVICE FEES AND COMMISSION INCOME	1,251,050	1,293,924
OTHER INCOME		
Foreign exchange gains - net	250,458	143,858
Net gains on sale or exchange of assets	138,992	24,926
Equity in net earnings (losses) of an associate	(61,984)	93,418
Trading and investment securities gains (losses) - net	(57,716)	913,358
Miscellaneous	254,693	376,828
TOTAL OTHER INCOME	524,443	1,552,388
TOTAL OPERATING INCOME	10,299,765	11,083,777
PROVISION FOR (REVERSAL OF) IMPAIRMENT, CREDIT AND OTHER LOSSES	(393,531)	2,095,162
OPERATING EXPENSES		
Compensation and fringe benefits	2,749,652	2,595,894
Taxes and licenses	1,214,794	1,298,009
Depreciation and amortization	1,042,873	731,921
Occupancy and equipment-related costs	229,723	241,509
Miscellaneous	1,826,320	1,820,317
TOTAL OPERATING EXPENSES	7,063,362	6,687,650
INCOME BEFORE INCOME TAX	3,629,934	2,300,965
PROVISION FOR INCOME TAX	816,500	529,665
NET INCOME FROM CONTINUING OPERATIONS	2,813,434	1,771,300
NET INCOME FROM DISCONTINUED OPERATIONS, NET OF TAX	—	20,616
NET INCOME	₱2,813,434	₱1,791,916
ATTRIBUTABLE TO:		
Equity Holders of the Parent Company	₱2,800,438	₱1,766,286
Non-controlling Interests	12,996	25,630
	₱2,813,434	₱1,791,916
Basic/Diluted Earnings Per Share Attributable to		
Equity Holders of the Parent Company	₱1.84	₱1.16
Basic/Diluted Earnings Per Share Attributable to		
Equity Holders of the Parent Company from Continuing Operations	₱1.84	₱1.14

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

	For the Three Months Ended	
	March 31	
	2022	2021
	(Unaudited)	(Unaudited)
NET INCOME	₱2,813,434	₱1,791,916
OTHER COMPREHENSIVE INCOME (LOSS)		
<i>Items that recycle to profit or loss in subsequent periods:</i>		
Net change in unrealized losses on financial assets at FVOCI, net of tax	(2,226,521)	(2,527,062)
Share in changes in net unrealized losses on financial assets at FVOCI of an associate	(336,999)	(511,525)
	(2,563,520)	(3,038,587)
Accumulated translation adjustment	272,859	204,484
	(2,290,661)	(2,834,103)
<i>Items that do not recycle to profit or loss in subsequent periods:</i>		
Share in changes in aggregate losses on life insurance policies	193,428	149,051
Remeasurement gains (losses) on retirement plan	1,636	(215,230)
	195,064	(66,179)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	(2,095,597)	(2,900,282)
TOTAL COMPREHENSIVE INCOME (LOSS)	₱717,837	(₱1,108,366)
ATTRIBUTABLE TO:		
Equity Holders of the Parent Company	₱664,452	(₱1,224,731)
Non-controlling Interests	53,385	116,365
	₱717,837	(₱1,108,366)

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In Thousands)

For the Three Months Ended March 31, 2022 (Unaudited)													
Equity Attributable to Equity Holders of the Parent Company													
	Capital Stock	Capital Paid in Excess of Par Value	Surplus Reserves	Surplus	Net Unrealized Losses 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	Total	Non- Controlling Interests	Total Equity
Balance at January 1, 2022	P61,030,594	P32,116,560	P5,147,440	P61,998,232	(P703,737)	(P2,725,067)	P1,503,396	P248,830	(P626,394)	P13,959	P158,003,813	P3,219,143	P161,222,956
Total comprehensive income (loss) for the period	-	-	-	2,800,438	(2,563,520)	697	233,409	-	193,428	-	664,452	53,385	717,837
Dividends by subsidiaries to non- controlling interests	-	-	-	-	-	-	-	-	-	-	-	(835)	(835)
Reversal of general loan loss reserves under BSP Circular 1011	-	-	(550,154)	550,154	-	-	-	-	-	-	-	-	-
Balance at March 31, 2022	P61,030,594	P32,116,560	P4,597,286	P65,348,824	(P3,267,257)	(P2,724,370)	P1,736,805	P248,830	(P432,966)	P13,959	P158,668,265	P3,271,693	P161,939,958

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 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
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	P3,201,276
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)	(259,720)
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	P3,057,133

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

	For the Three Months Ended March 31	
	2022	2021
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax from continuing operations	₱3,629,934	₱2,300,965
Income before income tax from discontinued operations	–	25,390
Income before income tax	3,629,934	2,326,355
Adjustments for:		
Depreciation and amortization	1,042,873	738,513
Loss (gain) on mark-to-market of derivatives	801,320	(354,669)
Unrealized foreign exchange loss on bonds payable	775,796	530,075
Unrealized foreign exchange loss on bills and acceptances payable	419,869	512,582
Provision for (reversal of) impairment, credit and other losses	(393,531)	2,096,336
Accretion to interest income of loss on loan modifications	(167,720)	(4,679)
Net gains on sale or exchange of assets	(138,992)	(24,926)
Equity in net losses (earnings) of an associate	61,984	(93,418)
Loss on financial assets at FVTPL	57,716	600,146
Amortization of premium/(discount) on investment securities	52,682	(46,136)
Amortization of transaction costs on borrowings	27,773	37,278
Gains on sale and redemption of financial assets at FVOCI	–	(1,513,506)
Loss on loan modifications	–	88,345
Changes in operating assets and liabilities:		
Decrease (increase) in amounts of:		
Interbank loans receivable	268,572	(520,225)
Financial assets at FVTPL	(10,491,860)	(1,245,509)
Loans and receivables	46,028,263	(7,327,749)
Other assets	(481,828)	1,539,310
Increase (decrease) in amounts of:		
Financial liabilities at FVTPL	374,878	(241,162)
Deposit liabilities	(25,069,662)	(42,675,491)
Accrued taxes, interest and other expenses	636,601	(57,525)
Other liabilities	(65,017)	(5,733,227)
Net cash generated from (used in) operations	17,369,651	(51,369,282)
Income taxes paid	(434,015)	(1,254,940)
Net cash provided by (used in) operating activities	16,935,636	(52,624,222)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale/maturities of:		
Financial assets at FVOCI	110,754,240	107,027,875
Investment securities at amortized cost	5,705,239	9,159,574
Investment properties	205,027	27,838
Property and equipment	189,163	83,615
Acquisitions of:		
Financial assets at FVOCI	(93,312,695)	(72,143,559)
Investment securities at amortized cost	(24,977,400)	(4,816,699)
Property and equipment	(104,804)	(241,149)
Software cost	(421,418)	(128,102)
Net cash provided by (used in) investing activities	(1,962,648)	38,969,393

(Forward)

	For the Three Months Ended March 31	
	2022	2021
	(Unaudited)	(Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bills and acceptances payable	P31,727,087	P54,351,460
Settlement of bills and acceptances payable	(64,023,802)	(100,518,430)
Net cash used in financing activities	(32,296,715)	(46,166,970)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(17,323,727)	(59,821,799)
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	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	22,650,326	21,791,687
Due from BSP	162,757,691	152,259,923
Due from other banks	23,335,420	22,375,540
Interbank loans receivable	17,078,461	28,742,680
Securities held under agreements to resell	18,881,194	16,765,596
	P244,703,092	P241,935,426
OPERATIONAL CASH FLOWS FROM INTEREST		
Interest received	P9,523,742	P11,311,619
Interest paid	1,346,518	1,767,872

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Please see above accompanying unaudited interim consolidated financial statements.

Basis of Preparation of Unaudited Interim Consolidated Financial Statements

The accompanying unaudited interim consolidated financial statements of Philippine National Bank (PNB or the Parent Company) and its Subsidiaries (collectively, the Group) have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) adopted by the Philippine Securities and Exchange Commission (SEC). 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, 2021, except for the following amendments to PFRSs:

- *Amendments to PFRS 3, Business Combinations: Reference to the Conceptual Framework*
The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. An exception to the recognition principle of PFRS 3 was also added to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of Philippine Accounting Standards (PAS) 37, *Provisions, Contingent Liabilities and Contingent Assets*, or Philippine Interpretation IFRIC 21, *Levies*, if incurred separately. The amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments apply prospectively.
- *Amendments to PAS 16, Property, Plant and Equipment: Proceeds Before Intended Use*
The amendments prohibit entities to deduct from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, entities should recognize the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendments 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 interim consolidated financial statements.

Earnings Per Share

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

	For the three months ended	
	March 31	
	2022	2021
a) Net income attributable to equity holders of the Parent Company	₱2,800,438	₱1,766,286
b) Weighted average number of common shares	1,525,765	1,525,765
c) Basic/diluted earnings per share (a/b)	₱1.84	₱1.16

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

	For the three months ended	
	March 31	
	2022	2021
a) Net income attributable to equity holders of the Parent Company from continuing operations	₱2,800,438	₱1,745,670
b) Weighted average number of common shares	1,525,765	1,525,765
c) Basic/diluted earnings per share (a/b)	₱1.84	₱1.14

Item 2. Management's Discussion and Analysis

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

The Group's consolidated total assets stood at ₱1,136.6 billion as of March 31, 2022, 4.5% or ₱54.2 billion lower compared to ₱1,190.8 billion reported as of December 31, 2021. Major changes in assets were registered in the following accounts:

- Due from Bangko Sentral ng Pilipinas and Securities Held under Agreements to Resell as of March 31, 2022 at ₱162.8 billion and ₱18.9 billion, respectively, increased by ₱1.8 billion and ₱3.1 billion compared to ₱161.0 billion and ₱15.8 billion, respectively, as of December 31, 2021 while Cash and Other Cash Items, Due from Other Banks, and Interbank Loans Receivable as of March 31, 2022 decreased by ₱4.9 billion, ₱3.9 billion and ₱13.6 billion from ₱27.6 billion, ₱27.2 billion and ₱32.1 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 24.4% and 22.6% of the Group's total assets as of March 31, 2022 and December 31, 2021, respectively, increased by ₱9.2 billion or 3.4%.
- Loans and Receivables, net of allowance for credit losses, represent 49.4% and 51.0% of the Group's total assets as of March 31, 2022 and December 31, 2021, respectively. Loans and Receivables decreased by ₱45.5 billion at ₱561.5 billion as of March 31, 2022 from ₱607.0 billion as of December 31, 2021, mainly due to ₱45.9 billion net paydowns of loans and

receivables, offset by net reversals of provision for impairment, credit and other losses of ₱0.4 billion.

- Property and Equipment and Investment Properties as of March 31, 2022 at ₱12.9 billion and ₱10.7 billion, respectively, decreased by ₱0.6 billion, and ₱68.6 million compared to ₱13.5 billion and ₱10.7 billion, respectively, as of December 31, 2021, mainly due to depreciation during the period.
- Investment in an Associate decreased by ₱0.2 billion at ₱2.3 billion as of March 31, 2022, compared to ₱2.5 billion as of December 31, 2021, pertaining mostly to equity share in the net loss of the associate for the period.
- Other Assets as of March 31, 2022 at ₱5.2 billion increased by ₱0.4 billion from ₱4.8 billion as of December 31, 2021.

The Group's consolidated liabilities decreased by 5.3% or ₱54.9 billion from ₱1,029.6 billion as of December 31, 2021 to ₱974.7 billion as of March 31, 2022. Major changes in liability accounts were as follows:

- Deposit Liabilities at ₱869.9 billion and ₱894.9 billion, which represent 89.2% and 86.9% of the Group's total liabilities as of March 31, 2022 and December 31, 2021, respectively, lower by ₱25.06 billion or 2.8% mainly due to decrease in Savings and Time Deposits by ₱5.8 billion or 1.2%, and ₱28.1 billion or 18.5%, respectively, partially offset by an increase in Demand Deposits of ₱8.9 billion or 4.1%.
- Financial Liabilities at FVTPL increased by ₱0.4 billion or 42.0% from 2021 year-end balance of ₱891.5 million mainly due to mark-to-market adjustments for the period.
- Lease Liabilities in compliance with PFRS 16 decreased by ₱0.3 billion from ₱3.8 billion as of December 31, 2021, to ₱3.5 billion as of March 31, 2022, mainly due to payments of lease liability for the period.
- Bills and Acceptances Payable declined by ₱31.9 billion or 60.2% from ₱53.0 billion as of December 31, 2021, to ₱21.1 billion as of March 31, 2022, brought by net settlements of short-term interbank borrowing and repurchase agreements.
- Bonds Payable increased by ₱0.8 billion from ₱53.4 billion as of December 31, 2021 to ₱54.2 billion as of March 31, 2022, mainly due to the revaluation of foreign currency-denominated bonds.
- Accrued Taxes, Interest and Other Expenses were higher by ₱0.4 billion, from ₱7.8 billion as of December 31, 2021, to ₱8.2 billion as of March 31, 2022, mainly due to the increase in accrued rental payable.
- Income Tax Payable increased by ₱546.8 million from ₱157.7 million as of December 31, 2021 to ₱704.5 million as of March 31, 2022 representing higher tax accrual on the taxable income of the Group.

The Group's consolidated total equity stood at ₱161.9 billion as of March 31, 2022 from ₱161.2 billion as of December 31, 2021, or an increase of ₱0.7 billion attributed mainly to the consolidated net income for the quarter ended March 31, 2022 amounting to ₱2.8 billion, ₱0.2 billion increase in Accumulated Translation Adjustment and ₱0.2 billion decrease in Share in Aggregate Losses on Life Insurance Policies.

The increase in the consolidated total equity was offset mainly by net change in unrealized losses on financial assets at FVOCI for the period amounting to ₱2.6 billion from ₱0.7 billion as of December 31, 2021 to ₱3.3 billion as of March 31, 2022.

Results of Operations for the Three Months Ended March 31, 2022 (Unaudited) Compared to Same Period Ended March 31, 2021 (Unaudited)

For the three months ended March 31, 2022, the Group posted a net income of ₱2.8 billion, ₱1.0 billion or 57.0% higher than the ₱1.8 billion net income for the same period last year mainly due to higher net interest income by ₱0.3 billion or 3.5% and net reversals of expected credit losses of ₱0.4 billion as credit status of certain borrowers have improved during the period. Movements in net income are primarily due to the following:

- Net interest income amounted to ₱8.5 billion, higher by 3.5% or ₱0.3 billion compared to the same period last year. Total interest income slightly decreased by 0.6% or ₱64.3 million to ₱10.3 billion from ₱10.4 billion for the same period last year due to lower yields on investment securities. Total interest expense decreased to ₱1.8 billion or by ₱0.35 billion from ₱2.1 billion for the same period last year primarily due to reduced interest cost on deposits and bonds payable as compared to the same period last year.
- Net service fees and commission income decreased by ₱42.9 million or 3.3% at ₱1.3 billion for the three months ended March 31, 2022 mainly due to lower underwriting fees recognized during the period.
- Other income decreased to ₱0.5 billion compared to ₱1.6 billion for the same period last year mainly due to net trading and investment securities losses as a result of the hike in interest rates during the period, and equity in net losses of an associate partly offset by net foreign exchange gains and net gains on sale or exchange of assets.
- Administrative and other operating expenses amounted to ₱7.1 billion for the three months ended March 31, 2022, ₱0.4 billion or 5.6% higher compared to the same period last year, mainly due to the increase of ₱0.2 billion and ₱0.3 billion in Compensation and fringe benefits and Depreciation and amortization, respectively, partially offset by decrease in Taxes and licenses of ₱0.1 billion.
- Net reversals of impairment, credit and other losses amounting to ₱0.4 billion was recognized for the three months ended March 31, 2022 to take into consideration the improvement in the credit status of borrowers who are gradually recovering from the pandemic. This was a turnaround from the prior year when the Group booked additional provision for impairment, credit and other losses at ₱2.1 billion for the same period last year.

Total comprehensive income for the three months ended March 31, 2022 amounted to ₱0.7 billion, registering an improvement of ₱1.8 billion compared to the same period last year mainly due to the higher net income during the period, reinforced by lower net change in unrealized losses on financial assets at FVOCI, net of tax, lower share in changes in net unrealized losses on financial assets at FVOCI of an associate, higher accumulated translation adjustment, and remeasurement gains on retirement plan of ₱0.3 billion, ₱0.2 billion, ₱0.1 billion, and ₱0.2 billion, respectively.

Key Performance Indicators

	For the three months ended March 31	
	2022	2021
Statement of Income		
Return on average equity ^{1/}	7.1%	4.7%
Return on average assets ^{2/}	1.0%	0.6%
Net interest margin ^{3/}	3.4%	3.2%
Cost efficiency ratio ^{4/}	68.6%	60.3%

^{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 to total operating income

	March 31, 2022	March 31, 2021	December 31, 2021
Statement of Financial Position			
Capital Ratios:			
Capital Adequacy Ratio (CAR)	14.7%	14.8%	13.7%
Common Equity Tier 1 (CET1) Ratio	14.0%	14.1%	13.0%
Non-performing loans (NPL) Ratios:			
Net of allowance	5.3%	6.4%	5.3%
Gross of allowance	10.9%	10.7%	10.1%
NPL Coverage	60.7%	43.4%	59.1%
Liquid Assets-to-Total Assets Ratio	28.9%	32.3%	29.4%
Current Ratio	63.9%	65.1%	65.1%

- Other financial soundness indicators are shown in Annex A.

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 income, 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.
- For the quarter ended March 31, 2022, the Group has nothing material to report on:
 - 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

Item 3. Corporate Information

The Parent Company 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, leasing, stock brokerage, foreign exchange trading and/or related services.

Item 4. Significant Events During the Period

- On January 31, 2022, Allied Integrated Holdings, Inc. (AIHI) paid ₱717.4 million to the Parent Company as full settlement of the net asset integration. On February 10, 2022, the Securities and Exchange Commission approved the Amended Articles of Incorporation and By-Laws and decrease in authorized capital stock of AIHI from ₱15.0 billion divided into 149,975,000 common shares of the par value of ₱100 each and 25,000 preferred shares of the par value of ₱100 each to ₱3.0 billion divided into 30,000,000 common shares of the par value of ₱100 each. On February 18, 2022, out of the ₱10.5 billion subscribed and paid-up capital of the Parent Company in AIHI, the latter returned ₱7.5 billion to the Parent Company.

Item 5. Fair Value Information

- 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, 2022				
	Carrying Value	Level 1	Level 2	Level 3	Total
Measured at Fair Value					
Financial Assets					
Financial assets at FVTPL:					
Government securities	P17,965,695	P1,917,521	P16,048,174	P–	P17,965,695
Private debt securities	1,867,822	937,537	930,285	–	1,867,822
Equity securities	4,956	4,956	–	–	4,956
Derivative assets	962,008	–	962,008	–	962,008
Financial assets at FVOCI:					
Government securities	101,781,601	66,896,974	34,884,627	–	101,781,601
Private debt securities	22,152,519	6,544,152	15,608,367	–	22,152,519
Equity securities	24,397,501	230,210	985,926	23,181,365	24,397,501
	P169,132,102	P76,531,350	P69,419,387	P23,181,365	P169,132,102

(Forward)

Consolidated					
March 31, 2022					
	Carrying Value	Level 1	Level 2	Level 3	Total
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	P1,266,409	P-	P1,266,409	P-	P1,266,409
Fair Values are Disclosed:					
Financial Assets					
Financial assets at amortized cost:					
Investment securities at amortized cost *	P108,658,250	P16,102,785	P96,055,897	P-	P112,158,682
Receivables from customers **	547,646,469	-	-	577,624,998	577,624,998
	P656,304,719	P16,102,785	P96,055,897	P577,624,998	P689,783,680
Nonfinancial Assets					
Investment property:					
Land ***	P9,547,990	P-	P-	P26,415,802	P26,415,802
Buildings and improvements ***	1,119,330	-	-	2,977,220	2,977,220
	P10,667,320	P-	P-	P29,393,022	P29,393,022
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	P123,606,732	P-	P-	P123,606,732	P123,606,732
LTNCDs	28,253,933	-	28,314,622	-	28,314,622
Bonds payable	54,178,448	37,911,127	15,483,143	-	53,394,270
Bills payable	17,725,475	-	-	17,708,077	17,708,077
	P223,764,588	P37,911,127	P43,797,765	P141,314,809	P223,023,701

* 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, 2021					
	Carrying Value	Level 1	Level 2	Level 3	Total
Measured at Fair Value					
Financial Assets					
Financial assets at FVTPL:					
Government securities	P7,956,013	P3,309,163	P4,646,850	P-	P7,956,013
Private debt securities	1,841,548	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
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

- 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 unquoted securities, fair value is estimated using either quoted market prices of comparable investments, or the net asset value method and applying a discount for lack of marketability.

- 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.

Item 6. 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.
- Approved by the BOD in 2020, 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 lines-of-defense model, which are fundamental to PNB's aspiration to be world-class at managing risk:
 - 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; and
 - d. A strong control culture of effective and transparent risk partnership.
 - The second line of defense 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 of defense may also recommend implementation of action plans, corrective actions, or service recovery in managing the risk impact and prevent recurrence.

- The third line of defense 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

We broadly classify and define risks into the following categories and manage the risks according to their characteristics. These are monitored accordingly under the Enterprise Risk Management Framework:

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	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	<ul style="list-style-type: none"> ▪ Value at Risk Utilization ▪ Results of Marking to Market ▪ Risks Sensitivity/ Duration Report 	<ul style="list-style-type: none"> ▪ VaR Limits ▪ Stop Loss Limits ▪ Management Triggers ▪ Duration Report ▪ ROP Exposure Limit ▪ Limit to Structured Products

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
	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. <i>(BSP Cir. No. 544, Series of 2006)</i>	<ul style="list-style-type: none"> ▪ Exposure to Derivative/ Structured Products 	<ul style="list-style-type: none"> ▪ Exception Report on Traders' Limit ▪ Exception Report on Rate Tolerance ▪ Stress Testing ▪ BSP Uniform Stress Testing
Liquidity Risk	Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from 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	<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

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
	position. (<i>BSP Cir. No. 1044, Series of 2019</i>)		
Operational Risk	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 financial institution belongs. (<i>BSP Circular 900, dated 18 January 2016</i>)	<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> <p>Risk Identification – Risk Maps</p> <p>Risk Measurement and Analysis – ICAAP Risk Assessment</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) ▪ 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</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:</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 	<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
	<p>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 as failure of PNB to deliver its mandate to provide appropriate service and protection to its financial consumers.</p>	<ul style="list-style-type: none"> Stakeholders (including customer and regulators) 	
Strategic Business Risks	<p>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>)</p>		<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	<p>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</p>		<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
	<p>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 Terms, Page Numbers 98 and 100</i>)</p>		
Data Privacy Risk	<p>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>)</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 Risk	<p>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</p>		<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

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
	events that could potentially impact the business. IT Risk includes Information Security Risk that could result from non-preservation of any or all of the domains of information security; that is, confidentiality, integrity and availability of information asset. <i>(ISACA Risk IT Framework)</i>		<ul style="list-style-type: none"> ▪ IT Risk Assessment ▪ Project Risk Assessment
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>

Item 7. 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;
 - 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:

	March 31, 2022					
	Retail Banking	Corporate Banking	Global Banking and Market	Others	Adjustments and Eliminations*	Total
Net interest margin						
Third party	P316,895	P6,592,064	P1,518,720	P2,693	P93,900	P8,524,272
Inter-segment	4,272,784	(3,462,417)	(810,367)	–	–	–
Net interest margin after inter-segment transactions	4,589,679	3,129,647	708,353	2,693	93,900	8,524,272
Other income	1,146,033	478,759	93,725	414,241	(96,738)	2,036,020
Segment revenue	5,735,712	3,608,406	802,078	416,934	(2,838)	10,560,292
Other expenses	2,661,843	288,381	208,946	282,239	(2,838)	3,438,571
Segment result	P3,073,869	P3,320,025	P593,132	P134,695	P–	7,121,721
Unallocated expenses						3,491,787
Net income before income tax						3,629,934
Income tax						816,500
Net income						2,813,434
Non-controlling interests						12,996
Net income for the year attributable to equity holders of the Parent Company						P2,800,438
Other segment information						
Capital expenditures	P40,015	P387	P3,268	P1,495	P–	P45,165
Unallocated capital expenditures						481,057
Total capital expenditures						P526,222
Depreciation and amortization	P180,223	P94,070	P17,689	P74,538	P–	P366,520
Unallocated depreciation and amortization						676,353
Total depreciation and amortization						P1,042,873
Provision for (reversal of) impairment, credit and other losses	(P86,356)	(P466,940)	P69,210	P90,555	P–	(P393,531)

	As of March 31, 2022					
	Retail Banking	Corporate Banking	Global Banking and Market	Others	Adjustments and Eliminations*	Total
Segment assets	P719,533,260	P261,781,887	P138,619,286	P36,128,483	(P27,753,467)	P1,128,309,449
Unallocated assets						8,314,747
Total assets						P1,136,624,196
Segment liabilities	P706,685,612	P181,016,561	P74,886,429	P30,626,474	(P27,117,302)	P966,097,774
Unallocated liabilities						8,586,464
Total liabilities						P974,684,238

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

March 31, 2021						
	Retail Banking	Corporate Banking	Global Banking and Market	Others	Adjustments and Eliminations*	Total
Net interest margin						
Third party	P4,085	P6,760,089	P1,390,806	P25,342	P57,143	P8,237,465
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	P2,441,424	P908,464	P1,709,038	P454,960	P—	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						P1,766,286
Other segment information						
Capital expenditures	P44,160	P1,146	P3,156	P104,923	P—	P153,385
Unallocated capital expenditures						215,866
Total capital expenditures						P369,251
Depreciation and amortization	P213,199	P43,380	P713	P182,839	P—	P440,131
Unallocated depreciation and amortization						291,790
Total depreciation and amortization						P731,921
Provision for (reversal of) impairment, credit and other losses	(P70,339)	P2,216,621	(P36,940)	(P14,180)	P—	P2,095,162

As of December 31, 2021						
	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 March 31, 2022 and December 31, 2021 and capitalized expenditures and revenues for the three months ended March 31, 2022 and 2021 by geographic region of the Group follows:

	Non-Current Assets		Liabilities		Credit Commitments	
	March 31, 2022	December 31, 2021	March 31, 2022	December 31, 2021	March 31, 2022	December 31, 2021
Philippines	P621,747,071	P634,529,203	P927,629,023	P980,065,000	P45,361,509	P45,038,930
Asia (excluding Philippines)	20,242,247	21,099,162	36,644,444	39,749,446	—	—
USA and Canada	1,509,444	1,593,358	10,320,801	9,629,585	—	—
United Kingdom	1,517	1,002	89,970	117,675	—	—
	P643,500,279	P657,222,725	P974,684,238	P1,029,561,706	P45,361,509	P45,038,930

	Capital Expenditures		Revenues	
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
Philippines	P525,842	P268,799	P11,680,218	P13,177,438
Asia (excluding Philippines)	31	100,452	486,248	218,307
USA and Canada	349	–	166,976	88,191
United Kingdom	–	–	25,274	26,720
	P526,222	P369,251	P12,358,716	P13,510,656

- 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 Item 3. 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.

Item 8. 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, 2022 and December 31, 2021, 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.

Item 9. Events After the Reporting Period

- On April 27, 2022, the Parent Company sold to a listed port operator, International Container Terminal Services, Inc., a 32,000-square meter lot and building property located within the Manila Harbour Centre Industrial Zone in Tondo, Manila for P3.68 billion in cash, net of applicable taxes. The sale was successfully completed after a sealed public bidding for the property was conducted. The property was classified under 'Real and other properties acquired' and booked under 'Investment properties' in the consolidated statement of financial position of the Group.

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



JOSE ARNULFO A. VELOSO
President and Chief Executive Officer



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

ANNEX A

PHILIPPINE NATIONAL BANK SELECTED FINANCIAL RATIOS FOR THE PERIODS INDICATED

	March 31, 2022	December 31, 2021
Current Ratio	63.9%	65.1%
Liquid Assets-to-Total Assets	28.9%	29.4%
Liquid Assets-to-Liquid Liabilities	38.2%	38.2%
Debt-to-Equity	6.0	6.4
Assets-to-Equity	7.0	7.4
Book Value per Share ^{1/}	₱103.99	₱103.56

	March 31, 2022	March 31, 2021
Interest Coverage	301.8%	208.0%
Profitability		
Return on Average Equity (ROE) ^{2/}	7.1%	4.7%
Return on Average Assets	1.0%	0.6%
Net Interest Margin	3.4%	3.2%
Cost Efficiency Ratio	68.6%	60.3%
Basic Earnings per Share	₱1.84	₱1.16

^{1/} Book value per share without goodwill – **₱96.64**

^{2/} ROE without goodwill – **7.6%**

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):

	March 31, 2022
Current Accounts	P513,072,092
Past Due:	
Less than 30 days	44,598,541
31 to 90 days	3,354,112
91 to 180 days	6,755,978
More than 180 days	16,120,930
Loans Receivables, gross	583,901,653
Less:	
Unearned and other deferred income	(864,449)
Allowance for credit losses	(35,390,735)
Loans Receivables, net	P547,646,469