



Office of the EVP and Chief Financial Officer

Direct Lines: 573-4074 Fax: 526-3416
Trunk Lines: 526-3131 to 70/891-6040 to 70
Locals: 4074,4499

May 12, 2020

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, 2020.

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
37th Floor, Tower 1, The Enterprise Center
6766 Ayala Avenue corner Paseo de Roxas
Makati City

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

Month

3	1
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Day

Fiscal Year

17 - Q

FORM TYPE

6	23
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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

36,422

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, 2019

(Calendar Year Ended)

SEC FORM 17-Q REPORT

Form Type

(Amendment Designation (if applicable))

MARCH 31, 2020

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, 2020**
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) 8891-6040 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 remittance, non-life insurance, banking, 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 accounts receivable
 - 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, 2019, except for the following amendments to PFRSs which became effective on January 1, 2020:
 - Amendments to PFRS 3, *Business Combinations: Definition of a Business*
 - Amendments to Philippine Accounting Standards (PAS) 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material*

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

5. The significant judgments and assumptions made in the Group's interim financial statements are consistent with the most recent annual financial statements issued.

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

Financial condition as at March 31, 2020 (Unaudited) compared to December 31, 2019 (Audited)

The Group's consolidated total assets stood at ₱1,091.3 billion as of March 31, 2020, 4.5% or ₱51.0 billion lower compared to ₱1,142.3 billion reported as of December 31, 2019. Changes (more than 5%) in assets were registered in the following accounts:

- Cash and Other Cash Items registered a decrease by ₱5.9 billion from ₱30.5 billion as of December 31, 2019. Due from Other Banks, Interbank Loans Receivables and Securities Held Under Agreements to Resell as of March 31, 2020 at ₱33.5 billion, ₱31.2 billion and ₱5.2 billion, respectively, increased by ₱15.8 billion ₱6.4 billion and ₱2.7 billion compared to ₱17.8 billion, ₱24.8 billion and ₱2.5 billion, respectively, as of December 31, 2019.

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 which represent 16.0% and 20.8% of the Group's total assets as of March 31, 2020 and December 31, 2019, respectively, declined by ₱62.0 billion or 26.1%. Financial assets at FVTPL increased by ₱10.8 billion or 80.1%, while financial assets at FVOCI decreased by ₱71.6 billion or 58.1%, mainly due to disposal of various securities, net of purchases.
- Loans and Receivables represent 59.7% and 57.6% of the Group's total assets as of March 31, 2020 and December 31, 2019, respectively. Loans and Receivables decreased by ₱6.8 billion or 1.0%, at ₱651.1 billion as of March 31, 2020 from ₱657.9 billion as of December 31, 2019, mainly due to ₱3.7 billion net paydowns of loans and receivables and additional provision for impairment, credit and other losses of ₱3.4 billion.
- Investment in an Associate decreased by ₱0.3 billion or 11.4%, at ₱2.3 billion as of March 31, 2020 from ₱2.6 billion as of December 31, 2019, mainly due to additional share in net comprehensive losses of the associate.
- Deferred Tax Assets increased by ₱0.5 billion or 19.0%, at ₱3.1 billion as of March 31, 2020 from ₱2.6 billion as of December 31, 2019 mainly due to the recognition of additional deferred tax assets on allowance for expected credit losses, which the Group has the benefit of tax deductions against future taxable income only upon actual write-offs.
- Other Assets amounted to ₱8.5 billion as of March 31, 2020 or an increase of ₱0.4 billion or 5.1% from ₱8.1 billion as of December 31, 2019.

The Group's consolidated total liabilities decreased by 4.9% or ₱48.3 billion from ₱987.3 billion as of December 31, 2019 to ₱939.0 billion as of March 31, 2020. Major changes in liabilities were registered in the following accounts:

- Deposit Liabilities totaled ₱791.1 billion which represent 84.2% and 83.7% of the Group's total liabilities as of March 31, 2020 and December 31, 2019, respectively, dropped by ₱35.0 billion or 4.2%. Time deposits went down by ₱48.1 billion or 21.2% partially offset by the increase in Demand deposits and Savings deposits by ₱8.7 billion or 5.1%, and ₱4.4 billion or 1.1%, respectively.
- Financial Liabilities at FVTPL increased by ₱107.3 million or 43.7% from 2019 year-end balance of ₱245.6 million mainly from the increase in the volume of transactions for the period.
- Lease Liabilities decreased by ₱242.0 million or 13.4% at ₱1.6 billion as of March 31, 2020 from ₱1.8 billion as of December 31, 2019 mainly due to lease payments during the quarter.
- Bills and Acceptances Payable declined by ₱10.6 billion or 18.9% from ₱56.0 billion to ₱45.4 billion as of December 31, 2019 and March 31, 2020, respectively, brought by the decrease in the level of interbank borrowing and repurchase agreements.
- Income Tax Payable increased by ₱258.0 million from ₱576.2 million as of December 31, 2019 to ₱834.2 million as of March 31, 2020.
- Other Liabilities amounted to ₱26.2 billion as of March 31, 2020 or a decrease of ₱2.9 billion or 9.9% from ₱29.1 billion as of December 31, 2019.

The Group's consolidated total equity stood at ₱152.3 billion as of March 31, 2020 from ₱155.0 billion as of December 31, 2019, or a decrease of ₱2.7 billion attributed mainly to the following:

- decline in Net Unrealized Gains on Financial Assets at FVOCI from a ₱3.3 billion unrealized gain as of December 31, 2019 to an unrealized loss amounting to ₱0.4 billion as of March 31, 2020, mainly due to disposal of certain financial assets at FVOCI resulting in realized gains of ₱2.3 billion for the quarter; and
- decreases in Remeasurement Losses on Retirement Plan and Accumulated Translation Adjustment of ₱302.6 million and ₱71.5 million, respectively

The decreases in the above equity accounts were offset by the consolidated net income for the quarter ended March 31, 2020 amounting to ₱1.3 billion.

Further, transfer to surplus reserves in the first quarter of 2020 includes the appropriation of surplus amounting to ₱3.6 billion for the excess of 1% general loan loss provision over the computed expected credit losses for Stage 1 accounts in accordance with BSP Circular 1011.

Results of operation for the three months ended March 31, 2020 (Unaudited) compared to same period ended March 31, 2019 (Unaudited)

- For the three months ended March 31, 2020, the Group registered a net income of ₱1.3 billion, ₱0.6 billion or 29.7% lower than the ₱1.9 billion net income for the same period last year. The Group recognized significant provisions for impairment, credit and other losses of ₱3.4 billion which resulted in lower net income compared to last year. However, the Group's core income comprising primarily of net interest income recorded substantial improvements in the current period. The results for the current period also included significant increase in net gains from trading and investment securities.
- Net interest income amounted to ₱8.9 billion, higher by 25.1% or ₱1.8 billion compared to the same period last year mainly due to the expansion in interest from loan, deposits with banks and others, and trading and investment securities, which accounted for the ₱1.0 billion, ₱240.5 million, and ₱171.3 million increase in interest income, respectively. Total interest income increased by 13.0% or ₱1.5 billion to ₱12.6 billion from ₱11.1 billion for the same period last year. Total interest expense decreased to ₱3.7 billion or by ₱0.3 billion from ₱4.1 billion for the same period last year primarily due to decline in interest expense from deposit liabilities and other borrowings, partially offset by increase in interest expense from bonds payable of 320.6% or ₱0.6 billion from ₱0.2 billion for the same period last year to ₱0.7 billion. As a result of the above movements, net interest margin improved to 3.53% for the period compared to 3.14% in the same period last year.
- Net insurance premiums amounting to ₱51.4 million increased by ₱7.3 million from ₱44.1 million for the same period last year due to lower insurance benefits and claims expenses.
- Other income increased to ₱2.5 billion compared to ₱1.2 billion for the same period last year mainly due to improvement in net gains on trading and investment securities by ₱1.4 billion.
- Administrative and other operating expenses amounted to ₱10.6 billion for the three months ended March 31, 2020, ₱3.9 billion or 57.0% higher compared to the same period last year, mainly due to additional provisions for impairment, credit and other losses amounting to ₱3.4 billion in anticipation of the impact of the Coronavirus Disease 2019 (COVID-19) pandemic to the Group's loan portfolio.
- Total comprehensive income (loss) for the three months ended March 31, 2020 amounted to (₱2.7 billion) which is ₱7.0 billion or 162.8% lower than the same period last year mainly due to decrease in net unrealized gains on financial assets at FVOCI and additional loan loss provisions in the first quarter of 2020.

Key performance indicators

	<u>03/31/2020</u>	<u>03/31/2019</u> (As restated) ^{2/}	<u>12/31/2019</u>
Income statement			
Return on equity (ROE) ^{1/}	3.49%	5.90%	6.89%
Return on assets (ROA) ^{2/}	0.48%	0.77%	0.92%
Net interest margin (NIM) ^{3/}	3.53%	3.14%	3.31%
Cost efficiency ratio ^{4/}	59.06%	69.21%	63.17%
Balance sheet			
BSP Capital Adequacy Ratios (CAR):			
CAR	14.72%	13.98%	14.80%
Tier 1 Ratio	13.80%	13.23%	14.10%
Non-performing loans (NPL) Ratio:			
Net of allowance	1.78%	0.67%	1.59%
Gross of allowance	3.27%	2.07%	3.05%
Liquid assets-to-Total assets Ratio	25.18%	26.75%	27.86%
Current assets-to-current liabilities	64.34%	58.70%	58.82%

^{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.

^{5/} Refer to Note 6

- 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 and uncertainties during the period

- The ongoing COVID-19 outbreak, which initially affected China, has spread to other countries, including the Philippines, and has been declared by the World Health Organization as a pandemic on March 12, 2020. On March 16, 2020, President Rodrigo Duterte issued Proclamation No. 929, placing the entire Luzon, including Metro Manila, under an Enhanced Community Quarantine (ECQ) beginning March 17, 2020. As of the date of filing of this report, certain high-risk areas identified by the Philippine Government are still under ECQ.

The Group has convened a multi-functional and dedicated contingency team to provide strategic operational support for the entire duration of the COVID-19 pandemic. The Group has also undertaken several measures and actions as response to the pandemic, and in the event of an unexpected disruption, the Group continues to serve its customers through its Business Continuity Plan by opening selected branches.

Since the start of the ECQ, PNB has deployed a number of Bank-on-Wheels (BOWs) serving many communities in Metro Manila and nearby provinces. BOWs bring banking to those most in need and are stationed in various locations where accessibility to cash is limited. The Group fully supported the *Bayanihan To Heal As One* law, providing its customers with payment extension for loans with payment due dates during the ECQ without incurring penalty fees and interest charges.

The Group continues to monitor any developments and refines its financial reporting processes as a result of the COVID-19 incident. Therefore, the estimation of its impact is subject to change until finalization of the financial statements for the year ending December 31, 2020.

- On March 1, 2020, the Parent Company integrated its wholly-owned thrift bank subsidiary, PNB Savings Bank (PNBSB), into the parent bank through acquisition of its assets and assumption of its liabilities in exchange for cash. The integration is seen to deliver a more efficient banking experience and serve a wider customer base, while the customers of PNBSB will have access to the Parent Company's diverse portfolio of financial solutions. The consumer lending business, previously operated through PNBSB, will also benefit from PNB's ability to efficiently raise low cost of funds. In a letter to the BSP last March 5, 2020, PNBSB has surrendered its banking license to the BSP.

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				Total
	March 31, 2020				
	Carrying Value	Level 1	Level 2	Level 3	
Measured at fair value:					
Financial Assets					
Financial assets at FVTPL:					
Government securities	₱19,331,494	₱13,227,825	₱6,103,669	₱-	₱19,331,494
Private debt securities	3,311,808	-	3,311,808	-	3,311,808
Equity securities	1,209,970	1,209,970	-	-	1,209,970
Derivative assets	397,955	-	397,955	-	397,955
Investment in UITFs	5,793	1,380	4,413	-	5,793
Financial assets at FVOCI:					
Government securities	32,820,410	14,165,568	18,654,842	-	32,820,410
Private debt securities	17,442,324	51,283	17,391,041	-	17,442,324
Equity securities	1,324,369	49,114	344,697	930,558	1,324,369
	₱75,844,123	₱28,705,140	₱46,208,425	₱930,558	₱75,844,123
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	₱352,957	₱-	₱352,957	₱-	₱352,957
Fair values are disclosed:					
Financial Assets					
Investment securities at amortized cost*	₱99,265,812	₱10,857,142	₱83,514,804	₱-	₱94,371,946
Receivables from customers **	632,857,978	-	-	668,502,759	668,502,759
	₱732,123,790	₱10,857,142	₱83,514,804	₱668,502,759	₱762,874,705

Consolidated					
March 31, 2020					
	Carrying Value	Level 1	Level 2	Level 3	Total
Nonfinancial Assets					
Investment property:					
Land ***	P12,748,752	P-	P-	P25,896,523	P25,896,523
Buildings and improvements ***	2,263,601	-	-	4,631,563	4,631,563
	P15,012,353	P-	P-	P30,528,086	P30,528,086
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	P178,772,670	P-	P-	P178,831,246	P178,831,246
Long-term negotiable certificate of deposits (LTNCDs)	35,163,737	-	34,589,279	-	34,589,279
Bonds payable	66,695,175	37,148,505	29,792,121	-	66,940,626
Bills payable	41,808,270	-	-	43,277,670	43,277,670
	P322,439,852	P37,148,505	P64,381,400	P222,108,116	P323,638,821

* 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, 2019					
	Carrying Value	Level 1	Level 2	Level 3	Total
Measured at fair value:					
Financial Assets					
Financial assets at FVTPL:					
Government securities	P8,503,822	P4,258,245	P4,245,577	P-	P8,503,822
Private debt securities	3,130,156	2,246,515	883,641	-	3,130,156
Equity securities	1,455,435	1,455,435	-	-	1,455,435
Derivative assets	373,040	-	373,040	-	373,040
Investment in UITFs	6,532	1,373	5,159	-	6,532
Financial assets at FVOCI:					
Government securities	91,049,715	66,204,545	24,845,170	-	91,049,715
Private debt securities	30,390,002	9,130,230	18,496,386	2,763,386	30,390,002
Equity securities*	1,701,123	428,706	790,013	482,404	1,701,123
	P136,609,825	P83,725,049	P49,638,986	P3,245,790	P136,609,825
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	P245,619	P-	P245,619	P-	P245,619
Fair values are disclosed:					
Financial Assets					
Investment securities at amortized cost*	P100,464,757	P30,455,373	P70,924,643	P200,801	P101,580,817
Receivables from customers **	636,950,500	-	-	695,304,130	695,304,130
	P737,415,257	P30,455,373	P70,924,643	P695,504,931	P796,884,947
Nonfinancial Assets					
Investment property:					
Land ***	P12,917,821	P-	P-	P23,894,410	P23,894,410
Buildings and improvements ***	2,126,005	-	-	4,844,980	4,844,980
	P15,043,826	P-	P-	P28,739,390	P28,739,390
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	P226,894,643	P-	P-	P226,525,853	P226,525,853
LTNCD's	35,152,104	-	35,311,473	-	35,311,473
Bonds Payable	66,615,078	39,517,123	30,123,807	-	69,640,930
Bills payable	53,270,956	-	-	56,049,095	56,049,095
	P381,932,781	P39,517,123	P65,435,280	P282,574,948	P387,527,351

* 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 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 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</i>)</p>	<p>Loan Portfolio Analysis</p> <p>Credit Dashboards</p> <p>Credit Review</p> <p>Credit Model Validation</p>	<ul style="list-style-type: none"> ▪ Trend Analysis (Portfolio / Past Due and NPL Levels) ▪ Regulatory and Internal Limits ▪ Stress Testing ▪ Rapid Portfolio Review ▪ BRR Migration ▪ Tracking the movements of the loan 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 ▪ 30-day AFS Holding Period ▪ Exception Report on Traders' Limit ▪ Exception Report on Rate Tolerance

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 these fall due.	<ul style="list-style-type: none"> ▪ Funding Liquidity Plan ▪ Liquidity Ratios ▪ Large Fund Providers ▪ 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 (IRBB)	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. (BSP Circ 510, dated 03 Feb 2006)	<ul style="list-style-type: none"> ▪ Interest Rate Gap Analysis ▪ Earnings at Risk 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
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. (BSP Circular 900)	<ul style="list-style-type: none"> ▪ Risk Identification ▪ Risk Measurement ▪ Risk Evaluation (i.e. Analysis of Risk) ▪ Risk Management (i.e. Monitor, Control or Mitigate Risk) <p>Monitoring of Pillar II Risks fall under the purview of Operational Risk Management: Risk Identification – Risk Maps Risk Measurement and Analysis – ICAAP Risk Assessment</p>	<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 (Customer Franchise Risk) including Social Media and AML Risks	Reputational risk is the current and prospective impact on earnings or capital arising from negative public opinion. Customer franchise risk is defined as the failure to find, attract, and win new clients, nurture and retain those the Group already has, and entice former clients back into the fold as well as the failure to meet client's expectation in delivering the Group's products and	<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</p>	<ul style="list-style-type: none"> ▪ Account Closures Report ▪ Service Desk Customer Issues Report/Customer Complaints Monitoring Report ▪ Mystery Caller/Shoppper ▪ Evaluation/ Risk Mitigation of negative media coverage ▪ Public Relations Campaign ▪ Review of Stock Price performance ▪ Fraud Management Program ▪ Social Media Management Framework

	<p>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 3. Transactions over certain amounts as defined by AMLC-Anti-Money Laundering Council’s implementing rules and regulations 	<p>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"> ▪ Social Media Risk Management ▪ AML Customer Risk Rating ▪ Enhanced Due Diligence (EDD) ▪ Customer Identification Process ▪ Electronic Monitoring System for Money Laundering (e.g. Giftsweb EDD, Dow Jones Risk and Compliance Software, AML CTR Generation System-ACGS, AML Data Capture/Entry System-ADCS, Centralized Watchlist System-CWS ▪ Reporting of Covered Transactions ▪ Detection, Monitoring & Reporting of Suspicious Transactions ▪ AML Training Programs ▪ Screening and Recruitment Process of Personnel ▪ Risk Based Internal Audit Work Program ▪ Compliance Testing and Review ▪ Record keeping and Retention
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 Risk is the current and prospective impact on earnings, reputation, customer franchise, and/or capital arising from information security threats of attack on the Group’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 (Ransom ware, DDOS, etc) • Common threats (spam, phishing, malware, spoofing viruses, spoofing, etc) 		<ul style="list-style-type: none"> ▪ Risk Asset Register ▪ 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

	<ul style="list-style-type: none"> Scams and Frauds (Social engineering, identify thefts, email scams, etc) 		
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 its Confidentiality, Integrity, and Availability (CIA). Social Engineering can result in various key risk indicators – phishing, spamming, dumpster diving, direct approach, baiting, spying & eavesdropping, 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	<p>Technology Risk results from human error, malicious intent, or even non-compliance to regulations. It threatens assets and processes vital to the Group's business and may prevent compliance with regulations, impact profitability, and damage your company's reputation in the marketplace. Risks in the smooth operation of the core banking application may also threaten the delivery of service to clients and customers.</p>		<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 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, 2020					Total
	Retail Banking	Corporate Banking	Global Banking and Market	Others	Adjustments and Eliminations*	
Net interest margin						
Third party	(P753,915)	P8,134,651	P1,327,620	P118,668	P23,938	P8,850,962
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)	140,293	23,938	8,850,962
Other income	639,458	418,189	2,433,582	624,362	(64,960)	4,050,631
Segment revenue	6,355,439	4,046,599	1,775,922	764,655	(41,022)	12,901,593
Other expenses	3,487,325	3,440,142	55,580	498,814	64,308	7,546,169
Segment result	P2,868,114	P606,457	P1,720,342	P265,841	(P105,330)	5,355,424
Unallocated expenses						3,641,758
Net income before income tax						1,713,666
Income tax						376,545
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 expenditure						1,055,828
Total capital expenditure						P1,564,827
Depreciation and amortization	P255,622	P27,831	P1,123	P91,368	P-	P375,944
Unallocated depreciation and amortization						375,856
Total depreciation and amortization						P751,800
Provision for (reversal of) impairment, credit and other losses	P796,511	P2,528,432	(P51,054)	P81,653	P-	P3,355,542

	As of March 31, 2020					Total
	Retail Banking	Corporate Banking	Global Banking and Market	Others	Adjustments and Eliminations*	
Segment assets	P672,967,240	P151,380,454	P161,956,899	P126,146,968	(P24,020,024)	P1,088,431,537
Unallocated assets						2,859,536
Total assets						P1,091,291,073
Segment liabilities	P656,426,712	P124,490,278	P113,640,239	P59,961,073	(P21,026,855)	P933,491,447
Unallocated liabilities						5,541,545
Total liabilities						P939,032,992

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

March 31, 2019						
	Retail Banking	Corporate Banking	Global Banking and Market	Others	Adjustments and Eliminations*	Total
Net interest margin						
Third party	(P1,379,639)	P6,858,661	P1,469,175	P58,500	P71,187	P7,077,884
Inter-segment	5,836,971	(4,961,179)	(875,002)	(790)	–	–
Net interest margin after inter-segment transactions	4,457,332	1,897,482	594,173	57,710	71,187	7,077,884
Other income	753,232	352,690	994,263	430,026	165,480	2,695,691
Segment revenue	5,210,564	2,250,172	1,588,436	487,736	236,667	9,773,575
Other expenses	2,876,684	510,149	65,113	399,508	504,401	4,355,855
Segment result	P2,333,880	P1,740,023	P1,523,323	P88,228	(P267,734)	5,417,720
Unallocated expenses						2,894,468
Net income before income tax						2,523,253
Income tax						622,102
Net Income						1,901,151
Non-controlling interests						25,011
Net income for the year attributable to equity holders of the Parent Company						P1,876,140
Other segment information						
Capital expenditures	P328,894	P519	P–	P140,566	P571,778	P1,088,335
Unallocated capital expenditure						134,145
Total capital expenditure						P1,175,902
Depreciation and amortization	P167,821	P29,735	P350	P73,729	P–	P271,635
Unallocated depreciation and amortization						373,246
Total depreciation and amortization						P644,881
Provision for (reversal of) impairment, credit and other losses	(P229)	P157,488	P–	P1,434	P187,085	P345,778

As of December 31, 2019						
	Retail Banking	Corporate Banking	Global Banking and Market	Others	Adjustments and Eliminations*	Total
Segment assets	P700,967,750	P230,221,786	P195,813,132	P81,111,908	(P71,364,991)	P1,136,749,584
Unallocated assets						5,541,027
Total assets						P1,142,290,611
Segment liabilities	P694,547,248	P140,490,040	P190,729,000	P17,804,392	(P62,345,117)	P981,225,563
Unallocated liabilities						6,089,648
Total liabilities						P987,315,211

* 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, 2020 and December 31, 2019 and capitalized expenditures and revenues for the three months ended March 31, 2020 and 2019 by geographic region of the Group follows:

	Non Current Assets		Liabilities		Credit Commitments	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Philippines	P439,652,456	P550,854,343	P904,694,451	P950,248,431	P41,729,235	P39,456,355
Asia (excluding Philippines)	12,135,498	13,031,999	31,617,661	34,243,417	232,242	–
USA and Canada	120,665,172	120,835,377	2,331,941	2,349,279	–	–
United Kingdom	1,225,358	1,228,180	388,939	474,084	–	–
	P573,678,484	P685,949,899	P939,032,992	P987,315,211	P41,961,477	P39,456,355

	Capital Expenditures		Revenues	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Philippines	₱1,560,704	₱1,169,238	₱15,878,331	₱13,134,188
Asia (excluding Philippines)	3,761	6,548	556,415	496,508
USA and Canada	362	116	172,472	165,981
United Kingdom	–	–	28,112	32,005
	₱1,564,827	₱1,175,902	₱16,635,330	₱13,828,682

- 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, 2020 and December 31, 2019, 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, the Group reverted the assets and liabilities of PNB General Insurers, Inc. (PNB Gen) from 'Assets and liabilities of disposal group classified as held for sale' to their respective accounts in the consolidated statements of financial position. Likewise, the results of operations of PNB Gen for the period ended March 31, 2019 amounting to ₱8.7 million net income was also reverted from discontinued operations to continuing operations.

7. 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 probable losses. Please refer to the discussions on the results of operations for further details.
- On March 2, 2020, the Parent Company executed the Deed of Absolute Sale for the disposal of its entire shareholdings in PNB Management and Development Corporation (PNB Madecor) to MacroAsia Mining Corporation, a company with an interlocking director with the Parent Company, for ₱3.5 million. PNB Madecor was a non-operating subsidiary of the Parent Company.
- On March 3 and March 4, 2020, the Securities and Exchange Commission approved the change in names of PNB-IBJL Leasing and Finance Corporation and PNB-IBJL Equipment Rentals Corporation (collectively, the PNB-Mizuho Group) to PNB-Mizuho Leasing and Finance Corporation and PNB-Mizuho Equipment Rentals Corporation, respectively, as a result of the increase in shareholdings of Mizuho Bank Ltd. in Industrial Bank of Japan Leasing Co., Ltd. (now Mizuho Leasing Company, Limited), the 25% partner of the Group in the PNB-Mizuho Group.
- 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 PNB Group's financial condition and results of operations;
 - dividends declared or paid;
 - material events subsequent to the end of the interim period.
- 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, 2020
Current Accounts	
Up to 12 months	₱234,359,857
Over 1 year to 3 years	74,110,754
Over 3 years to 5 years	110,683,208
Over 5 years	206,301,947
Past due and items in litigation	25,173,425
Loans Receivables (gross)	650,629,191
Less:	
Unearned and other deferred income	(536,447)
Allowance for credit losses	(17,234,766)
Loans Receivables, net	₱632,857,978

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES**INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION****As of March 31, 2020****(With Comparative Audited Figures as of December 31, 2019)****(In Thousands)**

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
ASSETS		
Cash and Other Cash Items	₱24,576,799	₱30,500,927
Due from Bangko Sentral ng Pilipinas	104,450,985	105,981,801
Due from Other Banks	33,539,294	17,758,143
Interbank Loans Receivable	31,196,256	24,831,816
Securities Held Under Agreements to Resell	5,231,830	2,517,764
Financial Assets at Fair Value Through Profit or Loss (FVTPL)	24,257,020	13,468,985
Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI)	51,587,103	123,140,840
Investment Securities at Amortized Cost	99,265,812	100,464,757
Loans and Receivables	651,097,210	657,923,757
Property and Equipment	21,051,914	21,168,794
Investment in an Associate	2,308,922	2,605,473
Investment Properties	15,012,351	15,043,826
Deferred Tax Assets	3,071,523	2,580,809
Intangible Assets	2,769,826	2,841,989
Goodwill	13,375,407	13,375,407
Other Assets	8,498,821	8,085,523
TOTAL ASSETS	₱1,091,291,073	₱1,142,290,611

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

Demand	₱180,935,115	₱172,228,956
Savings	396,191,278	391,769,777
Time	178,772,670	226,894,643
Long Term Negotiable Certificates	35,163,737	35,152,104
	791,062,800	826,045,480
Financial Liabilities at FVTPL	352,957	245,619
Lease Liabilities	1,564,383	1,806,409
Bonds Payable	66,695,175	66,615,078
Bills and Acceptances Payable	45,408,905	55,963,290
Accrued Taxes, Interest and Other Expenses	6,868,927	6,939,726
Income Tax Payable	834,172	576,156
Other Liabilities	26,245,673	29,123,453
TOTAL LIABILITIES	939,032,992	987,315,211

(Forward)

	March 31, 2020 (Unaudited)	December 31, 2019 (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	4,282,785	642,018
Surplus	53,950,388	56,273,492
Net Unrealized Gain (Loss) on Financial Assets at FVOCI	(440,194)	3,250,651
Remeasurement Losses on Retirement Plan	(2,531,800)	(2,229,220)
Accumulated Translation Adjustment	876,099	947,562
Other Equity Reserves	35,466	35,466
Share in Aggregate Reserves on Life Insurance Policies	12,280	12,280
Other Equity Adjustment	13,959	13,959
	149,346,137	152,093,362
NON-CONTROLLING INTERESTS	2,911,944	2,882,038
TOTAL EQUITY	152,258,081	154,975,400
TOTAL LIABILITIES AND EQUITY	₱1,091,291,073	₱1,142,290,611

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

	For the Quarters Ended March 31	
	2020 (Unaudited)	2019 (As restated) (Unaudited)
INTEREST INCOME ON		
Loans and receivables	₱10,095,945	₱9,069,229
Investment securities at amortized cost and financial assets at FVOCI	1,808,011	1,667,077
Deposits with banks and others	391,689	151,178
Interbank loans receivable and securities held under agreements to resell	152,667	139,519
Financial assets at FVTPL	136,387	105,988
	12,584,699	11,132,991
INTEREST EXPENSE ON		
Deposit liabilities	2,711,043	3,405,917
Bonds payable	726,320	172,678
Bills payable and other borrowings	296,374	476,512
	3,733,737	4,055,107
NET INTEREST INCOME	8,850,962	7,077,884
Service fees and commission income	1,258,105	1,184,716
Service fees and commission expense	292,543	217,386
NET SERVICE FEES AND COMMISSION INCOME	965,562	967,330
Insurance premiums	277,981	281,911
Insurance benefits and claims	226,570	237,847
NET INSURANCE PREMIUMS	51,411	44,064
OTHER INCOME		
Trading and investment securities gains - net	2,059,990	676,821
Foreign exchange gains - net	153,814	180,091
Net gain on sale or exchange of assets	12,432	72,950
Equity in net losses of an associate	(14,589)	(37,009)
Miscellaneous	302,898	336,211
TOTAL OTHER INCOME	2,514,545	1,229,064
TOTAL OPERATING INCOME	12,382,480	9,318,342
OPERATING EXPENSES		
Provision for impairment, credit and other losses	3,355,542	345,778
Compensation and fringe benefits	2,605,033	2,502,098
Taxes and licenses	1,409,242	1,109,778
Depreciation and amortization	751,800	644,881
Occupancy and equipment-related costs	243,629	280,360
Miscellaneous	2,303,568	1,912,194
TOTAL OPERATING EXPENSES	10,668,814	6,795,089
INCOME BEFORE INCOME TAX	1,713,666	2,523,253
PROVISION FOR INCOME TAX	376,545	622,102
NET INCOME	₱1,337,121	₱1,901,151
ATTRIBUTABLE TO:		
Equity Holders of the Parent Company	₱1,317,663	₱1,876,140
Non-controlling Interests	19,458	25,011
	₱1,337,121	₱1,901,151
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company	₱0.86	₱1.50

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

	For the Quarters Ended March 31	
	2020	2019
	(Unaudited)	(As restated) (Unaudited)
NET INCOME	₱1,337,121	₱1,901,151
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that recycle to profit or loss in subsequent periods:		
Net change in unrealized gain (loss) on debt securities at FVOCI, net of tax	(3,665,145)	2,079,115
Share in changes in net unrealized gains (losses) on financial assets at FVOCI of an associate	(25,700)	257,239
	(3,690,845)	2,336,354
Accumulated translation adjustment	(59,703)	147,625
	(3,750,548)	2,483,979
Items that do not recycle to profit or loss in subsequent periods:		
Remeasurement gains (losses) on retirement plan	(46,829)	28,559
Share in changes in remeasurement losses of an associate	(256,262)	(90,637)
	(303,091)	(62,078)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX	(4,053,639)	2,421,901
TOTAL COMPREHENSIVE INCOME (LOSS)	(₱2,716,518)	₱4,323,052
ATTRIBUTABLE TO:		
Equity Holders of the Parent Company	(₱2,747,225)	₱4,299,632
Non-controlling Interests	30,707	23,420
	(₱2,716,518)	₱4,323,052

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

For the Quarter 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	₱61,030,594	₱32,116,560	₱642,018	₱56,273,492	₱3,250,651	(₱2,229,220)	₱947,562	₱35,466	₱12,280	₱13,959	₱152,093,362	₱2,882,038	₱154,975,400
Total comprehensive income (loss) for the period	-	-	-	1,317,663	(3,690,845)	(302,580)	(71,463)	-	-	-	(2,747,225)	30,707	(2,716,518)
Other equity reserves	-	-	-	-	-	-	-	-	-	-	-	27	27
Declaration of dividends by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(828)	(828)
Transfer to surplus reserves	-	-	3,640,767	(3,640,767)	-	-	-	-	-	-	-	-	-
Balance at March 31, 2020	₱61,030,594	₱32,116,560	₱4,282,785	₱53,950,388	(₱440,194)	(₱2,531,800)	₱876,099	₱35,466	₱12,280	₱13,959	₱149,346,137	₱2,911,944	₱152,258,081

For the Quarter Ended March 31, 2019 (As restated) (Unaudited)													
Equity Attributable to Equity Holders of the Parent Company													
	Capital Stock	Capital Paid in Excess of Par Value	Surplus Reserves	Surplus	Net Unrealized 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, 2019	₱49,965,587	₱31,331,251	₱620,573	₱46,613,462	(₱3,181,335)	(₱1,520,538)	₱1,776,923	₱53,895	₱12,280	₱13,959	₱125,686,057	₱2,894,853	₱128,580,910
Total comprehensive income (loss) for the period	-	-	-	1,876,140	2,337,945	(62,078)	147,625	-	-	-	4,299,632	23,420	4,323,052
Transfer to surplus reserves	-	-	21,445	(21,445)	-	-	-	-	-	-	-	-	-
Dividends by a subsidiary to minority interest	-	-	-	-	-	-	-	-	-	-	-	(847)	(847)
Dissolution of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	5,439	5,439
Prior period adjustment	-	-	-	-	-	-	-	-	-	-	-	(886)	(886)
Balance at March 31, 2019	₱49,965,587	₱31,331,251	₱642,018	₱48,468,157	(₱843,390)	(₱1,582,616)	₱1,924,548	₱53,895	₱12,280	₱13,959	₱129,985,689	₱2,921,979	₱132,907,668

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

	For the Quarters Ended March 31	
	2020	2019
	(Unaudited)	(As restated)
		(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱1,713,666	₱2,523,253
Adjustments for:		
Provision for impairment, credit and other losses	3,355,542	345,778
Amortization of premium/(discount) on investments securities	1,346,769	546,108
Depreciation and amortization	751,800	280,360
Losses (gains) on financial assets at FVTPL	238,021	(746,481)
Mark-to-market loss on derivatives	123,100	215,615
Unrealized foreign exchange loss/(gain) on bonds payable	46,896	(23,784)
Amortization of transaction costs	44,835	15,677
Unrealized foreign exchange loss/(gain) on bills payable and acceptances	38,057	(744,688)
Equity in net losses of an associate	14,589	37,009
Net gain on sale or exchange of assets	(12,432)	(72,950)
Realized trading loss/(gain) on financial assets at FVOCI	(2,298,010)	69,672
Changes in operating assets and liabilities:		
Decrease (increase) in amounts of:		
Interbank loans receivables	1,029,683	(5,928,265)
Financial assets at fair value through profit or loss	(11,149,156)	(7,827,968)
Loans and receivables	3,429,009	(11,985,485)
Other assets	594,816	7,602,556
Increase (decrease) in amounts of:		
Financial liabilities at fair value through profit or loss	107,338	(150,082)
Deposit liabilities	(34,994,314)	8,305,253
Accrued taxes, interest and other expenses	(78,553)	878,965
Other liabilities	(3,166,635)	(1,978,663)
Net cash used in operations	(38,864,979)	(8,638,120)
Income taxes paid	(747,186)	(900,693)
Net cash used from operating activities	(39,612,165)	(9,538,813)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale/maturities of:		
Investment securities at amortized cost	81,598,330	19,356,795
Financial assets at FVOCI	78,234,284	853,240
Investment properties	25,274	92,117
Property and equipment	1,835	481,786
Acquisitions of:		
Investment securities at amortized cost	(80,400,533)	(15,621,269)
Financial assets at FVOCI	(9,255,361)	(23,027,903)
Property and equipment	(1,498,418)	(1,073,936)
Software cost	(66,409)	(101,966)
Net cash provided by (used in) investing activities	68,639,002	(19,041,136)

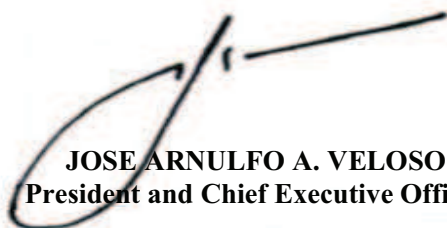
(Forward)

	For the Quarters Ended March 31	
	2020	2019
	(Unaudited)	(As restated) (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bills and acceptances payable	₱70,147,831	₱121,179,774
Settlement of bills and acceptances payable	(80,740,272)	(93,437,388)
Issuance of LTNCDs	-	8,146,542
Maturities of LTNCDs	-	(5,000,000)
Net cash provided by (used in) financing activities	(10,592,441)	30,888,928
NET INCREASE IN CASH AND CASH EQUIVALENTS	18,434,396	2,308,979
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		
Cash and other cash items	30,500,927	16,825,487
Due from BSP	105,981,801	102,723,312
Due from other banks	17,758,143	20,525,318
Interbank loans receivable	22,946,748	10,580,432
Securities held under agreements to resell	2,517,764	20,700,000
	179,705,383	171,354,549
CASH AND CASH EQUIVALENTS AT END OF PERIOD		
Cash and other cash items	24,576,799	13,409,233
Due from BSP	104,450,985	109,062,094
Due from other banks	33,539,294	20,183,786
Interbank loans receivable	30,340,871	9,008,415
Securities held under agreements to resell	5,231,830	22,000,000
	₱198,139,779	₱173,663,528
OPERATIONAL CASH FLOWS FROM INTEREST		
Interest received	₱11,362,229	₱17,126,690
Interest paid	3,661,181	5,475,911

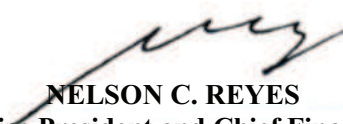
SIGNATURES

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

A handwritten signature in black ink, appearing to be 'J. Veloso', with a large loop on the left and a horizontal line extending to the right.

JOSE ARNULFO A. VELOSO
President and Chief Executive Officer

A handwritten signature in black ink, appearing to be 'N. Reyes', with a large loop on the left and a horizontal line extending to the right.

NELSON C. REYES
Executive Vice President and Chief Financial Officer

Annex A

Selected Financial Ratios For the Periods Indicated

	<u>03/31/2020</u>	<u>12/31/2019</u>
Current Ratio	64.34%	58.82%
Liquid assets to total assets	25.18%	27.86%
Liquid assets to liquid liabilities	33.32%	36.13%
Debt to equity	6.17	6.37
Assets to equity	7.17	7.37
Book value per share	97.88	99.68

	<u>03/31/2020</u>	<u>03/31/2019</u> (As restated)
Interest Coverage	145.9%	162.2%
Profitability		
Return on average equity	3.49%	5.90%
Return on average assets	0.48%	0.77%
Net interest margin	3.53%	3.14%
Cost efficiency ratio	59.06%	69.21%
Basic Earnings per share	0.86	1.50

^{1/} Book value per share without goodwill – **₱89.12**

^{2/} ROE without goodwill – **3.82%**