



**Office of the SVP and Acting Financial Officer**

Trunk Lines: 8526-3131 to 70/8891-6040 to 70  
Local: 4475

November 11, 2022

**MS. ALEXANDRA D. TOM WONG**

Officer-in-Charge, Disclosure Department  
Philippine Stock Exchange  
6/F PSE Tower  
28<sup>th</sup> Street corner 5<sup>th</sup> 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 September 30, 2022.

Very truly yours,

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

**AIDELL AMOR R. GREGORIO**

Senior 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
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Contact Person

8891-60-40
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Company Telephone Number

	9
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Month

3	0
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Day

Fiscal Year

17 - Q
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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

36,229
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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))

**SEPTEMBER 30, 2022**

\_\_\_\_\_  
Period Ended Date

**LISTED**

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

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

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

**Yes [ ☒ ]      No [ ☐ ]**

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

12. Indicate by check mark whether the registrant:

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

**Yes [ ☒ ]      No [ ☐ ]**

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

**Yes [ ☒ ]      No [ ☐ ]**

## PART I – FINANCIAL INFORMATION

### Item 1. Financial Statements

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

### Item 2. Management's Discussion and Analysis

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

The Group's consolidated total assets stood at ₱1,151.9 billion as of September 30, 2022, 3.3% or ₱38.8 billion lower compared to ₱1,190.8 billion reported as of December 31, 2021. Major changes in assets were registered in the following accounts:

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

<i>(In Thousands)</i>	September 30, 2022	December 31, 2021	Decrease	%
Cash and Other Cash Items	₱16,996,951	₱27,552,773	₱10,555,822	38.3
Due from Bangko Sentral ng Pilipinas	123,384,380	161,001,912	37,617,532	23.4
Due from Other Banks	26,081,229	27,222,083	1,140,854	4.2
Interbank Loans Receivable	31,854,893	32,106,088	251,195	0.8
Securities Held under Agreements to Resell	11,108,512	15,796,673	4,688,161	29.7

In 2022, the Group reduced its cash in vaults by ₱10.3 billion to further use in interest-yielding assets.

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

- Trading and investment securities, which consist of Financial Assets at Fair Value Through Profit or Loss (FVTPL), Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI) and Investment Securities at Amortized Cost, representing 23.3% and 22.6% of the Group's total assets as of September 30, 2022 and December 31, 2021, respectively, are slightly lower by ₱0.2 billion or 0.1%, mainly due to the mark-to-market losses and net maturities of financial assets at FVOCI, partly offset by net acquisitions of financial assets at FVTPL and investment securities at amortized cost during the period.
- Loans and Receivables, net of allowance for credit losses, represent 53.9% and 51.0% of the Group's total assets as of September 30, 2022 and December 31, 2021, respectively. Loans and Receivables increased by ₱14.4 billion at ₱621.3 billion as of September 30, 2022 from ₱607.0 billion as of December 31, 2021, mainly due to the ₱15.1 billion net releases of loans and receivables, offset by additional provision for impairment, credit and other losses of ₱0.7 billion.
- Property and Equipment and Intangible Assets as of September 30, 2022 at ₱12.3 billion and ₱2.0 billion, respectively, decreased by ₱1.2 billion and ₱0.4 billion, respectively, compared to ₱13.5 billion and ₱2.4 billion, respectively, as of December 31, 2021, mainly due to depreciation and amortization during the period.

- Investment in an Associate went down by ₱0.3 billion at ₱2.1 billion as of September 30, 2022, compared to ₱2.5 billion as of December 31, 2021, pertaining mostly to equity share in the net comprehensive loss of the associate for the period.
- Investment Properties as of September 30, 2022, at ₱13.7 billion increased by ₱2.9 billion compared to ₱10.7 billion as of December 31, 2021, due to new foreclosures during the period, offset by disposals of real and other properties during the period.
- Other Assets as of September 30, 2022, at ₱5.0 billion grew by ₱0.2 billion from ₱4.8 billion as of December 31, 2021, mainly due to increase in deferred charges by ₱0.5 billion, offset by ₱0.3 billion decreases in creditable withholding taxes.

The Group's consolidated liabilities were at ₱982.2 billion as of September 30, 2022, 4.6% or ₱47.4 billion lower from ₱1,029.6 billion as of December 31, 2021. Major changes in liability accounts were as follows:

- Deposit Liabilities at ₱866.3 billion and ₱894.9 billion, which represent 88.2% and 86.9% of the Group's total liabilities as of September 30, 2022 and December 31, 2021, respectively, are lower by ₱28.7 billion or 3.2% mainly due to decrease in Time Deposits by ₱28.9 billion or 19.1%, Savings Deposits of ₱1.6 billion or 0.3%, and maturity of a Long-Term Negotiable Certificate of Deposit amounting to ₱5.4 billion last June 2022, partially offset by an increase in Demand Deposits by ₱7.2 billion or 3.3%, respectively.
- Financial Liabilities at FVTPL are ₱2.8 billion higher than the 2021 year-end balance of ₱891.5 million mainly from the increase in negative fair value balance of stand-alone forwards as of September 30, 2022.
- Bills and Acceptances Payable is lower by ₱33.4 billion or 63.0% from ₱53.0 billion as of December 31, 2021, to ₱19.6 billion as of September 30, 2022, brought by net settlements of short-term interbank borrowing and repurchase agreements during the period.
- Accrued Taxes, Interest and Other Expenses were higher by ₱1.8 billion, from ₱7.8 billion as of December 31, 2021, to ₱9.5 billion as of September 30, 2022, mainly due to the increase in accrued rental and accrued interest payable.
- Bonds Payable increased by ₱8.0 billion from ₱53.4 billion as of December 31, 2021 to ₱61.4 billion as of September 30, 2022, driven by the revaluation of foreign currency-denominated bonds.
- Income Tax Payable increased by ₱644.0 million from ₱157.7 million as of December 31, 2021 to ₱801.7 million as of September 30, 2022 representing higher tax accrual on the taxable income of the Group.
- Other Liabilities as of September 30, 2022, at ₱17.1 billion increased by ₱1.4 billion compared to ₱15.7 billion as of December 31, 2021 mainly due to the increment in accounts payable of the Group.

The Group's consolidated total equity stood at ₱169.8 billion as of September 30, 2022 from ₱161.2 billion as of December 31, 2021, or an increase of ₱8.5 billion attributed mainly to the ₱11.4 billion consolidated net income reported for the period ended September 30, 2022 and ₱1.5 billion increase in Accumulated Translation Adjustment and ₱0.7 billion increase in Share in Aggregate Reserves on Life Insurance Policies.

The increase in the consolidated total equity was offset by net change in unrealized losses on financial assets at FVOCI, and decrease in surplus reserves for the period, amounting to ₱5.4 billion and ₱0.1 billion, from ₱0.7 billion and ₱5.1 billion as of December 31, 2021, respectively, to ₱6.1 billion and ₱5.0 billion as of September 30, 2022, respectively.

Results of Operation for the Nine Months Ended September 30, 2022 (Unaudited) Compared to Same Period Ended September 30, 2021 (Unaudited)

For the nine months ended September 30, 2022, the Group posted a net income of ₱11.4 billion, ₱12.9 billion lower than the ₱24.3 billion net income for the same period last year. Movements in net income are primarily due to the following:

- Net interest income amounted to ₱26.8 billion, higher by 4.0% or ₱1.0 billion compared to the same period last year. Total interest income increased by 2.4% or ₱767.0 million to ₱32.3 billion for the nine months ended September 30, 2022, reflective of the rising interest rate environment in 2022. Total gross interest expense decreased by ₱0.3 billion to ₱5.5 billion from ₱5.8 billion for the same period last year primarily due to reduced interest cost of bonds payable, and bills payable and other borrowings as compared to the same period last year.
- Net service fees and commission income decreased by ₱315.8 million or 8.2% at ₱3.6 billion for the nine months ended September 30, 2022, mainly due to decreases in loan and credit card-related, underwriting, trust, and remittance fees, partly offset by increases in deposit-related, bancassurance, and interchange fees.
- Other income decreased to ₱7.3 billion compared to ₱37.0 billion for the same period last year mainly due to the recognition of a one-off ₱33.6 billion gain on loss of control over PNB Holdings Corporation (PNB Holdings) as a subsidiary of the Group in 2021. Further, for the nine months ended September 30, 2022, the Group recorded net trading and investment securities losses of ₱268.3 million and equity in net losses of an associate of ₱63.1 million, as a result of the hike in benchmark interest rates during the period affecting both the Parent Company and its associate. This was partly offset by a gain on the sale of a major property in April 2022 amounting to ₱3.6 billion and gain on exchange of another property in May 2022 amounting to ₱1.5 billion, as well as net foreign exchange gains of ₱1.2 billion.
- Administrative and other operating expenses amounted to ₱22.2 billion for the nine months ended September 30, 2022, ₱2.4 billion or 12.3% higher compared to the same period last year, mainly due to the increase of ₱0.8 billion, ₱0.8 billion, and ₱0.7 billion in Compensation and fringe benefits, Depreciation and amortization, and Taxes and Licenses, respectively.
- The Group recorded lower provisions for impairment, credit and other losses at ₱0.7 billion for the nine months ended September 30, 2022 compared to the ₱20.4 billion provisions recorded for the same period last year when the Group was still continuing to build its loan loss reserves in anticipation of the rise in nonperforming Covid-impacted accounts of the Group.

Total comprehensive income for the nine months ended September 30, 2022 amounted to ₱8.5 billion, registering a decrease of ₱13.9 billion compared to the same period last year mainly due to the lower net income during the period, net change in unrealized losses on financial assets at FVOCI, net of tax, and share in changes in net unrealized losses on financial assets at FVOCI of an associate of ₱12.9 billion, ₱2.1 billion, and ₱0.5 billion, respectively. This is offset by higher accumulated translation adjustment, share in changes in aggregate reserves on life insurance policies, and remeasurement gains (losses) on retirement plan of ₱1.0 billion, ₱0.4 billion, and ₱0.2 billion, respectively.

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

- For the quarter ended September 30, 2022, the Group registered a net income of ₱0.3 billion, lower than the ₱2.2 billion net income for the quarter ended September 30, 2021, mainly due to the recognition of ₱3.9 billion additional provisions for impairment, credit and other losses for the third quarter of 2022.
- Net interest income is at ₱9.4 billion for the quarter ended September 30, 2022, higher than the ₱8.9 billion in the same period last year by ₱0.5 billion on account of higher yields on investment securities, deposits with banks, and interbank receivables, offset by lower interest yields on loans and receivables of the Group.
- Net service fees and commission income decreased by ₱247.0 million or 17.5% at ₱1.2 billion for the quarter ended September 30, 2022, mainly due to decreases in loan and credit card-related, and bancassurance fees, partly offset by increases in deposit-related, interchange and remittance fees.
- Other income is slightly lower at ₱0.9 billion in the current quarter from ₱1.0 billion for the same quarter last year mainly due to the recognition of ₱0.8 billion gain on sale of certain loans in September 2021, partly offset by higher net trading and foreign exchange gains in the third quarter of 2022.
- Administrative and other operating expenses amounted to ₱7.3 billion for the quarter ended September 30, 2022, ₱0.9 billion or 14.2% higher compared to the same period last year, mainly due to the increase in Compensation and fringe benefits, and Depreciation and amortization, by ₱0.4 billion each.
- Total comprehensive loss for the quarter ended September 30, 2022 amounted to ₱0.1 billion, a decrease of ₱2.3 billion compared to the same period last year mainly due to the lower net income for the quarter, net change in unrealized losses on financial assets at FVOCI, net of tax, and share in changes in net unrealized losses on financial assets at FVOCI of an associate of ₱1.9 billion, ₱0.7 billion, and ₱0.1 billion, respectively. This is offset by higher accumulated translation adjustment and share in changes in aggregate reserves on life insurance policies of ₱0.4 billion and ₱0.1 billion, respectively.

Other Information Required Under The Securities Regulation Code

For information required under Part III, Paragraph (A)(2)(a)(i) to (viii) of “Annex C” of The Securities Regulation Code, please refer to the following:

- for items (i) to (v) and (viii), please see Note 23 (Other Matters) of the unaudited interim condensed consolidated financial statements of the Group as attached under Annex A;
- for item (vi), there are no elements of income or loss for the nine-month period ended September 30, 2022 that did not arise from the Group’s continuing operations; and
- for item (vii), these are included in the discussion above under this Item 2 (Management’s Discussion and Analysis).



## PART II – OTHER INFORMATION

### Key Performance Indicators and Selected Financial Ratios

	<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	2021
	<b>(Unaudited)</b>	(Unaudited)
<b>Statement of Income</b>		
Return on Average Equity <sup>1/</sup>	<b>8.5%</b>	14.0%
Return on Average Assets <sup>2/</sup>	<b>1.2%</b>	1.8%
Net Interest Margin <sup>3/</sup>	<b>3.4%</b>	3.3%
Cost Efficiency Ratio <sup>4/</sup>	<b>59.1%</b>	59.9%
Basic Earnings Per Share	<b>₱7.41</b>	₱15.89
Interest Coverage	<b>366.3%</b>	557.8%

<sup>1/</sup> Annualized net income (except for one-off transactions which are not annualized) divided by average total equity for the period indicated

<sup>2/</sup> Annualized net income (except for one-off transactions which are not annualized) divided by average total assets for the period indicated

<sup>3/</sup> Annualized net interest income divided by average interest-earning assets for the period indicated

<sup>4/</sup> Ratio of total operating expenses to total operating income (excluding gain on loss of control of a subsidiary)

	<b>September 30, 2022</b>	September 30, 2021	December 31, 2021
	<b>(Unaudited)</b>	(Unaudited)	(Audited)
<b>Statement of Financial Position</b>			
Capital Ratios:			
Capital Adequacy Ratio	<b>14.5%</b>	14.3%	13.7%
Common Equity Tier 1 Ratio	<b>13.8%</b>	13.5%	13.0%
Non-Performing Loans (NPL) Ratios:			
Net of allowance	<b>2.6%</b>	5.2%	5.3%
Gross of allowance	<b>6.4%</b>	10.8%	10.1%
NPL coverage	<b>82.0%</b>	63.6%	59.1%
Current Ratio	<b>61.5%</b>	62.4%	65.1%
Liquid Assets-to-Total Assets	<b>24.1%</b>	26.4%	29.4%
Liquid Assets-to-Liquid Liabilities	<b>32.1%</b>	34.9%	38.2%
Debt-to-Equity	<b>5.8x</b>	6.4x	6.4x
Assets-to-Equity	<b>6.8x</b>	7.4x	7.4x
Book Value per Share	<b>₱108.8</b>	₱98.9	₱103.6


### Other Information Required Under Philippine Stock Exchange (PSE) Circular No. 2164-99

Information on the aging of loans receivable from customers as required by PSE in its Circular letter No. 2164-99 dated August 23, 2001 is shown under Annex B (Schedule of Aging of Loans Receivable from Customers).

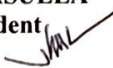
## **SIGNATURES**

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

### **PHILIPPINE NATIONAL BANK**



**FLORIDO P. CASUELA**  
Acting President



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

## **ANNEX A**

### **Philippine National Bank and Subsidiaries**

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

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

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

	<b>September 30, 2022 (Unaudited)</b>	<b>December 31, 2021 (Audited)</b>
<b>ASSETS</b>		
Cash and Other Cash Items	<b>₱16,996,951</b>	₱27,552,773
Due from Bangko Sentral ng Pilipinas (Note 6)	<b>123,384,380</b>	161,001,912
Due from Other Banks (Note 19)	<b>26,081,229</b>	27,222,083
Interbank Loans Receivable (Notes 19 and 21)	<b>31,854,893</b>	32,106,088
Securities Held Under Agreements to Resell	<b>11,108,512</b>	15,796,673
Financial Assets at Fair Value Through Profit or Loss (FVTPL) (Note 7)	<b>20,618,315</b>	11,167,657
Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI) (Notes 7 and 19)	<b>121,823,574</b>	167,987,290
Investment Securities at Amortized Cost (Note 7)	<b>125,995,211</b>	89,455,843
Loans and Receivables (Note 8)	<b>621,340,539</b>	606,953,751
Property and Equipment (Note 9)	<b>12,298,834</b>	13,472,320
Investment in an Associate	<b>2,143,652</b>	2,468,107
Investment Properties (Note 10)	<b>13,681,124</b>	10,735,896
Deferred Tax Assets (Note 17)	<b>6,340,640</b>	6,405,505
Intangible Assets (Note 11)	<b>2,019,044</b>	2,429,434
Goodwill (Note 11)	<b>11,221,410</b>	11,221,410
Other Assets (Note 12)	<b>5,026,838</b>	4,807,920
<b>TOTAL ASSETS</b>	<b>₱1,151,935,146</b>	₱1,190,784,662
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
<b>Deposit Liabilities</b> (Notes 14 and 19)		
Demand	<b>₱223,578,273</b>	₱216,367,830
Savings	<b>496,975,262</b>	498,581,535
Time	<b>122,824,865</b>	151,729,554
Long-Term Negotiable Certificates of Deposit	<b>22,887,553</b>	28,245,390
	<b>866,265,953</b>	894,924,309
Financial Liabilities at FVTPL	<b>3,719,221</b>	891,531
Bills and Acceptances Payable (Notes 14, 19 and 21)	<b>19,602,559</b>	52,953,797
Lease Liabilities (Notes 19 and 21)	<b>3,673,957</b>	3,765,391
Accrued Taxes, Interest and Other Expenses (Note 19)	<b>9,549,754</b>	7,765,650
Bonds Payable (Notes 14, 19 and 21)	<b>61,424,754</b>	53,383,421
Income Tax Payable	<b>801,714</b>	157,735
Other Liabilities (Note 12)	<b>17,143,979</b>	15,719,872
<b>TOTAL LIABILITIES</b>	<b>982,181,891</b>	1,029,561,706

(Forward)

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>		
Capital Stock (Note 15)	<b>₱61,030,594</b>	₱61,030,594
Capital Paid in Excess of Par Value	<b>32,116,560</b>	32,116,560
Surplus Reserves (Notes 8 and 15)	<b>5,022,636</b>	5,147,440
Surplus	<b>73,431,829</b>	61,998,232
Net Unrealized Losses on Financial Assets at FVOCI (Note 7)	<b>(6,081,414)</b>	(703,737)
Remeasurement Losses on Retirement Plan	<b>(2,720,605)</b>	(2,725,067)
Accumulated Translation Adjustment	<b>2,975,648</b>	1,503,396
Other Equity Reserves	<b>248,830</b>	248,830
Share in Aggregate Reserves (Losses) on Life Insurance Policies	<b>34,068</b>	(626,394)
Other Equity Adjustment	<b>13,959</b>	13,959
	<b>166,072,105</b>	158,003,813
<b>NON-CONTROLLING INTERESTS</b>	<b>3,681,150</b>	3,219,143
<b>TOTAL EQUITY</b>	<b>169,753,255</b>	161,222,956
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱1,151,935,146</b>	₱1,190,784,662

*See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.*

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

	For the Nine Months Ended		For the Quarters Ended	
	September 30		September 30	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>INTEREST INCOME ON</b>				
Loans and receivables (Notes 8 and 19)	<b>P24,829,754</b>	P25,380,026	<b>P8,414,986</b>	P8,731,802
Investment securities at amortized cost and financial assets at FVOCI (Note 7)	<b>5,597,722</b>	4,418,862	<b>2,326,146</b>	1,328,818
Deposits with banks and others (Notes 6 and 19)	<b>1,078,842</b>	904,341	<b>371,782</b>	201,543
Interbank loans receivable and securities held under agreements to resell	<b>555,996</b>	296,237	<b>293,383</b>	255,866
Financial assets at FVTPL (Note 7)	<b>229,779</b>	525,631	<b>78,301</b>	161,618
	<b>32,292,093</b>	31,525,097	<b>11,484,598</b>	10,679,647
<b>INTEREST EXPENSE ON</b>				
Deposit liabilities (Notes 14 and 19)	<b>3,634,223</b>	3,589,456	<b>1,391,126</b>	1,153,565
Bonds payable (Notes 14 and 19)	<b>1,553,751</b>	1,745,285	<b>547,107</b>	483,202
Bills payable and other borrowings (Note 19)	<b>326,946</b>	435,190	<b>112,787</b>	141,341
	<b>5,514,920</b>	5,769,931	<b>2,051,020</b>	1,778,108
<b>NET INTEREST INCOME</b>	<b>26,777,173</b>	25,755,166	<b>9,433,578</b>	8,901,539
Service fees and commission income (Notes 16 and 19)	<b>4,414,936</b>	4,669,371	<b>1,424,117</b>	1,684,253
Service fees and commission expense	<b>863,376</b>	802,001	<b>256,464</b>	269,584
<b>NET SERVICE FEES AND COMMISSION INCOME</b>	<b>3,551,560</b>	3,867,370	<b>1,167,653</b>	1,414,669
<b>OTHER INCOME</b>				
Net gains on sale or exchange of assets (Notes 9 and 10)	<b>5,466,892</b>	939,107	<b>218,233</b>	853,114
Foreign exchange gains – net	<b>1,240,646</b>	547,483	<b>435,747</b>	209,953
Equity in net earnings (losses) of an associate	<b>(63,091)</b>	101,482	<b>12,545</b>	(2,393)
Trading and investment securities gains (losses) – net (Note 7)	<b>(268,279)</b>	1,011,240	<b>(103,269)</b>	(233,293)
Gain on loss of control of a subsidiary (Note 19)	<b>–</b>	33,596,132	<b>–</b>	–
Miscellaneous	<b>936,540</b>	834,688	<b>364,661</b>	178,376
<b>TOTAL OTHER INCOME</b>	<b>7,312,708</b>	37,030,132	<b>927,917</b>	1,005,757
<b>TOTAL OPERATING INCOME</b>	<b>37,641,441</b>	66,652,668	<b>11,529,148</b>	11,321,965
<b>PROVISION FOR IMPAIRMENT, CREDIT AND OTHER LOSSES (Note 13)</b>	<b>714,088</b>	20,445,611	<b>3,871,929</b>	1,423,433
<b>OPERATING EXPENSES</b>				
Compensation and fringe benefits	<b>8,551,442</b>	7,758,474	<b>2,946,750</b>	2,581,366
Taxes and licenses	<b>3,871,722</b>	3,183,305	<b>941,744</b>	952,829
Depreciation and amortization	<b>3,194,938</b>	2,423,735	<b>1,104,612</b>	750,092
Occupancy and equipment-related costs	<b>691,085</b>	763,902	<b>246,459</b>	238,434
Miscellaneous (Note 16)	<b>5,931,619</b>	5,681,532	<b>2,099,116</b>	1,905,180
<b>TOTAL OPERATING EXPENSES</b>	<b>22,240,806</b>	19,810,948	<b>7,338,681</b>	6,427,901
<b>INCOME BEFORE INCOME TAX</b>	<b>14,686,547</b>	26,396,109	<b>318,538</b>	3,470,631
<b>PROVISION FOR INCOME TAX (Note 17)</b>	<b>3,334,245</b>	2,103,765	<b>29,143</b>	1,287,651
<b>NET INCOME FROM CONTINUING OPERATIONS</b>	<b>11,352,302</b>	24,292,344	<b>289,395</b>	2,182,980
<b>NET INCOME FROM DISCONTINUED OPERATIONS, NET OF TAX</b>	<b>–</b>	20,616	<b>–</b>	–
<b>NET INCOME</b>	<b>P11,352,302</b>	P24,312,960	<b>P289,395</b>	P2,182,980
<b>ATTRIBUTABLE TO:</b>				
Equity Holders of the Parent Company (Note 18)	<b>P11,308,793</b>	P24,246,636	<b>P270,140</b>	P2,169,359
Non-controlling Interests	<b>43,509</b>	66,324	<b>19,255</b>	13,621
	<b>P11,352,302</b>	P24,312,960	<b>P289,395</b>	P2,182,980
<b>Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 18)</b>	<b>P7.41</b>	P15.89	<b>P0.18</b>	P1.42
<b>Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company from Continuing Operations (Note 18)</b>	<b>P7.41</b>	P15.88	<b>P0.18</b>	P1.42

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

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

	For the Nine Months Ended September 30		For the Quarters Ended September 30	
	2022 (Unaudited)	2021 (Unaudited)	2022 (Unaudited)	2021 (Unaudited)
<b>NET INCOME</b>	<b>P11,352,302</b>	<b>P24,312,960</b>	<b>P289,395</b>	<b>P2,182,980</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
<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	(4,455,852)	(2,346,007)	(1,348,097)	(616,464)
Share in changes in net unrealized gains (losses) on financial assets at FVOCI of an associate	(921,825)	(428,060)	(136,862)	1,014
	(5,377,677)	(2,774,067)	(1,484,959)	(615,450)
Accumulated translation adjustment	1,892,350	903,819	849,507	490,776
	(3,485,327)	(1,870,248)	(635,452)	(124,674)
<i>Items that do not recycle to profit or loss in subsequent periods:</i>				
Share in changes in aggregate reserves on life insurance policies	660,462	211,024	199,328	63,499
Remeasurement gains (losses) on retirement plan	5,401	(215,230)	–	–
Share in changes in remeasurement losses on retirement plan of an associate	–	(1,482)	–	–
	665,863	(5,688)	199,328	63,499
<b>OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX</b>	<b>(2,819,464)</b>	<b>(1,875,936)</b>	<b>(436,124)</b>	<b>(61,175)</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>P8,532,838</b>	<b>P22,437,024</b>	<b>(P146,729)</b>	<b>P2,121,805</b>
<b>ATTRIBUTABLE TO:</b>				
<b>Equity Holders of the Parent Company</b>	<b>P8,068,292</b>	<b>P22,145,843</b>	<b>(P368,793)</b>	<b>P1,992,433</b>
<b>Non-controlling Interests</b>	<b>464,546</b>	<b>291,181</b>	<b>222,064</b>	<b>129,372</b>
	<b>P8,532,838</b>	<b>P22,437,024</b>	<b>(P146,729)</b>	<b>P2,121,805</b>

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

**PHILIPPINE NATIONAL BANK AND SUBSIDIARIES**

**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

**(In Thousands)**

For the Nine Months Ended September 30, 2022 (Unaudited)													
Equity Attributable to Equity Holders of the Parent Company													
	Capital Stock (Note 15)	Capital Paid in Excess of Par Value	Surplus Reserves (Notes 8 and 15)	Surplus	Net Unrealized Losses on Financial Assets at FVOCI (Note 7)	Remeasurement Losses on Retirement Plan	Accumulated Translation Adjustment	Other Equity Reserves	Share in Aggregate Reserves (Losses) on Life Insurance Policies	Other Equity Adjustment	Total	Non- Controlling Interests	Total Equity
Balance at January 1, 2022	₱61,030,594	₱32,116,560	₱5,147,440	₱61,998,232	(₱703,737)	(₱2,725,067)	₱1,503,396	₱248,830	(₱626,394)	₱13,959	₱158,003,813	₱3,219,143	₱161,222,956
Total comprehensive income (loss) for the period	—	—	—	11,308,793	(5,377,677)	4,462	1,472,252	—	660,462	—	8,068,292	464,546	8,532,838
Dividends by subsidiaries to non- controlling interests	—	—	—	—	—	—	—	—	—	—	—	(2,539)	(2,539)
Reversal of general loan loss reserves under BSP Circular 1011	—	—	(124,804)	124,804	—	—	—	—	—	—	—	—	—
<b>Balance at September 30, 2022</b>	<b>₱61,030,594</b>	<b>₱32,116,560</b>	<b>₱5,022,636</b>	<b>₱73,431,829</b>	<b>(₱6,081,414)</b>	<b>(₱2,720,605)</b>	<b>₱2,975,648</b>	<b>₱248,830</b>	<b>₱34,068</b>	<b>₱13,959</b>	<b>₱166,072,105</b>	<b>₱3,681,150</b>	<b>₱169,753,255</b>

For the Nine Months Ended September 30, 2021 (Unaudited)														
Equity Attributable to Equity Holders of the Parent Company														
	Capital Stock	Capital Paid in Excess of Par Value	Surplus Reserves	Surplus	Net Unrealized Gains on Financial Assets at FVOCI	Remeasurement Losses on Retirement Plan	Accumulated Translation Adjustment	Other Equity Reserves	Share in Aggregate Losses on Life Insurance Policies	Other Equity Adjustment	Reserves of a Disposal Group Classified as Held for Sale	Total	Non- Controlling Interests	Total Equity
Balance at January 1, 2021	₱61,030,594	₱32,116,560	₱5,032,097	₱54,498,066	₱3,054,403	(₱3,009,452)	₱717,872	₱277,855	(₱1,038,838)	₱13,959	₱88,616	₱152,781,732	₱3,201,276	₱155,983,008
Total comprehensive income (loss) for the period	—	—	—	24,246,636	(2,774,067)	(216,477)	678,727	—	211,024	—	—	22,145,843	291,181	22,437,024
Dividends by subsidiaries to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	—	(2,372)	(2,372)
Disposal of a subsidiary	—	—	—	—	—	—	—	—	—	—	(88,616)	(88,616)	(259,721)	(348,337)
Declaration of property dividends	—	—	—	(23,935,371)	—	—	—	—	—	—	—	(23,935,371)	—	(23,935,371)
Transfer to surplus reserves	—	—	111,269	(111,269)	—	—	—	—	—	—	—	—	—	—
<b>Balance at September 30, 2021</b>	<b>₱61,030,594</b>	<b>₱32,116,560</b>	<b>₱5,143,366</b>	<b>₱54,698,062</b>	<b>₱280,336</b>	<b>(₱3,225,929)</b>	<b>₱1,396,599</b>	<b>₱ 277,855</b>	<b>(₱827,814)</b>	<b>₱13,959</b>	<b>₱—</b>	<b>₱150,903,588</b>	<b>₱3,230,364</b>	<b>₱154,133,952</b>

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.



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

	<b>For the Nine Months Ended</b>	
	<b>2022</b>	<b>2021</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax from continuing operations	<b>P14,686,547</b>	P26,396,109
Income before income tax from discontinued operations	–	25,390
Income before income tax	<b>14,686,547</b>	26,421,499
Adjustments for:		
Unrealized foreign exchange loss on bonds payable	<b>7,987,279</b>	3,110,472
Net gains on sale or exchange of assets (Notes 9 and 10)	<b>(5,466,892)</b>	(939,107)
Depreciation and amortization	<b>3,194,938</b>	2,430,327
Unrealized foreign exchange loss on bills and acceptances payable	<b>1,963,777</b>	2,448,129
Loss (gain) on mark-to-market of derivatives	<b>897,690</b>	(670,585)
Provision for impairment, credit and other losses (Note 13)	<b>714,088</b>	20,446,785
Amortization of premium/(discount) on investment securities	<b>(519,369)</b>	205,107
Loss on financial assets at FVTPL (Note 7)	<b>257,087</b>	507,648
Accretion to interest income of loss on loan modifications	<b>(183,901)</b>	(183,178)
Amortization of transaction costs on borrowings	<b>76,216</b>	96,756
Equity in net losses (earnings) of an associate	<b>63,091</b>	(101,482)
Loss (gain) on sale and redemption of financial assets at FVOCI and investment securities at amortized cost (Note 7)	<b>11,193</b>	(1,518,888)
Gain on loss of control of a subsidiary (Note 19)	–	(33,596,132)
Gain on loan modifications	–	(8,436)
Changes in operating assets and liabilities:		
Decrease (increase) in amounts of:		
Interbank loans receivable	<b>(4,854,939)</b>	(872,152)
Financial assets at FVTPL	<b>(10,605,435)</b>	(7,460,416)
Loans and receivables	<b>(17,242,162)</b>	(16,167,970)
Other assets	<b>594,458</b>	1,931,388
Increase (decrease) in amounts of:		
Financial liabilities at FVTPL	<b>2,827,690</b>	20,206
Deposit liabilities	<b>(28,680,519)</b>	(35,573,957)
Accrued taxes, interest and other expenses	<b>1,608,212</b>	(73,404)
Other liabilities	<b>1,437,733</b>	(6,184,903)
Net cash used in operations	<b>(31,233,218)</b>	(45,732,293)
Income taxes paid	<b>(1,294,547)</b>	(1,196,134)
Net cash used in operating activities	<b>(32,527,765)</b>	(46,928,427)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale/maturities of:		
Financial assets at FVOCI	<b>544,053,107</b>	169,646,003
Investment securities at amortized cost	<b>81,916,333</b>	27,249,655
Investment properties	<b>4,741,864</b>	287,461
Property and equipment	<b>379,582</b>	160,152
Acquisitions of:		
Financial assets at FVOCI	<b>(501,584,155)</b>	(148,724,248)
Investment securities at amortized cost	<b>(118,678,196)</b>	(20,468,456)
Software cost (Note 11)	<b>(705,211)</b>	(452,370)
Property and equipment (Note 9)	<b>(422,418)</b>	(766,753)
Additional investment in an associate	–	(245,000)
Net cash provided by investing activities	<b>9,700,906</b>	26,686,444
(Forward)		

	<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from bills and acceptances payable (Note 21)	<b>₱165,945,302</b>	₱177,096,840
Settlement of bills and acceptances payable (Note 21)	<b>(201,260,317)</b>	(218,180,204)
Payment of principal portion of lease liabilities (Note 21)	<b>(966,629)</b>	(519,763)
Maturity of bonds payable	<b>—</b>	(13,870,000)
Net cash used in financing activities	<b>(36,281,644)</b>	(55,473,127)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(59,108,503)</b>	(75,715,110)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>		
Cash and other cash items	<b>27,552,773</b>	25,135,724
Due from BSP	<b>161,001,912</b>	202,129,356
Due from other banks	<b>27,222,083</b>	19,733,300
Interbank loans receivable (Note 21)	<b>30,453,378</b>	38,939,572
Securities held under agreements to resell	<b>15,796,673</b>	15,819,273
	<b>262,026,819</b>	301,757,225
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		
Cash and other cash items	<b>16,996,951</b>	23,873,135
Due from BSP	<b>123,384,380</b>	126,435,219
Due from other banks	<b>26,081,229</b>	24,588,380
Interbank loans receivable (Note 21)	<b>25,347,244</b>	32,557,482
Securities held under agreements to resell	<b>11,108,512</b>	18,587,899
	<b>₱202,918,316</b>	₱226,042,115
<b>OPERATIONAL CASH FLOWS FROM INTEREST</b>		
Interest received	<b>₱30,452,493</b>	₱31,554,084
Interest paid	<b>4,749,802</b>	5,408,878

*See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.*

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**PHILIPPINE NATIONAL BANK AND SUBSIDIARIES****NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(Amounts in Thousand Pesos Except When Otherwise Indicated)**

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**1. Corporate Information**

Philippine National Bank (PNB or the Parent Company) is a universal bank established in the Philippines in 1916. On June 21, 1989, PNB's shares were listed with the Philippine Stock Exchange (PSE). As of September 30, 2022 and December 31, 2021, the shares of PNB are held by the following:

	<b>September 30, 2022 (Unaudited)</b>	<b>December 31, 2021 (Audited)</b>
LT Group, Inc. (LTG) (indirect ownership through its various holding companies)	<b>59.83%</b>	59.83%
PCD Nominee Corporation *	<b>15.88%</b>	15.94%
Other stockholders owning less than 10% each	<b>24.29%</b>	24.23%
	<b>100.00%</b>	100.00%

\* Acts as a trustee-nominee for PNB shares lodged under the PCD system

PNB's immediate parent company, LTG, and ultimate parent company, Tangent Holdings Corporation, are also incorporated in the Philippines.

The Parent Company provides a full range of banking and other financial services, which include deposit-taking, lending, bills discounting, trade finance, foreign exchange dealings, investment banking, treasury operations, fund transfers, remittance and trust services, through its 651 and 670 domestic branches as of September 30, 2022 and December 31, 2021, respectively. As of the same dates, the Parent Company has 71 and 70 overseas branches, representative offices, remittance centers and subsidiaries in 17 locations in Asia, North America and Europe.

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

The principal place of business of the Parent Company is at PNB Financial Center, President Diosdado Macapagal Boulevard, Pasay City, Metro Manila, Philippines.

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**2. Preparation of the Interim Financial Statements****Basis of Preparation of Unaudited Interim Consolidated Financial Statements**

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

### Changes in Accounting Policies and Disclosures

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

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

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

### Significant Judgments and Assumptions

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

### Seasonality or Cyclicity of Interim Operations

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

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### 3. Financial Risk Management

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

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

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

The PNB Board ROC is mandated to set risk appetite, approve frameworks, policies and processes for managing risk, and accept risks beyond the approval discretion provided to management.

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

The Risk Management Framework includes:

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

The Management Risk Committee (MRC) was created as a forum ensuring that PNB's ERMF is operationalized, and that Senior Management has an enterprise-level view of all material risks and that risk-mitigating actions properly determined and effectively executed. Mainly composed of PNB's Sector and Group heads, the MRC will be responsible for reviewing and monitoring enterprise level risks and assessing risk responses proposed or taken by the relevant risk owner, and for providing inputs to the ERMF process. The committee shall periodically assess that PNB's risk appetite statements are aligned with the business strategy and the overall objectives.

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

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

Each unit monitors the implementation of the processes and procedures that support the policies for risk management applicable to the organization. These policies clearly define the kinds of risks to be managed, set forth the organizational structure and provide appropriate training necessary to manage and control risks. The policies also provide for the validation, audits and compliance testing, to measure the effectiveness and suitability of the risk management structure.

RMG also functions as the Secretariat to the MRC and ROC which meets monthly to discuss the immediate previous month's total risk profile according to the material risks defined by PNB. Further, each risk division engages with all levels of the organization among its business and support groups. This ensures that the risk management and monitoring is embedded at the moment of origination.

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

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

## Risk Categories and Definitions

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

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
Credit Risk (including Credit Concentration Risks and Counterparty Risks)	<p>Credit risk is the risk to earnings or capital that arises from an obligor/s, customer/s or counterparty's failure to perform and meet the terms of its contract.</p> <p>Credit concentration risk arises from excessive exposures to individual counterparties, groups of related counterparties and groups of counterparties with similar characteristics (e.g., counterparties in specific geographical locations, economic or industry sector). Its potential loss implications are large enough relative to a bank's capital, total assets, or overall risk level, to threaten a financial institution's health or ability to maintain its core operations. It is inherent in a bank's assets, liabilities or off-balance sheet items, through the execution or processing of transactions (either product or service), or through a combination of exposures across these broad categories. The potential for loss reflects the size of the position and the extent of loss given a particular adverse circumstance (<i>BSP MORB Sec 301.6, Series of 2009; BCBS</i>)</p>	<ul style="list-style-type: none"> <li>▪ Loan Portfolio Analysis</li> <li>▪ Credit Dashboards</li> <li>▪ Credit Review</li> <li>▪ Credit Model Validation</li> </ul>	<ul style="list-style-type: none"> <li>▪ Trend Analysis (Portfolio / Past Due and NPL Levels)</li> <li>▪ Regulatory and Internal Limits</li> <li>▪ Stress Testing</li> <li>▪ Rapid Portfolio Review</li> <li>▪ CRR Migration</li> <li>▪ Movement of Portfolio</li> <li>▪ Concentrations and Demographics Review</li> <li>▪ Large Exposure Report</li> <li>▪ Counterparty Limits Monitoring</li> <li>▪ Adequacy of Loan Loss Reserves Review</li> <li>▪ Specialized Credit Monitoring (Power, Real Estate)</li> </ul>
Market Risk	<p>Market risk is the risk to earnings or capital arising from adverse movements in factors that affect the market value of financial instruments, products and transactions in an institution's overall portfolio, both on or off-balance sheet and contingent financial contracts. Market risk arises from market-making, dealing and</p>	<ul style="list-style-type: none"> <li>▪ Value at Risk Utilization</li> <li>▪ Results of Marking to Market</li> <li>▪ Risks Sensitivity/ Duration Report</li> <li>▪ Exposure to Derivative/ Structured Products</li> </ul>	<ul style="list-style-type: none"> <li>▪ VaR Limits</li> <li>▪ Stop Loss Limits</li> <li>▪ Management Triggers</li> <li>▪ Duration Report</li> <li>▪ ROP Exposure Limit</li> <li>▪ Limit to Structured Products</li> <li>▪ Exception Report on Traders' Limit</li> <li>▪ Exception Report on Rate Tolerance</li> <li>▪ Stress Testing</li> <li>▪ BSP Uniform Stress Testing</li> </ul>

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
	position taking in interest rate, foreign exchange, equity, and commodities market. <i>(BSP Cir. No. 544, Series of 2006)</i>		
Liquidity Risk	Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from an FI's inability to meet its obligations when they come due. Liquidity risk includes the inability to manage unplanned decreases or changes in funding sources. Liquidity risk also arises from the failure to recognize or address changes in market conditions that affect PNB's ability to liquidate assets quickly and with minimal loss in value. <i>(BSP Cir. No. 510/545)</i>	<ul style="list-style-type: none"> <li>▪ Funding Liquidity Plan</li> <li>▪ Liquidity Ratios</li> <li>▪ Large Fund Providers</li> <li>▪ Maximum Cumulative Outflow (MCO)</li> <li>▪ Liquid Gap Analysis</li> </ul>	<ul style="list-style-type: none"> <li>▪ MCO Limits</li> <li>▪ Liquid Assets Monitoring</li> <li>▪ Stress testing</li> <li>▪ Large Fund Provider Analysis</li> <li>▪ Contingency Planning</li> </ul>
Interest Rate Risk in the Banking Books (IRRBB)	Interest rate risk is the current and prospective risk to earnings or capital arising from movements in interest rates. It arises from differences between the timing of rate changes and the timing of cash flows (repricing risk); from changing rate relationships among different yield curves affecting financial institution (FI) activities (basis risk); from changing rate relationships across the spectrum of maturities (yield curve risk); and from interest-related options embedded in FI products (options risk). The amount at risk is a function of the magnitude and direction of interest rate changes and the size and maturity structure of the mismatch position. <i>(BSP Cir. No. 1044, Series of 2019)</i>	<ul style="list-style-type: none"> <li>▪ Interest Rate Gap Analysis</li> <li>▪ Earnings at Risk (EaR) Measurement</li> <li>▪ Cashflow based Economic Value of Equity</li> </ul>	<ul style="list-style-type: none"> <li>▪ EAR Limits</li> <li>▪ Balance Sheet Profiling</li> <li>▪ Repricing Gap Analysis</li> <li>▪ Cashflow based Economic Value of Equity (EVE)</li> <li>▪ Stress testing</li> <li>▪ BSP Uniform Stress Testing</li> </ul>
Operational Risk	Operational Risk refers to the risk of loss resulting from inadequate or failed internal processes, people	<ul style="list-style-type: none"> <li>▪ Risk Identification</li> <li>▪ Risk Measurement</li> </ul>	<ul style="list-style-type: none"> <li>▪ Internal Control</li> <li>▪ Board Approved Operating Policies and Procedures Manuals</li> </ul>



Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
	<p>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></p>	<ul style="list-style-type: none"> <li>▪ Risk Evaluation (i.e. Analysis of Risk)</li> <li>▪ Risk Management (i.e. Monitor, Control or Mitigate Risk)</li> </ul> <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"> <li>▪ Board Approved Product Manuals</li> <li>▪ Loss Events Report (LER)</li> <li>▪ Risk and Control Self-Assessment (RCSA)</li> <li>▪ Key Risk Indicators (KRI)</li> <li>▪ Business Continuity Management (BCM)</li> <li>▪ Statistical Analysis</li> </ul>
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 deposit. <i>(BSP Cir. No. 510, dated 03 Feb 2006).</i></p> <p>Reputational Risk also covers Customer Franchise Risk and Consumer Protection Risk. Customer Franchise Risk is defined in PNB's Policy on ICAAP, as the failure to find, attract, and win new clients, nurture and retain those PNB already has, and entice former clients back into the fold as well as the failure to meet client's expectation in delivering PNB's products and services. Consumer</p>	<ul style="list-style-type: none"> <li>▪ Risk Identification</li> <li>▪ Risk Measurement</li> <li>▪ Risk Evaluation (i.e. Analysis of Risk)</li> <li>▪ Risk Management (i.e. Monitor, Control or Mitigate Risk)</li> </ul> <p>Monitoring of Pillar II Risks fall under the purview of Operational Risk Management: Risk Identification – Risk Maps Risk Measurement and Analysis – ICAAP Risk Assessment</p> <p>Major Factors considered:</p> <ul style="list-style-type: none"> <li>▪ Products</li> <li>▪ Technology</li> <li>▪ People</li> <li>▪ Policies and Processes</li> <li>▪ Stakeholders (including customer and regulators)</li> </ul>	<ul style="list-style-type: none"> <li>• Consolidated Complaints Report</li> <li>• Mystery Caller/Shopper</li> <li>• Public Relations Campaign</li> <li>• Profiling on the mobile and internet banking users</li> <li>• Social Media Risk Management</li> <li>• Review of news articles published by major news outlets</li> <li>• Branch Customer Feedback mechanism</li> <li>• Management Committee Oversight</li> <li>• Fraud Management Program</li> </ul>

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
	Protection Risk is defined as failure of PNB to deliver its mandate to provide appropriate service and protection to its financial consumers.		
Strategic Business Risks	Strategic business risk is the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes. This risk is a function of the compatibility of the firm's strategic goals, the business strategies developed to achieve those goals, the resources deployed against these goals, and the quality of implementation. <i>(BSP Cir. No. 510, dated 03 Feb 2006)</i>		<ul style="list-style-type: none"> <li>▪ Regular ALCO Financial Updates</li> <li>▪ Seminars and Economic briefings</li> <li>▪ Banking industry reports and industry research studies</li> <li>▪ Research Division's economic reports and forecasting and equities reports</li> <li>▪ Management Profitability Reports</li> <li>▪ Compliance Updates on new, revised regulations Retail Bank / Corporate Bank / Retail Lending weekly updates on performance/ volume levels Annual Strategic Planning Exercise</li> </ul>
Information Security/ Cyber Security Risk	Information Security (Infosec) risk is the risk to organizational operations (including mission, functions, image, and reputation), organizational assets, and individuals due to the potential for unauthorized access, use, disclosure, disruption, modification or destruction of information or information assets that will compromise the Confidentiality, Integrity, and Availability (CIA). This covers data or information being processed, in storage or in transit. Cyber Risk is the risk associated with financial loss, disruption or damage to the reputation of an organization from failure, unauthorized or erroneous use of its information systems. <i>(NIST IR 7298 Revision 2, Glossary of</i>		<ul style="list-style-type: none"> <li>▪ Incident Reporting Management</li> <li>▪ Information Security Policy Formulation</li> <li>▪ Risk Assessment</li> <li>▪ Information Security Management System Implementation</li> <li>▪ Continuous InfoSec / cyber risk awareness campaigns</li> <li>▪ Network Security Protection</li> <li>▪ Limits on Access Privileges</li> <li>▪ Scanning of outbound and inbound digital traffic</li> </ul>

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
	<i>Key Information Security Terms, Page Numbers 98 and 100)</i>		
Data Privacy Risk	Data Privacy Risks are those that could lead to the unauthorized collection, use, disclosure or access of personal data. It includes risks that the confidentiality, integrity and availability of personal data will not be maintained, or the risk that processing will violate the rights of data subjects or the privacy principles (transparency, legitimacy and proportionality). Consequently, the data privacy risks may negatively impact PNB's reputation and may result to noncompliance issue and financial losses. <i>(Data Privacy Act of 2012 or RA 10173)</i>		<ul style="list-style-type: none"> <li>• Installation of firewalls, IPS/IDS, enterprise security solution (anti-virus for endpoint, email and internet).</li> <li>• Enterprise-wide Implementation of the Information Security Management Systems</li> <li>• Education / InfoSec Awareness is also constantly conducted</li> <li>• 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</li> <li>• Implementing the enterprise-wide data privacy risk management framework which complies with both domestic and global requirements</li> <li>• Institutionalization of data protection culture within the group through regular awareness programs</li> </ul>
Information Technology Risk	Information Technology Risk is any potential adverse outcome, damage, loss, violation, failure or disruption associated with the use of or reliance on computer hardware, software, devices, systems, applications and networks. (BSP Circular 808) It is also a business risk that is associated with the use, ownership, operation, involvement, influence and adoption of IT within PNB. It consists of IT-related events that could potentially impact the business. IT Risk includes Information Security Risk that could result from non-preservation of any or all of the domains of		<ul style="list-style-type: none"> <li>▪ Risk Awareness Campaigns</li> <li>▪ IT Risk Assessments</li> <li>▪ Formal Project Management Program adoption</li> <li>▪ Vulnerability Assessment and Penetration Testing</li> <li>▪ Maintenance and upgrades of disaster recovery sites</li> <li>▪ Business Users / IT joint engagement for problem resolution</li> <li>▪ Technology Operations Management Policies &amp; Guidelines</li> <li>▪ IT Risk Monitoring</li> <li>▪ IT Risk Assessment</li> <li>▪ Project Risk Assessment</li> </ul>

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
	information security; that is, confidentiality, integrity and availability of information asset. <i>(ISACA Risk IT Framework)</i>		
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"> <li>▪ Risk Identification</li> <li>▪ Risk Measurement</li> <li>▪ Risk Evaluation (i.e. Analysis of Risk)</li> <li>▪ Risk Management (i.e. Monitor, Control or Mitigate Risk)</li> </ul>	<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"> <li>• Sourcing and Screening of Candidates</li> <li>• General Qualification Requirements for Applicants</li> <li>• Screening and Pre-employment Assessment Exams</li> <li>• Selection Interviews</li> <li>• Candidate Matching – ensuring “job fit” through person/position review</li> <li>• Competitive compensation and employee benefits;</li> <li>• Compliance with Labor Law on payment of benefits and salaries</li> <li>• Institutionalize PNB's Performance Appraisal System (e.g., targets versus achievements)</li> </ul> <p>Provide training and/or issue guidelines to ensure that the process is done objectively.</p>

#### 4. Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of assets and liabilities:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable
- Level 3: valuation techniques for which the lowest level of input that is significant to their fair value measurement is unobservable

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

September 30, 2022 (Unaudited)					
	Carrying Value	Level 1	Level 2	Level 3	Total
<b>Measured at Fair Value</b>					
<b>Financial Assets</b>					
Financial assets at FVTPL:					
Government securities	P15,702,799	P3,738,905	P11,963,894	P–	P15,702,799
Private debt securities	1,632,502	144,142	1,488,360	–	1,632,502
Equity securities	4,885	4,885	–	–	4,885
Derivative assets	3,278,129	–	3,278,129	–	3,278,129
Financial assets at FVOCI:					
Government securities	78,099,096	41,298,653	36,800,443	–	78,099,096
Private debt securities	18,984,457	5,114,966	13,869,491	–	18,984,457
Equity securities	24,740,021	218,659	1,098,331	23,423,031	24,740,021
	P142,441,889	P50,520,210	P68,498,648	P23,423,031	P142,441,889
<b>Financial Liabilities</b>					
Financial liabilities at FVTPL:					
Derivative liabilities	P3,719,221	P–	P3,719,221	P–	P3,719,221
<b>Fair Values are Disclosed:</b>					
<b>Financial Assets</b>					
Financial assets at amortized cost:					
Investment securities at amortized cost *	P125,995,211	P47,323,053	P79,260,435	P–	P126,583,488
Receivables from customers **	607,578,596	–	–	638,031,525	638,031,525
	P733,573,807	P47,323,053	P79,260,435	P638,031,525	P764,615,013
<b>Nonfinancial Assets</b>					
Investment property:					
Land ***	P12,373,547	P–	P–	P30,039,846	P30,039,846
Buildings and improvements ***	1,307,577	–	–	3,605,621	3,605,621
	P13,681,124	P–	P–	P33,645,467	P33,645,467
<b>Financial Liabilities</b>					
Financial liabilities at amortized cost:					
Time deposits	P122,824,865	P–	P–	P122,824,865	P122,824,865
Long-term negotiable certificates of deposits (LTNCD)	22,887,553	–	23,048,300	–	23,048,300
Bonds payable	61,424,754	42,072,818	17,505,015	–	59,577,833
Bills payable	10,414,353	–	–	10,322,026	10,322,026
	P217,551,525	P42,072,818	P40,553,315	P133,146,891	P215,773,024

\* Net of expected credit losses

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

\*\*\* Net of impairment losses

December 31, 2021 (Audited)					
	Carrying Value	Level 1	Level 2	Level 3	Total
<b>Measured at Fair Value</b>					
<b>Financial Assets</b>					
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
<b>Financial Liabilities</b>					
Financial liabilities at FVTPL:					
Derivative liabilities	P891,531	P–	P891,531	P–	P891,531
<b>Fair Values are Disclosed:</b>					
<b>Financial Assets</b>					
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
<b>Nonfinancial Assets</b>					
Investment property:					
Land ***	P9,582,916	P–	P–	P26,914,713	P26,914,713
Buildings and improvements ***	1,152,980	–	–	3,030,859	3,030,859
	P10,735,896	P–	P–	P29,945,572	P29,945,572

(Forward)

December 31, 2021 (Audited)					
	Carrying Value	Level 1	Level 2	Level 3	Total
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	P151,729,554	P-	P-	P151,729,554	P151,729,554
LTNCDs	28,245,390	-	28,314,622	-	28,314,622
Bonds payable	53,383,421	38,997,788	15,727,174	-	54,724,962
Bills payable	45,843,901	-	-	45,860,995	45,860,995
	P279,202,266	P38,997,788	P44,041,796	P197,590,549	P280,630,133

\* Net of expected credit losses and other deferred credits

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

\*\*\* Net of impairment losses

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

## 5. Segment Information

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

The Group's business segments follow:

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

Transactions between segments are conducted at prevailing market rates on an arm's length basis. Interest is credited to or charged against business segments based on market rates which approximate the marginal cost of funds.

For management purposes, business segment report is done on a quarterly basis. Business segment information provided to the BOD, the chief operating decision maker (CODM), is based on the reportorial requirements under Regulatory Accounting Principles of the BSP, which differ from PFRS due to the manner of provisioning for impairment and credit losses, measurement of investment properties, and the fair value measurement of financial instruments. The report submitted to CODM represents only the results of operation for each of the reportable segment.

Segment assets are those operating assets that are employed by a segment in its operating activities and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Segment liabilities are those operating liabilities that result from the operating activities of a segment and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment revenues pertain to the net interest margin and other operating income earned by a segment in its operating activities and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

The Group has no significant customer which contributes 10.00% or more of the consolidated revenue.

Business segment information of the Group follows:

For the Nine Months Ended September 30, 2022 (Unaudited)						
	Retail Banking	Corporate Banking	Global Banking and Market	Others	Adjustments and Eliminations*	Total
Net interest margin						
Third party	P935,321	P20,279,191	P5,816,152	P14,355	(P267,846)	P26,777,173
Inter-segment	13,918,183	(10,456,527)	(3,461,656)	–	–	–
Net interest margin after inter-segment transactions	14,853,504	9,822,664	2,354,496	14,355	(267,846)	26,777,173
Other income	3,466,548	5,078,460	592,865	2,975,679	(385,908)	11,727,644
Segment revenue	18,320,052	14,901,124	2,947,361	2,990,034	(653,754)	38,504,817
Other expenses	8,458,738	3,121,691	415,114	1,585,820	(653,754)	12,927,609
Segment result	P9,861,314	P11,779,433	P2,532,247	P1,404,214	P–	25,577,208
Unallocated expenses						10,890,661
Net income before income tax						14,686,547
Income tax						3,334,245
Net income						11,352,302
Non-controlling interests						43,509
Net income for the year attributable to equity holders of the Parent Company						P11,308,793
Other segment information						
Capital expenditures	P129,132	P26,621	P19,998	P9,357	P–	P185,108
Unallocated capital expenditures						942,521
Total capital expenditures						P1,127,629
Depreciation and amortization	P967,395	P290,631	P40,150	P245,813	P–	P1,543,989
Unallocated depreciation and amortization						1,650,949
Total depreciation and amortization						P3,194,938
Provision for (reversal of) impairment, credit and other losses	(P353,628)	P661,467	(P43,910)	P450,159	P–	P714,088
As of September 30, 2022 (Unaudited)						
	Retail Banking	Corporate Banking	Global Banking and Market	Others	Adjustments and Eliminations*	Total
Segment assets	P743,198,962	P277,166,703	P169,237,425	P15,117,635	(P52,785,579)	P 1,151,935,146
Unallocated assets						–
Total assets						P 1,151,935,146
Segment liabilities	P723,674,130	P183,041,960	P33,625,162	P95,541,526	(P53,700,887)	P982,181,891
Unallocated liabilities						–
Total liabilities						P982,181,891

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

For the Nine Months Ended September 30, 2021 (Unaudited)						
	Retail Banking	Corporate Banking	Global Banking and Market	Others	Adjustments and Eliminations*	Total
Net interest margin						
Third party	P177,756	P21,428,718	P4,084,194	P63,629	P869	P25,755,166
Inter-segment	13,353,914	(11,528,099)	(1,825,815)	—	—	—
Net interest margin after inter-segment transactions	13,531,670	9,900,619	2,258,379	63,629	869	25,755,166
Other income	3,274,598	2,063,970	1,443,607	35,087,259	(169,931)	41,699,503
Segment revenue	16,806,268	11,964,589	3,701,986	35,150,888	(169,062)	67,454,669
Other expenses	9,243,880	21,683,221	449,623	555,543	(169,062)	31,763,205
Segment result	P7,562,388	(P9,718,632)	P3,252,363	P34,595,345	P—	35,691,464
Unallocated expenses						9,295,355
Net income before income tax						26,396,109
Income tax						2,103,765
Net income from continuing operations						24,292,344
Net income from discontinued operations						20,616
Net income						24,312,960
Non-controlling interests						66,324
Net income for the year attributable to equity holders of the Parent Company						P24,246,636
Other segment information						
Capital expenditures	P202,761	P2,941	P17,047	P225,541	P—	P448,290
Unallocated capital expenditures						770,833
Total capital expenditures						P1,219,123
Depreciation and amortization	P605,737	P252,840	P9,575	P253,087	P—	P1,121,239
Unallocated depreciation and amortization						1,302,496
Total depreciation and amortization						P2,423,735
Provision for (reversal of) impairment, credit and other losses	P1,135,257	P19,328,915	(P5,441)	(P13,120)	P—	P20,445,611

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

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



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

	Non-Current Assets		Liabilities		Credit Commitments	
	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Philippines	<b>P636,398,658</b>	P634,529,203	<b>P932,143,871</b>	P980,065,000	<b>P46,310,580</b>	P45,038,930
Asia (excluding Philippines)	<b>21,002,785</b>	21,099,162	<b>37,369,973</b>	39,749,446	—	—
USA and Canada	<b>1,958,897</b>	1,593,358	<b>12,571,814</b>	9,629,585	—	—
United Kingdom	<b>1,076</b>	1,002	<b>96,233</b>	117,675	—	—
	<b>P659,361,416</b>	P657,222,725	<b>P982,181,891</b>	P1,029,561,706	<b>P46,310,580</b>	P45,038,930

	Capital Expenditures		Revenues	
	September 30, 2022 (Unaudited)	September 30, 2021 (Unaudited)	September 30, 2022 (Unaudited)	September 30, 2021 (Unaudited)
Philippines	<b>P1,120,781</b>	P1,174,920	<b>P41,545,469</b>	P71,398,482
Asia (excluding Philippines)	<b>6,131</b>	42,349	<b>1,800,149</b>	1,220,470
USA and Canada	<b>717</b>	1,854	<b>596,948</b>	522,808
United Kingdom	<b>—</b>	—	<b>77,171</b>	82,840
	<b>P1,127,629</b>	P1,219,123	<b>P44,019,737</b>	P73,224,600

## 6. Due from Bangko Sentral ng Pilipinas

This account consists of:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Term deposit	<b>P82,494,380</b>	P81,273,307
Demand deposit	<b>40,890,000</b>	79,728,605
	<b>P123,384,380</b>	P161,001,912

For the nine-month periods ended September 30, 2022 and 2021, Due from BSP bears annual interest rates ranging from 4.3% to 4.4% and from 1.5% to 1.8%, respectively.

## 7. Trading and Investment Securities

This account consists of:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Financial assets at FVTPL	<b>P20,618,315</b>	P11,167,657
Financial assets at FVOCI	<b>121,823,574</b>	167,987,290
Investment securities at amortized cost	<b>125,995,211</b>	89,455,843
	<b>P268,437,100</b>	P268,610,790

Financial Assets at FVTPL

This account consists of:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Government securities	P15,702,799	P7,956,013
Private debt securities	1,632,502	1,841,548
Derivative assets	3,278,129	1,365,051
Equity securities	4,885	5,045
	<b>P20,618,315</b>	<b>P11,167,657</b>

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

	For the Nine Months Ended September 30	
	2022	2021
Government securities	1.4% - 8.0%	1.6% - 9.5%
Private debt securities	4.9% - 6.9%	4.9% - 6.6%

Financial Assets at FVOCI

This account consists of:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Government securities	P78,099,096	P120,453,593
Private debt securities	18,984,457	23,115,479
Equity securities		
Quoted	743,361	669,585
Unquoted	23,996,660	23,748,633
	<b>P121,823,574</b>	<b>P167,987,290</b>

Unquoted equity securities include the Parent Company's retained 49.00% interest in PNB Holdings Corporation (PNB Holdings) amounting to P23.2 billion and P23.0 billion as of September 30, 2022 and December 31, 2021, respectively. The Group determines its fair value using the net asset value method after applying a 16.5% discount for lack of marketability by referring to a number of recent initial public offerings.

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

	For the Nine Months Ended September 30	
	2022	2021
Government securities	0.1% - 18.3%	0.1% - 18.3%
Private debt securities	0.4% - 6.4%	0.4% - 6.9%

As of September 30, 2022 and December 31, 2021, net unrealized losses on financial assets at FVOCI amounted to P6.1 billion and P703.7 million, respectively.

Investment Securities at Amortized Cost

This account consists of:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Government securities	<b>₱87,138,321</b>	₱34,133,294
Private debt securities	<b>42,713,238</b>	59,144,715
	<b>129,851,559</b>	93,278,009
Less allowance for credit losses (Note 13)	<b>3,856,348</b>	3,822,166
	<b>₱125,995,211</b>	₱89,455,843

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

	For the Nine Months Ended September 30	
	2022	2021
Government securities	<b>0.8% - 10.6%</b>	2.0% - 10.6%
Private debt securities	<b>2.0% - 8.3%</b>	0.3% - 8.3%

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

This account consists of:

	For the Nine Months Ended September 30	
	2022 (Unaudited)	2021 (Unaudited)
Continuing operations:		
Financial assets at FVOCI	<b>₱3,221,525</b>	₱2,194,852
Investment securities at amortized cost	<b>2,376,197</b>	2,224,010
	<b>5,597,722</b>	4,418,862
Discontinued operations:		
Financial assets at FVOCI	—	11,135
Investment securities at amortized cost	—	8,695
	—	19,830
	<b>₱5,597,722</b>	₱4,438,692

Trading and Investment Securities Gains (Losses) - net

This account consists of:

	For the Nine Months Ended September 30	
	2022 (Unaudited)	2021 (Unaudited)
Financial assets at FVTPL		
Private debt securities	<b>(₱256,929)</b>	(₱603,988)
Equity securities	<b>(160)</b>	96,331
Derivatives	<b>3</b>	9
Financial assets at FVOCI		
Government securities	—	1,271,431
Private debt securities	—	246,355
Equity securities	—	2
Investment securities at amortized cost	<b>(11,193)</b>	1,100
	<b>(₱268,279)</b>	₱1,011,240

## 8. Loans and Receivables

This account consists of:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Receivables from customers (Note 19):		
Loans and discounts	<b>P601,629,739</b>	P597,979,601
Credit card receivables	<b>13,862,827</b>	13,156,945
Customers' liabilities on letters of credit and trust receipts	<b>9,989,113</b>	8,315,300
Customers' liabilities on acceptances	<b>9,171,239</b>	7,109,896
Lease contracts receivable	<b>2,023,302</b>	2,615,992
Bills purchased	<b>1,605,111</b>	1,364,543
	<b>638,281,331</b>	630,542,277
Less unearned and other deferred income	<b>871,692</b>	1,118,244
	<b>637,409,639</b>	629,424,033
Other receivables:		
Accrued interest receivable (Note 19)	<b>7,189,986</b>	6,053,656
Sales contract receivables (Note 19)	<b>5,649,964</b>	6,029,384
Accounts receivable (Note 19)	<b>4,463,206</b>	4,191,402
Miscellaneous	<b>356,342</b>	596,037
	<b>17,659,498</b>	16,870,479
	<b>655,069,136</b>	646,294,512
Less allowance for credit losses (Note 13)	<b>33,728,597</b>	39,340,761
	<b>P621,340,539</b>	P606,953,751

Included in 'Surplus reserves' is the amount of P4.3 billion and P4.5 billion as of September 30, 2022 and December 31, 2021, respectively, which pertains to the excess of 1.00% general loan loss provisions over the computed ECL for Stage 1 accounts as prescribed by BSP Circular 1011, *Guidelines on the Adoption of PFRS 9* (Note 15).

As of September 30, 2022 and December 31, 2021, 71.8% and 68.3%, respectively, of the total receivables from customers of the Parent Company were subject to interest repricing. For the nine-month periods ended September 30, 2022 and 2021, remaining receivables carry annual fixed interest rates ranging from 1.1% to 9.0% and from 1.0% to 9.0%, respectively, for foreign currency-denominated receivables, and from 1.6% to 31.5% for peso-denominated receivables.

## 9. Property and Equipment

For the nine-month periods ended September 30, 2022 and 2021, the Group purchased property and equipment with cost of P0.4 billion and P0.8 billion, respectively. For the same periods, the Group disposed property and equipment with net book value of P41.9 million and P9.7 billion, respectively, incurring gain on sale of P5.4 million and P8.1 million, respectively.

## 10. Investment Properties

For the nine-month periods ended September 30, 2022 and 2021, the Group foreclosed investment properties amounting to ₱3.9 billion and ₱467.6 million, respectively. For the same periods, the Group disposed investment properties with net book value of ₱826.0 million and ₱4.4 billion, recognizing gain on sale of ₱3.8 billion and ₱7.8 million, respectively.

## 11. Goodwill and Intangible Assets

### Software Costs

For the nine-month periods ended September 30, 2022 and 2021, the Group purchased software with cost of ₱0.7 billion and ₱0.5 billion, respectively.

### Goodwill

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

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

Goodwill is reviewed for impairment annually in the fourth quarter of the reporting period, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. As of September 30, 2022, the Parent Company assessed no events or changes in circumstances that will require impairment testing of its goodwill.

## 12. Other Assets and Other Liabilities

### Other Assets

This account consists of:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
<b>Financial</b>		
Return checks and other cash items	₱88,741	₱133,631
Security deposits	18,952	12,984
Miscellaneous	5,834	3,407
	<b>113,527</b>	<b>150,022</b>
<b>Nonfinancial</b>		
Deferred charges	1,531,945	1,065,090
Creditable withholding taxes	1,406,744	1,686,145
Prepaid expenses	716,362	645,222
Real estate inventories held under development	638,875	638,875
Documentary stamps on hand	330,377	357,884
Chattel mortgage properties - net of depreciation	190,711	227,187
(Forward)		

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Stationeries and supplies	P95,959	P87,651
Input value-added tax (VAT)	82,119	119,762
Other investments	26,512	30,760
Miscellaneous	932,374	868,538
	5,951,978	5,727,114
	6,065,505	5,877,136
Less allowance for credit and impairment losses (Note 13)	1,038,667	1,069,216
	P5,026,838	P4,807,920

#### Other Liabilities

This account consists of:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
<b>Financial</b>		
Accounts payable	P5,964,440	P4,724,720
Dormant credits	1,438,964	1,303,713
Manager's checks and demand drafts outstanding	1,317,613	1,256,121
Bills purchased - contra	720,840	1,053,517
Margin deposits and cash letters of credit	667,385	325,829
Deposits on lease contracts	432,069	593,903
Accounts payable - electronic money	342,231	408,858
Payment order payable	258,363	196,718
Due to other banks	234,410	154,949
Transmission liability	99,731	58,308
Deposit for keys on safety deposit boxes	16,400	16,742
	11,492,446	10,093,378
<b>Nonfinancial</b>		
Retirement benefit liability	1,170,575	926,259
Provisions	1,096,639	1,095,325
Due to Treasurer of the Philippines	891,803	882,769
Deferred revenue - Credit card-related	606,639	548,630
Deferred revenue - Bancassurance	518,774	573,674
Withholding tax payable	189,433	309,897
Deferred tax liabilities	165,765	165,228
SSS, Philhealth, Employer's compensation premiums and Pag-IBIG contributions payable	47,641	43,359
Miscellaneous	964,264	1,081,353
	5,651,533	5,626,494
	P17,143,979	P15,719,872

### 13. Allowance for Impairment, Credit and Other Losses

Movements in this account follow:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Balance at beginning of period:		
Loans and receivables	₱39,340,761	₱32,414,652
Investment securities at amortized cost	3,822,166	3,982,398
Investment properties	2,204,822	2,583,670
Goodwill	2,153,997	—
Property and equipment	1,168,887	1,168,887
Financial assets at FVOCI	134,151	67,399
Cash and cash equivalents	20,816	12,781
Other assets	1,069,216	1,040,596
	<b>49,914,816</b>	<b>41,270,383</b>
Movements during the period:		
Provision for impairment, credit and other losses	714,088	12,967,152
Accounts charged-off	(1,564,872)	(1,439,313)
Disposals	—	(2,722,994)
Transfers and others	(2,899,574)	(160,412)
	<b>(3,750,358)</b>	<b>8,644,433</b>
Balance at end of period:		
Loans and receivables (Note 8)	33,728,597	39,340,761
Investment properties	4,089,381	2,204,822
Investment securities at amortized cost (Note 7)	3,856,348	3,822,166
Goodwill	2,153,997	2,153,997
Property and equipment	1,168,887	1,168,887
Financial assets at FVOCI	112,649	134,151
Cash and cash equivalents	15,932	20,816
Other assets (Note 12)	1,038,667	1,069,216
	<b>₱46,164,458</b>	<b>₱49,914,816</b>

### 14. Financial Liabilities

#### Deposit Liabilities

As of September 30, 2022, and December 31, 2021, noninterest-bearing deposit liabilities amounted to ₱30.2 billion and ₱28.6 billion, respectively. For the nine-month periods ended September 30, 2022 and December 31, 2021, the remaining deposit liabilities of the Group generally bear annual fixed interest rates ranging from 0.10% to 6.75% and 0.10% to 10.00% for peso-denominated deposit liabilities, and from 0.01% to 3.00% and 0.01% to 4.75% for foreign currency-denominated deposit liabilities, respectively.

LTNCDs issued by the Parent Company consist of:

Issue Date	Maturity Date	Face Value	Coupon Rate	Interest Repayment Terms	Carrying Value	
					September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
October 11, 2019	April 11, 2025	₱4,600,000	4.38%	Quarterly	₱4,582,398	₱4,578,946
February 27, 2019	August 27, 2024	8,220,000	5.75%	Quarterly	8,194,804	8,187,523
October 26, 2017 (Forward)	April 26, 2023	6,350,000	3.88%	Quarterly	6,345,641	6,339,910

Issue Date	Maturity Date	Face Value	Coupon Rate	Interest Repayment Terms	Carrying Value	
					September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
April 27, 2017	October 27, 2022	3,765,000	3.75%	Quarterly	<b>₱3,764,710</b>	₱3,761,261
December 6, 2016	June 6, 2022	5,380,000	3.25%	Quarterly	—	5,377,750
		<b>₱28,315,000</b>			<b>₱22,887,553</b>	₱28,245,390

Interest expense on deposit liabilities consists of:

	For the Nine Months Ended September 30	
	2022 (Unaudited)	2021 (Unaudited)
Savings	<b>₱1,642,840</b>	₱1,487,385
Time	<b>945,570</b>	1,009,532
LTNCD	<b>893,308</b>	951,873
Demand	<b>152,505</b>	140,666
	<b>₱3,634,223</b>	₱3,589,456

#### Bonds Payable

This account consists of:

Issue Date	Maturity Date	Face Value	Coupon Rate	Interest Repayment Terms	Carrying Value	
					September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
<u>Fixed rate medium term senior notes</u>						
June 27, 2019	September 27, 2024	USD750,000	3.28%	Semi-annually	<b>₱43,854,035</b>	₱38,117,754
April 26, 2018	April 27, 2023	300,000	4.25%	Semi-annually	<b>17,570,719</b>	15,265,667
		USD1,050,000			<b>₱61,424,754</b>	₱53,383,421

As of September 30, 2022 and December 31, 2021, the unamortized transaction costs of bonds payable amounted to ₱114.6 million and ₱168.7 million, respectively. For the nine-month periods ended September 30, 2022 and 2021, amortization of transaction costs amounting to ₱54.1 million and ₱71.9 million, were charged to 'Interest expense on bonds payable' in the statements of income.

## 15. Equity

#### Capital Stock

This account consists of (amounts in thousands, except for par value and number of shares):

	Shares	Amount
<b>Common - ₱40 par value</b>		
Authorized	<b>1,750,000,001</b>	<b>₱70,000,000</b>
Issued and outstanding		
Balance at the beginning and end of the period	<b>1,525,764,850</b>	<b>₱61,030,594</b>

As of September 30, 2022 and December 31, 2021, the Parent Company had 36,229 and 36,286 stockholders, respectively.



Surplus Reserves

This account consists of:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Reserves under BSP Circular 1011 (Note 8)	<b>₱4,337,053</b>	₱4,461,857
Reserves for trust business	<b>605,583</b>	605,583
Reserves for self-insurance	<b>80,000</b>	80,000
	<b>₱5,022,636</b>	₱5,147,440

Regulatory Reporting for Capital Management

As of September 30, 2022, Common Equity Tier 1 (CET1) ratio as reported to the BSP was 13.8% while total Capital Adequacy Ratio (CAR) was computed at 14.5%. As of December 31, 2021, CET1 ratio was 13.0%, while total CAR was computed at 13.7%.

**16. Other Operating Income and Expenses**

Service Fees and Commission Income

This account consists of:

	For the Nine Months Ended September 30	
	2022 (Unaudited)	2021 (Unaudited)
Continuing operations:		
Deposit-related	<b>₱1,172,792</b>	₱939,503
Loan-related	<b>766,248</b>	1,158,693
Remittance	<b>505,645</b>	510,945
Credit card-related	<b>485,618</b>	535,355
Bancassurance	<b>430,409</b>	388,584
Interchange fees	<b>319,263</b>	239,844
Underwriting fees	<b>306,310</b>	378,559
Trust fees	<b>237,685</b>	243,409
Miscellaneous	<b>190,966</b>	274,479
	<b>4,414,936</b>	4,669,371
Discontinued operations:		
Miscellaneous	—	110
	<b>₱4,414,936</b>	₱4,669,481

Miscellaneous Expenses

This account consists of:

	For the Nine Months Ended September 30	
	2022 (Unaudited)	2021 (Unaudited)
Continuing operations:		
Insurance	<b>₱1,472,390</b>	₱1,488,671
Secretarial, janitorial and messengerial	<b>1,193,998</b>	1,173,783
Information technology	<b>821,063</b>	875,908
Marketing expenses	<b>763,407</b>	520,234
Litigation and assets acquired expenses	<b>250,178</b>	302,499
(Forward)		

	<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Travelling	<b>P238,124</b>	P206,361
Management and other professional fees	<b>197,449</b>	243,534
Common use service area fees	<b>131,257</b>	—
VAT on leases	<b>113,727</b>	91,518
Postage, telephone and cable	<b>110,672</b>	107,508
Entertainment, amusement and recreation (EAR)	<b>106,025</b>	111,342
Repairs and maintenance	<b>40,888</b>	52,616
Freight	<b>22,531</b>	16,262
Fuel and lubricants	<b>11,766</b>	8,473
Others	<b>458,144</b>	482,823
	<b>5,931,619</b>	5,681,532
Discontinued operations:		
Information technology	—	2,906
Secretarial, janitorial and messengerial	—	1,620
Postage, telephone and cable	—	751
Marketing expenses	—	717
Travelling	—	508
Management and other professional fees	—	416
Fuel and lubricants	—	411
EAR	—	142
Insurance	—	5
Others	—	1,355
	—	8,831
	<b>P5,931,619</b>	<b>P5,690,363</b>

## 17. Income Taxes

Provision for income tax consists of:

	<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Continuing operations:		
Current		
Regular	<b>P2,066,437</b>	P1,413,376
Final	<b>1,233,359</b>	1,099,067
	<b>3,299,796</b>	2,512,443
Deferred	<b>34,449</b>	(408,678)
	<b>3,334,245</b>	2,103,765
Discontinued operations:		
Final tax	—	4,774
	<b>P3,334,245</b>	<b>P2,108,540</b>

As of September 30, 2022 and December 31, 2021, the Group recognized deferred tax assets amounting to P6.3 billion and P6.4 billion, respectively, mainly on allowance for credit and impairment losses.

## 18. Earnings Per Share

Earnings per share of the Group attributable to equity holders of the Parent Company is computed as follows:

	<b>For the Nine Months Ended September 30</b>	
	<b>2022 (Unaudited)</b>	<b>2021 (Unaudited)</b>
a) Net income attributable to equity holders of the Parent Company	<b>₱11,308,793</b>	₱24,246,634
b) Weighted average number of common shares for basic earnings per share	<b>1,525,765</b>	1,525,765
c) Basic and diluted earnings per share (a/b)	<b>₱7.41</b>	₱15.89

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

	<b>For the Nine Months Ended September 30</b>	
	<b>2022 (Unaudited)</b>	<b>2021 (Unaudited)</b>
a) Net income from continuing operations attributable to equity holders of the Parent Company	<b>₱11,308,793</b>	₱24,226,019
b) Weighted average number of common shares for basic earnings per share	<b>1,525,765</b>	1,525,765
c) Basic and diluted earnings per share (a/b)	<b>₱7.41</b>	₱15.88

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

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

## 19. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Group's related parties include:

- key management personnel, close family members of key management personnel and entities which are controlled, significantly influenced by or for which significant voting power is held by key management personnel or their close family members;
- significant investors and their subsidiaries and associates called affiliates;
- subsidiaries, joint ventures and associates and their respective subsidiaries; and
- post-employment benefit plans for the benefit of the Group's employees.

Balances of significant related party transactions of the Group as of September 30, 2022 and December 31, 2021 are shown in the following table (transactions with subsidiaries have been eliminated in the consolidated financial statements). Transactions reported under subsidiaries represent companies where the Parent Company has control. Transactions reported under affiliates represent companies which are under common control.

	Significant Investors		Subsidiaries		Affiliates		Associate	
	September 30, 2022	December 31, 2021	September 30, 2022	December 31, 2021	September 30, 2022	December 31, 2021	September 30, 2022	December 31, 2021
Receivables from customers	P–	P–	P1,217,685	P1,471,253	P45,436,667	P57,580,429	P–	P–
Loan commitments	–	–	12,332,352	13,796,172	91,081,085	32,168,949	–	–
Financial assets at FVOCI	–	–	–	–	23,192,683	22,989,975	–	–
Interbank loans receivable	–	–	25,731	29,403	–	–	–	–
Due from other banks	–	–	235,936	248,314	–	–	–	–
Accounts receivable	–	–	28,247	67,772	–	–	–	–
Accrued interest receivable	–	–	3,379	7,520	326,429	127,339	–	–
Right-of-use assets	–	–	–	–	6,079,379	3,354,358	–	–
Rental deposits	–	–	–	4,044	–	–	27	27
Deposit liabilities	961,373	4,415	4,357,674	12,687,720	33,183,878	36,117,192	223,388	554,606
Bills payable	–	–	27,235	30,477	–	–	–	–
Bonds payable	–	–	–	–	87,938	76,499	–	–
Accrued interest payable	–	–	48,679	103,473	36,783	16,900	4	–
Accrued other expenses	–	–	–	–	253,791	57,369	–	–
Lease liabilities	–	–	–	–	3,630,364	3,180,228	–	–
Deferred revenues	–	–	–	–	45,278	47,778	640,491	695,391
Due to other banks	–	–	469	35,719	–	–	–	–

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

	Significant Investors		Subsidiaries		Affiliates		Associate	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Interest income	P–	P–	P71,629	P51,459	P727,108	P812,697	P–	P–
Interest expense	6,820	4	24,421	9,326	313,886	158,479	528	214
Miscellaneous other income	–	–	1,687	7,034	–	–	–	–
Purchases of securities	–	–	3,990	1,265,169	11,906,577	390,965	–	56,593
Sale of securities	–	–	848,140	74,428	6,746,700	200,644	–	–
Trading gains (losses)	–	–	19	5,896	(23,240)	–	–	–
Amortization expenses	–	–	–	–	845,241	–	–	–
Miscellaneous expenses	–	–	–	–	82,050	–	–	–
Service fee income	–	–	–	–	–	–	54,899	54,899

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

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

## 20. Provisions, Contingencies and Other Commitments

In the normal course of business, the Group makes various commitments and incurs certain contingent liabilities which are not presented in the accompanying unaudited interim condensed financial statements including several suits and claims which remain unsettled. No specific disclosures on such unsettled assets and claims are made because any such specific disclosures would prejudice the Group's position with the other parties with whom it is in dispute. Such

exemption from disclosures is allowed under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. The Group and its legal counsel believe that any losses arising from these contingencies which are not specifically provided for will not have a material adverse effect on the unaudited interim condensed financial statements.

There were no significant settlements made in 2022.

#### Tax Assessment

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

## 21. Notes to the Statement of Cash Flows

#### Interbank Loans Receivable

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

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Interbank loans receivable	<b>₱31,860,810</b>	₱32,112,667
Less: Allowance for credit losses	<b>5,917</b>	6,579
	<b>31,854,893</b>	32,106,088
Less: Interbank loans receivable not considered as cash and cash equivalents	<b>6,507,649</b>	1,652,710
	<b>₱25,347,244</b>	₱30,453,378

#### Cash Flows from Financing Activities

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

	September 30, 2022 (Unaudited)			
	Beginning balance	Net cash flows	Others	Ending balance
Bills and acceptances payable	<b>₱52,953,797</b>	(₱35,315,015)	<b>₱1,963,777</b>	<b>₱19,602,559</b>
Bonds payable	<b>53,383,421</b>	–	<b>8,041,333</b>	<b>61,424,754</b>
Lease liabilities	<b>3,765,391</b>	(966,629)	<b>875,195</b>	<b>3,673,957</b>
	<b>₱110,102,609</b>	(₱36,281,644)	<b>₱10,880,305</b>	<b>₱84,701,270</b>

	September 30, 2021 (Unaudited)			
	Beginning balance	Net cash flows	Others	Ending balance
Bills and acceptances payable	<b>₱87,159,450</b>	(₱41,083,364)	<b>₱2,448,129</b>	<b>₱48,524,215</b>
Bonds payable	<b>64,056,335</b>	(13,870,000)	<b>3,182,354</b>	<b>53,368,689</b>
Lease liabilities	<b>1,366,016</b>	(519,763)	<b>3,448,176</b>	<b>4,294,429</b>
	<b>₱152,581,801</b>	(₱55,473,127)	<b>₱9,078,659</b>	<b>₱106,187,333</b>

#### Non-Cash Transactions

For the nine-month periods ended September 30, 2022 and 2021, additions to right-of-use assets amounted to ₱0.4 billion and ₱3.3 billion, respectively, while additional lease liabilities amounted to ₱0.4 billion and ₱3.4 billion, respectively.

For the nine-month periods ended September 30, 2022 and 2021, the Group foreclosed investment properties amounting to ₱3.9 billion and ₱0.5 billion, respectively.

For the nine-month periods ended September 30, 2022 and 2021, the Group applied creditable withholding taxes against its income tax payable amounting to ₱1.4 billion and ₱1.3 billion, respectively.

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## **22. Events After the Reporting Date**

On October 14, 2022, the Parent Company completed the first tranche of purchase of loans from PNB-Mizuho Leasing and Finance Corporation (PMLFC), a joint venture company owned by the Parent Company and Mizuho Leasing Co., Ltd., consisting of five current and performing accounts with total amount of ₱27.4 million.

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## **23. Other Matters**

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

- known demands or commitments that will have a material impact on the Group's liquidity and continuing operations within the next twelve (12) months, except for the proposal to amend the Articles of Incorporation of PMLFC to shorten PMLFC's corporate term to March 31, 2024, which was approved by the BOD of the Parent Company on June 24, 2022, and still subject to necessary regulatory approvals;
- any events that will trigger direct or contingent financial obligations that is material to the Group, including any default or acceleration of an obligation;
- material off-balance sheet transactions, various commitments, arrangements, contingent assets and contingent liabilities other than those already discussed above;
- material commitments for capital expenditures;
- issuances, repurchases and repayments of debt and equity securities, except for the settlements for the maturity of LTNCDs on June 6, 2022 with face value of ₱5.38 billion and on October 27, 2022 with face value of ₱3.77 billion;
- seasonal aspects that had a material effect on the Group's financial condition and results of operations;
- dividends declared or paid; and
- material events subsequent to September 30, 2022 other than the disclosure in Note 22.

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

The accompanying unaudited interim condensed consolidated financial statements of the Group were authorized for issue by the Parent Company's BOD on November 11, 2022.

## **ANNEX B**

### **PHILIPPINE NATIONAL BANK SCHEDULE OF AGING OF LOANS RECEIVABLE FROM CUSTOMERS**

The Schedule of Aging of Loans Receivable 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):

	<b>September 30, 2022</b>
Current Accounts	<b>P591,843,410</b>
Past Due:	
Less than 30 days	<b>9,962,994</b>
31 to 90 days	<b>3,855,530</b>
91 to 180 days	<b>3,808,689</b>
More than 180 days	<b>28,810,708</b>
Loans Receivables, gross	<b>638,281,331</b>
Less:	
Unearned and other deferred income	<b>(871,692)</b>
Allowance for credit losses	<b>(29,831,043)</b>
Loans Receivables, net	<b>P607,578,596</b>