



Office of the EVP and Chief Financial Officer

Trunk Lines: 8526-3131 to 70/8891-6040 to 70
Local: 4074

November 10, 2023

MS. ALEXANDRA D. TOM WONG

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

ATTY. MARIE ROSE M. MAGALLEN-LIRIO

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

Dear Mesdames:

In compliance with the reportorial requirements of Section 17 of the Securities Regulation Code (SRC) and Section 177 of the Revised Corporation Code of the Philippines, we provide you the SEC Form 17-Q report of the Philippine National Bank as of and for the period ended September 30, 2023.

Very truly yours,

A handwritten signature in black ink, appearing to read "Francis B. Albalate", is positioned above the printed name and title.

FRANCIS B. ALBALATE
Executive Vice President &
Chief Financial Officer

COVER SHEET

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S.E.C. Registration Number

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(Company's Full Name)

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

Francis B. Albalate

Contact Person

8891-60-40

Company Telephone Number

	9
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Month

3	0
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Day

Fiscal Year

17 - Q

FORM TYPE

4	25
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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

36,098

Total No. of Stockholders

Total amount of Borrowings

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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File Number

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Document I.D.

Cashier

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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, 2022

(Calendar Year Ended)

SEC FORM 17-Q REPORT

Form Type

(Amendment Designation (if applicable))

SEPTEMBER 30, 2023

Period Ended Date

LISTED

(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarter ended : **September 30, 2023**
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 to 70 / (632) 8526-3131 to 70**
9. Former name, former address, and former fiscal year, if changed since last report : **N/A**
10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA

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

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

Yes [☒] No [☐]

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

12. Indicate by check mark whether the registrant:

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

Yes [☒] No [☐]

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

Yes [☒] No [☐]

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

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

Item 2. Management's Discussion and Analysis

Financial Condition as at September 30, 2023 (Unaudited) Compared to December 31, 2022 (Audited)

The Group's consolidated total assets stood at ₱1,179.2 billion as of September 30, 2023, 3.0% or ₱34.1 billion higher compared to ₱1,145.2 billion reported as of December 31, 2022. Major changes (+/-5% variance) in assets were registered in the following accounts:

- Total cash and cash equivalents as of September 30, 2023 decreased by ₱7.6 billion, broken down as follows:

<i>(In Thousands)</i>	September 30, 2023	December 31, 2022	Increase/ (Decrease)	%
Cash and Other Cash Items	₱14,753,278	₱22,217,915	(₱7,464,637)	(33.6)
Due from Bangko Sentral ng Pilipinas	83,679,175	94,701,360	(11,022,185)	(11.6)
Due from Other Banks	23,739,818	26,010,183	(2,270,365)	(8.7)
Interbank Loans Receivable	29,630,686	9,782,452	19,848,234	202.9
Securities Held under Agreements to Resell	57,794,019	64,523,863	(6,729,844)	(10.4)

Available liquid funds were either placed in loans to other banks which are booked under Interbank Loans Receivable or deployed to Loans and Receivables. Further, as of September 30, 2023, the Group reduced its cash in vaults by ₱6.3 billion for deployment 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 25.6% and 24.1% of the Group's total assets as of September 30, 2023 and December 31, 2022, respectively, increased by ₱26.2 billion or 9.5%, mainly due to net purchases of financial assets at FVTPL and investment securities at amortized cost offset by maturities of financial assets at FVOCI during the period.
- Property and Equipment and Intangible Assets as of September 30, 2023 at ₱11.2 billion and ₱1.5 billion, respectively, decreased by ₱0.7 billion and ₱0.4 billion, respectively, compared to ₱12.0 billion and ₱1.9 billion, respectively, as of December 31, 2022, mainly due to depreciation and amortization during the period.
- Investment Properties as of September 30, 2023, at ₱14.6 billion increased by ₱0.9 billion or 6.2% compared to ₱13.8 billion as of December 31, 2022, due to new foreclosures of real and other properties, offset by disposals during the period.

- Investment in an Associate increased by ₱0.4 billion or 15.2% at ₱3.1 billion as of September 30, 2023, compared to ₱2.7 billion as of December 31, 2022, as a result of the equity share in the net comprehensive income of the associate for the period.
- Deferred Tax Assets increased by ₱0.8 billion or 12.4%, at ₱7.4 billion as of September 30, 2023 from ₱6.6 billion as of December 31, 2022 mainly due to the recognition of additional deferred tax assets on allowance for credit losses.
- Other Assets as of September 30, 2023, at ₱5.2 billion, grew by ₱1.0 billion or 25.2% from ₱4.2 billion as of December 31, 2022, mainly due to increases in creditable withholding taxes, deferred charges and chattel mortgage properties during the period.

The Group's consolidated liabilities were at ₱993.2 billion as of September 30, 2023, 1.8% or ₱17.9 billion higher from ₱975.3 billion as of December 31, 2022. Major changes (+/-5% variance) in liability accounts were as follows:

- Deposit Liabilities at ₱906.0 billion and ₱871.2 billion, which represent 91.2% and 89.3% of the Group's total liabilities as of September 30, 2023 and December 31, 2022, respectively, are higher by ₱34.8 billion or 4.0% mainly due to increase in Time Deposits by ₱23.7 billion or 21.1% and increase in Savings Deposits by ₱22.7 billion or 4.4% partially offset by decreases in Demand Deposits of ₱5.3 billion or 2.4% and maturity of Long Term Negotiable Certificates of Deposit amounting to ₱6.3 billion.
- Financial Liabilities at FVTPL are ₱0.4 billion lower than the 2022 year-end balance of ₱1.0 billion mainly from the decrease in fair values of stand-alone forwards as of September 30, 2023.
- Lease Liabilities increased by ₱0.3 billion from ₱3.6 billion or 6.8% as of December 31, 2022, to ₱3.9 billion as of September 30, 2023, as a result of the renewal of certain lease contracts entered into by the Group for the period.
- Bonds Payable decreased by ₱16.0 billion or 27.5% from ₱58.4 billion as of December 31, 2022 to ₱42.4 billion as of September 30, 2023, mainly due to the maturity of the \$300 million, 4.25% fixed rate bonds in April 2023.
- Income Tax Payable increased by ₱0.2 billion or 21.9% from ₱1.0 billion as of December 31, 2022 to ₱1.2 billion as of September 30, 2023 representing tax accrual on higher taxable income of the Group.

The Group's consolidated total equity stood at ₱186.1 billion as of September 30, 2023 from ₱169.9 billion as of December 31, 2022, or an increase of ₱16.2 billion or 9.5% attributed mainly to the ₱13.5 billion consolidated net income reported for the nine month period-ended September 30, 2023 and ₱2.9 billion decrease in Net Unrealized Losses on Financial Assets at FVOCI.

Results of Operation for the Nine Months Ended September 30, 2023 (Unaudited) Compared to Same Period Ended September 30, 2022 (Unaudited)

For the nine months ended September 30, 2023, the Group posted a net income of ₱13.5 billion, ₱2.1 billion or 18.9% higher than the ₱11.4 billion net income for the same period last year. Movements in net income are primarily due to the following:

- Net interest income amounted to ₱33.0 billion, higher by 23.4% or ₱6.3 billion compared to the same period last year. Total gross interest income increased by 35.1% or ₱11.3 billion to ₱43.6

billion for the nine months ended September 30, 2023, mainly due to higher yields on loans, investment securities, deposits with banks and interbank receivables. Total gross interest expense likewise increased by ₱5.1 billion or 91.7% to ₱10.6 billion from ₱5.5 billion for the same period last year primarily due to increase in interest cost of deposit liabilities offset by declines in interest expense from bills payable and other borrowings and bonds payable, as compared to the same period last year.

- Net service fees and commission income increased by ₱0.7 billion or 20.9% compared to the same period last year to ₱4.3 billion for the nine months ended September 30, 2023, mainly due to increases in loan, deposit, and credit card related, interchange, underwriting, and trust fees, and partly offset by decrease in bancassurance revenues.
- Other income decreased by ₱1.4 billion or 18.5% at ₱6.0 billion for the nine months ended September 30, 2023, compared to ₱7.3 billion for the same period last year mainly due to lower net gain on sale or exchange of assets. The decline in other income was offset by the improvements in net trading and foreign exchange gains and equity in net earnings of an associate.
- Administrative and other operating expenses decreased by ₱0.8 billion or 3.7% at ₱21.4 billion for the nine months ended September 30, 2023, compared to ₱22.2 billion for the same period last year mainly due to the decrease of ₱0.5 billion in miscellaneous expenses, ₱0.2 billion in Taxes and licenses, and ₱0.2 billion in depreciation and amortization.
- The Group continues its proactive approach in its provisioning due to lingering economic uncertainties as it recorded additional provision for impairment, credit and other losses of ₱5.2 billion in the nine months ended September 30, 2023, compared to ₱0.7 billion in the prior year.

Total comprehensive income for the nine months ended September 30, 2023 amounted to ₱16.2 billion, registering an increase of ₱7.6 billion compared to the same period last year mainly due to the higher net income during the period by ₱2.1 billion and higher net change in unrealized gains (losses) on financial assets at FVOCI by ₱8.3 billion.

Results of Operation for the Quarter Ended September 30, 2023 (Unaudited) Compared to Same Quarter Ended September 30, 2022 (Unaudited)

- For the quarter ended September 30, 2023, the Group registered a net income of ₱3.8 billion, higher than the ₱0.3 billion net income for the quarter ended September 30, 2022.
- Net interest income is at ₱11.4 billion for the quarter ended September 30, 2023, higher than the ₱9.4 billion in the same period last year by ₱2.0 billion on account of higher yields on loans and receivables, trading and investment securities, deposits with banks and interbank receivables. This was offset by higher interest cost of deposit liabilities.
- Net service fees and commission income is flat at ₱1.2 billion for the quarters ended September 30, 2023 and 2022.
- Other income is higher at ₱1.4 billion in the current quarter from ₱0.9 billion for the same quarter last year mainly due to higher net gain on sale or exchange of assets recognized in the same period last year.
- Provisions for impairment, credit and other losses is lower at ₱3.6 billion for the quarter ended September 30, 2023 compared to the ₱3.9 billion provisions booked in the same period last year.

- Administrative and other operating expenses amounted to ₱6.5 billion for the quarter ended September 30, 2023, ₱0.8 billion lower compared to the same period last year, mainly due to lower miscellaneous expenses and depreciation and amortization.

Total comprehensive income for the quarter ended September 30, 2023 amounted to ₱4.3 billion, increased by ₱4.4 billion compared to the same period last year mainly due to the higher net income for the quarter and higher net change in unrealized gains (losses) on financial assets at FVOCI of ₱3.5 billion and ₱1.6 billion, respectively.

PART II – OTHER INFORMATION

Key Performance Indicators and Selected Financial Ratios

	For the Nine Months Ended September 30	
	2023	2022
	(Unaudited)	(Unaudited)
Statement of Income		
Return on Average Equity ^{1/}	9.8%	8.5%
Return on Average Assets ^{2/}	1.5%	1.2%
Net Interest Margin ^{3/}	4.2%	3.4%
Cost Efficiency Ratio ^{4/}	49.5%	59.1%
Basic Earnings Per Share	₱8.86	₱7.41
Interest Coverage ^{5/}	258.2%	366.3%

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

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

^{3/} Annualized net interest income divided by average interest-earning assets for the period indicated

^{4/} Ratio of total operating expenses to total operating income


^{5/} Earnings before interest expense and provision for income tax divided by interest expense


	September 30, 2023	September 30, 2022	December 31, 2022
	(Unaudited)	(Unaudited)	(Audited)
Statement of Financial Position			
Capital Ratios:			
Capital Adequacy Ratio	16.6%	14.5%	15.4%
Common Equity Tier 1 Ratio	15.7%	13.8%	14.6%
Non-Performing Loans Ratios:			
Net of allowance	2.3%	2.6%	2.6%
Gross of allowance	6.2%	6.4%	6.3%
NPL coverage	97.1%	82.0%	92.5%
Current Ratio	67.6%	61.5%	64.7%
Liquid Assets-to-Total Assets	28.2%	24.1%	27.6%
Liquid Assets-to-Liquid Liabilities	34.7%	32.1%	35.6%
Debt-to-Equity	5.3x	5.8x	5.7x
Assets-to-Equity	6.3x	6.8x	6.7x
Book Value per Share	₱119.6	₱108.8	₱109.0

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
President 


FRANCIS B. ALBALATE
Executive Vice President and Chief Financial Officer



ANNEX A

Philippine National Bank and Subsidiaries

Unaudited Interim Condensed Consolidated Financial Statements
as at September 30, 2023 and
for the nine-month periods ended
September 30, 2023 and 2022

*(With Comparative Audited Consolidated Statement of Financial Position
as at December 31, 2022)*

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2023****(With Comparative Audited Figures as at December 31, 2022)****(In Thousands)**

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
ASSETS		
Cash and Other Cash Items	₱14,753,278	₱22,217,915
Due from Bangko Sentral ng Pilipinas (Note 6)	83,679,175	94,701,360
Due from Other Banks (Note 19)	23,739,818	26,010,183
Interbank Loans Receivable (Notes 19 and 21)	33,350,991	16,290,101
Securities Held Under Agreements to Resell	57,794,019	64,523,863
Financial Assets at Fair Value Through Profit or Loss (FVTPL) (Note 7)	16,542,586	7,347,201
Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI) (Notes 7 and 19)	154,153,689	158,183,525
Investment Securities at Amortized Cost (Note 7)	131,509,142	110,467,960
Loans and Receivables (Note 8)	609,382,552	593,099,915
Property and Equipment (Note 9)	11,238,491	11,973,547
Investment in an Associate	3,097,441	2,688,764
Investment Properties (Note 10)	14,646,241	13,794,986
Deferred Tax Assets (Note 17)	7,439,354	6,616,902
Intangible Assets (Note 11)	1,482,973	1,863,922
Goodwill (Note 11)	11,221,410	11,221,410
Other Assets (Note 12)	5,201,831	4,155,522
TOTAL ASSETS	₱1,179,232,991	₱1,145,157,076
LIABILITIES AND EQUITY		
LIABILITIES		
Deposit Liabilities (Notes 14 and 19)		
Demand	₱214,771,297	₱220,043,866
Savings	542,619,589	519,940,535
Time	135,802,887	112,113,308
Long Term Negotiable Certificates of Deposit	12,798,131	19,130,012
	905,991,904	871,227,721
Financial Liabilities at FVTPL	646,657	1,039,776
Bills and Acceptances Payable (Notes 19 and 21)	14,479,797	14,980,373
Bonds Payable (Notes 14, 19 and 21)	42,377,846	58,439,097
Lease Liabilities (Notes 19 and 21)	3,885,208	3,636,391
Accrued Taxes, Interest and Other Expenses (Note 19)	9,477,241	9,117,393
Income Tax Payable	1,198,586	983,051
Other Liabilities (Note 12)	15,109,495	15,827,640
TOTAL LIABILITIES	993,166,734	975,251,442

(Forward)

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		
Capital Stock (Note 15)	₱61,030,594	₱61,030,594
Capital Paid in Excess of Par Value	32,116,560	32,116,560
Surplus Reserves (Notes 8 and 15)	4,764,428	4,929,242
Surplus	87,433,719	73,748,748
Net Unrealized Losses on Financial Assets at FVOCI (Note 7)	(3,071,127)	(5,959,275)
Remeasurement Losses on Retirement Plan	(2,207,749)	(2,222,945)
Accumulated Translation Adjustment	2,033,991	2,314,447
Other Equity Reserves	248,830	248,830
Share in Aggregate Reserves on Life Insurance Policies	133,818	136,096
Other Equity Adjustment	13,959	13,959
	182,497,023	166,356,256
NON-CONTROLLING INTERESTS	3,569,234	3,549,378
TOTAL EQUITY	186,066,257	169,905,634
TOTAL LIABILITIES AND EQUITY	₱1,179,232,991	₱1,145,157,076

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

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

	For the Nine Months Ended September 30		For the Quarters Ended September 30	
	2023	2022	2023	2022
INTEREST INCOME ON				
Loans and receivables (Notes 8 and 19)	P30,013,274	P24,829,754	P10,105,551	P8,414,986
Investment securities at amortized cost and financial assets at FVOCI (Note 7)	9,140,177	5,597,722	3,255,764	2,326,146
Deposits with banks and others (Notes 6 and 19)	1,919,406	1,078,842	692,795	371,782
Interbank loans receivable and securities held under agreements to resell	2,359,333	555,996	1,228,124	293,383
Financial assets at FVTPL (Note 7)	178,416	229,779	51,436	78,301
	43,610,606	32,292,093	15,333,670	11,484,598
INTEREST EXPENSE ON				
Deposit liabilities (Notes 14 and 19)	9,018,068	3,634,223	3,486,237	1,391,126
Bonds payable (Notes 14 and 19)	1,299,856	1,553,751	357,285	547,107
Bills payable and other borrowings (Note 19)	252,638	326,946	65,034	112,787
	10,570,562	5,514,920	3,908,556	2,051,020
NET INTEREST INCOME	33,040,044	26,777,173	11,425,114	9,433,578
Service fees and commission income (Notes 16 and 19)	5,183,834	4,414,936	1,464,719	1,424,117
Service fees and commission expense	889,664	863,376	302,408	256,464
NET SERVICE FEES AND COMMISSION INCOME	4,294,170	3,551,560	1,162,311	1,167,653
OTHER INCOME				
Net gains on sale or exchange of assets (Notes 9 and 10)	3,722,698	5,466,892	789,201	218,233
Foreign exchange gains - net	1,187,486	1,240,646	281,898	435,747
Equity in net earnings (losses) of an associate	251,466	(63,091)	90,414	12,545
Trading and investment securities gains (losses) - net (Note 7)	136,929	(268,279)	62,783	(103,269)
Miscellaneous	660,230	936,540	193,115	364,661
TOTAL OTHER INCOME	5,958,809	7,312,708	1,417,411	927,917
TOTAL OPERATING INCOME	43,293,023	37,641,441	14,004,836	11,529,148
PROVISION FOR IMPAIRMENT, CREDIT AND OTHER LOSSES (Note 13)	5,151,795	714,088	3,583,849	3,871,929
OPERATING EXPENSES				
Compensation and fringe benefits	7,777,330	7,685,942	2,685,220	2,658,250
Taxes and licenses	3,665,312	3,871,722	1,153,365	941,744
Depreciation and amortization	3,014,985	3,194,938	1,000,682	1,104,612
Occupancy and equipment-related costs	661,694	691,085	227,351	246,459
Miscellaneous (Note 16)	6,297,086	6,797,119	1,435,669	2,387,616
TOTAL OPERATING EXPENSES	21,416,407	22,240,806	6,502,287	7,338,681
INCOME BEFORE INCOME TAX	16,724,821	14,686,547	3,918,700	318,538
PROVISION FOR INCOME TAX (Note 17)	3,221,578	3,334,245	157,200	29,143
NET INCOME	P13,503,243	P11,352,302	P3,761,500	P289,395
ATTRIBUTABLE TO:				
Equity Holders of the Parent Company (Note 18)	P13,520,157	P11,308,793	P3,764,611	P270,140
Non-controlling Interests	(16,914)	43,509	(3,111)	19,255
	P13,503,243	P11,352,302	P3,761,500	P289,395
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 18)	P8.86	P7.41	P2.47	P0.18

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

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

	For the Nine Months Ended September 30		For the Quarters Ended September 30	
	2023	2022	2023	2022
NET INCOME	₱13,503,243	₱11,352,302	₱3,761,500	₱289,395
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Items that recycle to profit or loss in subsequent periods:</i>				
Net change in unrealized gains (losses) on debt securities at FVOCI, net of tax	1,470,358	(4,664,520)	205,424	(1,354,057)
Share in changes in net unrealized gains (losses) on financial assets at FVOCI of an associate	159,488	(921,825)	(102,897)	(136,862)
	1,629,846	(5,586,345)	102,527	(1,490,919)
Accumulated translation adjustment	(244,427)	1,892,350	432,903	849,507
	1,385,419	(3,693,995)	535,430	(641,412)
<i>Items that do not recycle to profit or loss in subsequent periods:</i>				
Net change in unrealized gains (losses) on equity securities at FVOCI	1,258,302	208,668	(20,187)	5,960
Share in the changes in aggregate reserves (losses) on life insurance policies	(2,278)	660,462	9,105	199,328
Remeasurement gains on retirement plan	18,612	5,401	—	—
	1,274,636	874,531	(11,082)	205,288
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX	2,660,055	(2,819,464)	524,348	(436,124)
TOTAL COMPREHENSIVE INCOME (LOSS)	₱16,163,298	₱8,532,838	₱4,285,848	(₱146,729)
ATTRIBUTABLE TO:				
Equity Holders of the Parent Company	₱16,140,767	₱8,068,292	₱4,208,290	(₱368,793)
Non-controlling Interests	22,531	464,546	77,558	222,064
	₱16,163,298	₱8,532,838	₱4,285,848	(₱146,729)

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

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

For the Nine Months Ended September 30, 2023													
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 on Life Insurance Policies	Other Equity Adjustment	Total	Non- Controlling Interests	Total Equity
Balance at January 1, 2023	₱61,030,594	₱32,116,560	₱4,929,242	₱73,748,748	(₱5,959,275)	(₱2,222,945)	₱2,314,447	₱248,830	₱136,096	₱13,959	₱166,356,256	₱3,549,378	₱169,905,634
Total comprehensive income (loss) for the period	—	—	—	13,520,157	2,888,148	15,196	(280,456)	—	(2,278)	—	16,140,767	22,531	16,163,298
Dividends by subsidiaries to non- controlling interests	—	—	—	—	—	—	—	—	—	—	—	(2,675)	(2,675)
Reversal of general loan loss reserves under BSP Circular 1011	—	—	(164,814)	164,814	—	—	—	—	—	—	—	—	—
Balance at September 30, 2023	₱61,030,594	₱32,116,560	₱4,764,428	₱87,433,719	(₱3,071,127)	(₱2,207,749)	₱2,033,991	₱248,830	₱133,818	₱13,959	₱182,497,023	₱3,569,234	₱186,066,257

For the Nine Months Ended September 30, 2022													
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	—	—	—	—	—	—	—	—	—
Balance at September 30, 2022	₱61,030,594	₱32,116,560	₱5,022,636	₱73,431,829	(₱6,081,414)	(₱2,720,605)	₱2,975,648	₱248,830	₱34,068	₱13,959	₱166,072,105	₱3,681,150	₱169,753,255

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

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

	For the Nine Months Ended September 30	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	P16,724,821	P14,686,547
Adjustments for:		
Provision for impairment, credit and other losses (Note 13)	5,151,795	714,088
Net gains on sale or exchange of assets (Notes 9 and 10)	(3,722,698)	(5,466,892)
Depreciation and amortization	3,014,985	3,194,938
Amortization of discount, net on investment securities	(1,882,483)	(519,369)
Unrealized foreign exchange losses	545,282	9,951,056
Equity in net losses (earnings) of an associate	(251,466)	63,091
Loss (gain) on financial assets at FVTPL (Note 7)	(142,184)	257,087
Amortization of transaction costs on borrowings	50,676	76,216
Loss on sale of financial assets at FVOCI and investment securities at amortized cost (Note 7)	5,255	11,193
Accretion to interest income of loss on loan modifications	—	(183,901)
Changes in operating assets and liabilities:		
Decrease (increase) in amounts of:		
Interbank loans receivable	2,787,344	(4,854,939)
Financial assets at FVTPL	(9,053,201)	(9,707,745)
Loans and receivables	(23,935,717)	(17,242,162)
Other assets	(1,276,847)	594,458
Increase (decrease) in amounts of:		
Financial liabilities at FVTPL	(393,119)	2,827,690
Deposit liabilities	34,764,183	(28,680,519)
Accrued taxes, interest and other expenses	469,939	1,608,212
Other liabilities	(696,475)	1,437,733
Net cash generated from (used in) operations	22,160,090	(31,233,218)
Income taxes paid	(3,112,581)	(1,294,547)
Net cash provided by (used in) operating activities	19,047,509	(32,527,765)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale/maturities of:		
Financial assets at FVOCI	379,524,933	544,053,107
Investment securities at amortized cost	49,587,624	81,916,333
Investment properties	4,507,138	4,741,864
Property and equipment	339,445	379,582
Acquisitions of:		
Financial assets at FVOCI	(371,141,274)	(501,584,155)
Investment securities at amortized cost	(70,425,104)	(118,678,196)
Software cost (Note 11)	(478,361)	(705,211)
Property and equipment (Note 9)	(373,377)	(422,418)
Net cash provided by (used in) investing activities	(8,458,976)	9,700,906
(Forward)		

	For the Nine Months Ended September 30	
	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bills and acceptances payable (Note 21)	P103,889,064	P165,945,302
Settlement of bills and acceptances payable (Note 21)	(104,486,848)	(201,260,317)
Proceeds from maturity of bonds payable (Note 21)	(16,560,000)	—
Payment of principal portion of lease liabilities (Note 21)	(1,069,546)	(966,629)
Net cash used in financing activities	(18,227,330)	(36,281,644)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(7,638,797)	(59,108,503)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		
Cash and other cash items	22,217,915	27,552,773
Due from Bangko Sentral ng Pilipinas	94,701,360	161,001,912
Due from other banks	26,010,183	27,222,083
Interbank loans receivable (Note 21)	9,782,452	30,453,378
Securities held under agreements to resell	64,523,863	15,796,673
	217,235,773	262,026,819
CASH AND CASH EQUIVALENTS AT END OF PERIOD		
Cash and other cash items	14,753,278	16,996,951
Due from Bangko Sentral ng Pilipinas	83,679,175	123,384,380
Due from other banks	23,739,818	26,081,229
Interbank loans receivable (Note 21)	29,630,686	25,347,244
Securities held under agreements to resell	57,794,019	11,108,512
	P209,596,976	P202,918,316
OPERATIONAL CASH FLOWS FROM INTEREST		
Interest received	P40,095,253	P30,452,493
Interest paid	9,271,531	4,749,802

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousand Pesos Except When Otherwise Indicated)

1. Corporate Information

Philippine National Bank (PNB or the Parent Company) is a universal bank established in the Philippines in 1916. On June 21, 1989, PNB's shares were listed with the Philippine Stock Exchange (PSE). As of September 30, 2023 and December 31, 2022, the shares of PNB are held by the following:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
LT Group, Inc. (LTG) (indirect ownership through its various holding companies)	59.83%	59.83%
PCD Nominee Corporation*	14.62%	15.85%
Other stockholders owning less than 10% each	25.55%	24.32%
	100.00%	100.00%

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

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

The Parent Company provides a full range of banking and other financial services, which include deposit-taking, lending, bills discounting, trade finance, foreign exchange dealings, investment banking, treasury operations, fund transfers, remittance and trust services. The Parent Company operates through its 631 and 651 domestic branches as of September 30, 2023 and December 31, 2022, respectively, as it continues to streamline its physical branch network through consolidation and to expand customer reach via its digital channels. As of the same dates, the Parent Company has 73 and 72 overseas branches, representative offices, remittance centers and subsidiaries in 17 jurisdictions in Asia, North America and Europe, respectively.

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

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

2. Preparation of the Interim Financial Statements

2.1 Basis of Preparation of the Unaudited Interim Consolidated Financial Statements

The accompanying unaudited interim consolidated financial statements of the Group as of September 30, 2023 and for the nine-month periods ended September 30, 2023 and 2022 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, 2022 prepared under the Philippine Financial Reporting Standards (PFRS).

2.2 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, 2022, except for the adoption of the following amendments to PFRS effective beginning January 1, 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PFRS Practice Statement 2, *Disclosure of Accounting Policies*
The amendments provide guidance and examples to help entities apply materiality judgments to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:
 - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies; and
 - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to the Practice Statement provide non-mandatory guidance. Early adoption of the amendments is permitted as long as this fact is disclosed.

- Amendments to PAS 12, *Income Taxes, Deferred Tax Related to Assets and Liabilities arising from a Single Transaction*
The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense). The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented.
- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Accounting Estimates*
The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amendments also clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. Early adoption of the amendments is permitted.

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

2.3 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.

2.4 Seasonality or Cyclicalality of Interim Operations

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

3. Financial Risk Management

3.1 Risk Management Framework

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 has the following divisions to manage specific risk areas:

- Credit Risk Division;
- Market and Asset Liability Management Division;
- ICAAP & Operational Risk Management Division;

- Business Continuity Management and Vendor Risk Monitoring Division;
- Business Intelligence and Data Warehouse Division;
- Model Validation Division; and
- Trust Risk Division

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.

3.2 Risk Categories and Definitions

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

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

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

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
	<p>external events. This definition includes Legal Risk but excludes Strategic and Reputational Risk. Operational Risk is inherent in all activities, products and services, and cuts across multiple activities and business lines within the financial institution and across the different entities in a banking group or conglomerate where the financial institution belongs. (BSP Circular 900, dated 18 January 2016)</p>	<ul style="list-style-type: none"> ▪ Risk Management (i.e. Monitor, Control or Mitigate Risk) <p>Monitoring of Pillar II Risks fall under the purview of Operational Risk Management: Risk Identification – Risk Maps Risk Measurement and Analysis – ICAAP Risk Assessment</p>	<ul style="list-style-type: none"> ▪ Board Approved Product Manuals ▪ Loss Events Report (LER) ▪ Risk and Control Self-Assessment (RCSA) ▪ Key Risk Indicators (KRI) ▪ Business Continuity Management (BCM) ▪ Statistical Analysis
Included in the Operational Risks:			
Reputational Risk	<p>Reputational risk is the risk to earnings, capital, and liquidity arising from negative perception on the Bank of its customers, shareholders, investors, and employees, market analysts, the media, and other stakeholders such as regulators and other government agencies, that can adversely affect the Bank's ability to maintain existing business relationships, establish new businesses or partnerships, or continuously access varied sources of funding". (BSP Circular 1114, dated 08 April 2021).</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</p>	<ul style="list-style-type: none"> ▪ Risk Identification ▪ Risk Measurement ▪ Risk Evaluation (i.e. Analysis of Risk) ▪ Risk Management (i.e. Monitor, Control or Mitigate Risk) <p>Monitoring of Pillar II Risks fall under the purview of Operational Risk Management: Risk Identification – Risk Maps Risk Measurement and Analysis – ICAAP Risk Assessment</p> <p>Major Factors considered:</p> <ul style="list-style-type: none"> ▪ Products ▪ Technology ▪ People ▪ Policies and Processes ▪ Stakeholders (including customer and regulators) 	<ul style="list-style-type: none"> ▪ Customer Engagement and Consolidated Complaints Report ▪ After Call and After Email Survey ▪ Public Relations Campaign ▪ Market research on digital trends; profiling of digital users; statistics on usage and transactions ▪ Security Measures for Digital Banking ▪ Social Media Risk Management ▪ Use of Social Media metrics/Social Media Analytics ▪ Website Management ▪ Website Analytics ▪ Review of news articles published by major news outlets ▪ Branch Customer Feedback mechanism ▪ Products and Marketing Promotions Committee (PMPC) Oversight ▪ Fraud Management Program

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
	PNB's products and services. Consumer Protection Risk is defined as failure of PNB to deliver its mandate to provide appropriate service and protection to its financial consumers.		
Strategic Business Risks	Strategic business risk is the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes. This risk is a function of the compatibility of the firm's strategic goals, the business strategies developed to achieve those goals, the resources deployed against these goals, and the quality of implementation. <i>(BSP Cir. No. 510, dated 03 Feb 2006)</i>		<ul style="list-style-type: none"> ▪ Regular ALCO reports on latest Financials, monthly CAR projections, weekly performance on deposits, loans, treasury assets (levels, YTD, ADB) ▪ Regular updates on the status of sale of ROPA and other properties ▪ Seminars and Economic briefings for Treasury, Corplan, RMG staff and Senior Management by economists / consultants ▪ Banking industry reports and industry research studies ▪ Research Division's periodic economic reports and forecasting and equities reports ▪ Budget Performance Report (BPR) distributed to concerned sector/group heads and PNB President ▪ Performance against Targets ▪ Compliance Updates on new, revised regulations ▪ Annual Strategic Planning Activities ▪ Performance and monitoring reports and surveys on bank products and services
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,		<ul style="list-style-type: none"> ▪ Incident Reporting Management ▪ Information Security Policy Formulation ▪ Risk Assessment ▪ Information Security Management System Implementation ▪ Continuous InfoSec / cyber risk awareness campaigns ▪ Network Security Protection ▪ Limits on Access Privileges

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
	<p>and Availability (CIA). This covers data or information being processed, in storage or in transit. Cyber Risk is the risk associated with financial loss, disruption or damage to the reputation of an organization from failure, unauthorized or erroneous use of its information systems. (<i>NIST IR 7298 Revision 2, Glossary of Key Information Security Terms, Page Numbers 98 and 100</i>)</p>		<ul style="list-style-type: none"> ▪ Scanning of outbound and inbound digital traffic ▪ Installation of firewalls, IPS/IDS, enterprise security solution (anti-virus for endpoint, email and internet). ▪ Enterprise-wide Implementation of the Information Security Management Systems ▪ Education / InfoSec Awareness is also constantly conducted ▪ Conduct of internal and 3rd party vulnerability assessments and penetration testing (to include social engineering tests) and follow through on remediation of threats and risks ▪ Implementing the enterprise-wide data privacy risk management framework which complies with both domestic and global requirements ▪ Institutionalization of data protection culture within the group through regular awareness programs
Data Privacy Risk	<p>Data Privacy Risks are those that could lead to the unauthorized collection, use, disclosure or access of personal data. It includes risks that the confidentiality, integrity and availability of personal data will not be maintained, or the risk that processing will violate the rights of data subjects or the privacy principles (transparency, legitimacy and proportionality). Consequently, the data privacy risks may negatively impact PNB's reputation and may result to noncompliance issue and financial losses. (<i>Data Privacy Act of 2012 or RA 10173</i>)</p>		

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
Information Technology Risk	<p>Information Technology Risk is any potential adverse outcome, damage, loss, violation, failure or disruption associated with the use of or reliance on computer hardware, software, devices, systems, applications and networks. (BSP Circular 808) It is also a business risk that is associated with the use, ownership, operation, involvement, influence and adoption of IT within PNB. It consists of IT-related events that could potentially impact the business. IT Risk includes Information Security Risk that could result from non-preservation of any or all of the domains of information security; that is, confidentiality, integrity and availability of information asset. <i>(ISACA Risk IT Framework)</i></p>		<ul style="list-style-type: none"> ▪ Risk Awareness Campaigns ▪ IT Risk Assessments ▪ Formal Project Management Program adoption ▪ Vulnerability Assessment and Penetration Testing ▪ Maintenance and upgrades of disaster recovery sites ▪ Business Users / IT joint engagement for problem resolution ▪ Technology Operations Management Policies & Guidelines ▪ IT Risk Monitoring ▪ IT Risk Assessment ▪ Project Risk Assessment
Human Resource Risk	<p>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.</p>	<ul style="list-style-type: none"> ▪ Risk Identification ▪ Risk Measurement ▪ Risk Evaluation (i.e. Analysis of Risk) ▪ Risk Management (i.e. Monitor, Control or Mitigate Risk) 	<ul style="list-style-type: none"> • Talent Acquisition/Retention and Career Management • Remuneration Management • Performance Appraisal System • Training and Development • Labor Management Relations • Code of Conduct/Personnel Policies • Employee Welfare/Wellness • Employee Engagement Program • Rewards System • Compensation Package Review • Attendance Reports • Performance Appraisal Report • Monitoring of employee's deliberate non-submission of acknowledgement receipts of personnel policies issued by HRG • Grievance Reports/Complaints • Attrition rates, separation reports and exit interview forms • Disciplinary Cases Report

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
			<ul style="list-style-type: none"> • Recruitment Turnaround Time Report • Number of training programs conducted Report Hiring and Attrition Tracking
Model Risk	The risk of loss resulting from model errors, incorrect use or application of its output or incorrect implementation of the model. It can arise in variety of forms and at different points within the model lifecycle.	Validation of both quantitative and qualitative dimensions of the model.	1) Model Inventory Database 2) Model Exception Monitoring Report 3) Model Risk Assessment <ul style="list-style-type: none"> a. Model Health Scorecard b. Model Materiality Scorecard
Vendor Risk	Vendor Risk refers to potential harm that could come to the bank as a result of doing business with a particular vendor.	<ul style="list-style-type: none"> • Due Diligence is conducted on vendor-selection phase. • Periodic Vendor Review is performed regularly • Check the vendor's standing and compliances. Business units are required to acknowledge any risk found during the review and are asked to make a risk treatment. 	<ul style="list-style-type: none"> • Vendor Review template • Risk Acceptance Memo • Assessment templates to check the vendor's regulatory compliances, such as Business Continuity Management Questionnaire, Data Privacy Questionnaire, Third-Party Privacy Impact Analysis, Third-Party Information Security Risk Assessment, and Sustainability Scorecard) Vendor Risk Monitoring Masterfile.

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, 2023 and December 31, 2022, the Group held the following assets and liabilities measured at fair value, and at cost but for which fair values are disclosed:

	September 30, 2023				
	Carrying Value	Level 1	Level 2	Level 3	Total
Measured at fair value:					
Financial Assets					
Financial assets at FVTPL:					
Government securities	P14,506,505	P2,465,193	P12,041,312	P–	P14,506,505
Private debt securities	1,592,946	147,222	1,445,724	–	1,592,946
Derivative assets	440,317	–	440,317	–	440,317
Equity securities	2,818	2,818	–	–	2,818
Financial assets at FVOCI:					
Government securities	115,732,200	45,880,429	69,851,771	–	115,732,200
Private debt securities	12,185,782	551,891	11,633,891	–	12,185,782
Equity securities	26,235,707	223,680	1,313,147	24,698,880	26,235,707
	P170,696,275	P49,271,233	P96,726,162	P24,698,880	P170,696,275
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	P646,657	P–	P646,657	P–	P646,657
Fair values are disclosed:					
Financial Assets					
Financial assets at amortized cost:					
Investment securities at amortized cost*	P131,509,142	P51,884,614	P80,851,122	P–	P132,735,736
Receivables from customers**	595,116,324	–	–	605,887,895	605,887,895
	P726,625,466	P51,884,614	P80,851,122	P605,887,895	P738,623,631
Nonfinancial Assets					
Investment property:					
Land***	P12,287,346	P–	P–	29,141,185	29,141,185
Buildings and improvements***	2,358,895	–	–	4,822,481	4,822,481
	P14,646,241	P–	P–	33,963,666	33,963,666
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	P135,802,887	P–	P–	P135,802,887	P135,802,887
LTNCDs	12,798,131	–	12,632,914	–	12,632,914
Bonds payable	42,377,846	–	41,163,829	–	41,163,829
Bills payable	9,626,371	–	–	9,548,496	9,548,496
	P200,605,235	P	P53,796,743	P145,351,383	P199,148,126

* Net of expected credit losses and other deferred credits

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

*** Net of impairment losses

	December 31, 2022				
	Carrying Value	Level 1	Level 2	Level 3	Total
Measured at fair value:					
Financial Assets					
Financial assets at FVTPL:					
Government securities	P4,371,671	P27,009	P4,344,662	P–	P4,371,671
Private debt securities	1,610,681	146,495	1,464,186	–	1,610,681
Derivative assets	1,361,951	–	1,361,951	–	1,361,951
Equity securities	2,898	2,898	–	–	2,898
Financial assets at FVOCI:					
Government securities	117,939,783	55,867,413	62,072,370	–	117,939,783
Private debt securities	15,430,870	244,224	15,186,646	–	15,430,870
Equity securities	24,812,872	233,298	1,128,254	23,451,320	24,812,872
	P165,530,726	P56,521,337	P85,558,069	P23,451,320	P165,530,726
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	P1,039,776	P–	P1,039,776	P–	P1,039,776
Fair values are disclosed:					
Financial Assets					
Financial assets at amortized cost:					
Investment securities at amortized cost*	P110,467,960	P14,695,749	P96,707,252	P–	P111,403,001
Receivables from customers**	578,120,332	–	–	610,493,878	610,493,878
	P688,588,292	P14,695,749	P96,707,252	P610,493,878	P721,896,879

(Forward)

	December 31, 2022				
	Carrying Value	Level 1	Level 2	Level 3	Total
Nonfinancial Assets					
Investment property:					
Land***	P12,508,051	P–	P–	P29,868,859	P29,868,859
Buildings and improvements***	1,286,935	–	–	3,510,670	3,510,670
	P13,794,986	P–	P–	P33,379,529	P33,379,529
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	P112,113,308	P–	P–	P112,113,308	P112,113,308
LTNCDs	19,130,012	–	18,922,562	–	18,922,562
Bonds payable	58,439,097	39,955,398	16,878,070	–	56,833,468
Bills payable	7,702,325	–	–	7,625,229	7,625,229
	P197,384,742	P39,955,398	P35,800,632	P119,738,537	P195,494,567

* 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, 2023 and December 31, 2022, there were no transfers between Level 1 and Level 2 fair value measurements.

5. Segment Information

5.1 Business Segments

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;
- Treasury – 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 Bangko Sentral ng Pilipinas (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, 2023 (Unaudited)						
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Net interest margin						
Third party	(P661,171)	P21,552,840	P12,085,398	P67,219	(P4,242)	P33,040,044
Inter-segment	24,417,514	(15,272,944)	(9,144,570)	—	—	—
Net interest margin after inter-segment transactions	23,756,343	6,279,896	2,940,828	67,219	(4,242)	33,040,044
Other income	3,723,262	4,488,246	991,649	2,153,574	(214,088)	11,142,643
Segment revenue	27,479,605	10,768,142	3,932,477	2,220,793	(218,330)	44,182,687
Other expenses	9,696,391	7,330,045	934,780	676,929	(218,330)	18,419,815
Segment result	P17,783,214	P3,438,097	P2,997,697	P1,543,864	P—	25,762,872
Unallocated expenses						9,038,051
Net income before income tax						16,724,821
Income tax						3,221,578
Net income						13,503,243
Non-controlling interests						(16,914)
Net income for the period attributable to equity holders of the Parent Company						P13,520,157
Other segment information						
Capital expenditures	P162,774	P4,351	P5,297	P6,330	P—	P178,752
Unallocated capital expenditures						672,986
Total capital expenditures						P851,738
Depreciation and amortization	P892,751	P311,373	P14,091	P238,066	P—	P1,456,281
Unallocated depreciation and amortization						1,558,704
Total depreciation and amortization						P3,014,985
Provision for (reversal of) impairment, credit and other losses	P17,653	P5,141,716	(P75,649)	P68,075	P—	P5,151,795

As of September 30, 2023 (Unaudited)						
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Segment assets	P713,198,837	P276,041,246	P164,431,685	P70,124,255	(P44,563,032)	P1,179,232,991
Unallocated assets						—
Total assets						P1,179,232,991
Segment liabilities	P687,441,845	P236,194,272	P85,422,089	P29,771,264	(P45,662,736)	P993,166,734
Unallocated liabilities						—
Total liabilities						P993,166,734

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

For the Nine Months Ended September 30, 2022 (Unaudited)						
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Net interest margin						
Third party	₱935,321	₱20,279,191	₱5,816,152	₱14,355	(₱267,846)	₱26,777,173
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	₱9,861,314	₱11,779,433	₱2,532,247	₱1,404,214	₱–	25,577,208
Unallocated expenses						10,890,661
Net income before income tax						14,686,547
Income tax						3,334,245
Net income from continuing operations						11,352,302
Net income from discontinued operations						–
Net income						11,352,302
Non-controlling interests						43,509
Net income for the period attributable to equity holders of the Parent Company						₱11,308,793
Other segment information						
Capital expenditures	₱129,132	₱26,621	₱19,998	₱9,357	₱–	₱185,108
Unallocated capital expenditures						942,521
Total capital expenditures						₱1,127,629
Depreciation and amortization	₱967,395	₱290,631	₱40,150	₱245,813	₱–	₱1,543,989
Unallocated depreciation and amortization						1,650,949
Total depreciation and amortization						₱3,194,938
Provision for (reversal of) impairment, credit and other losses	(₱353,628)	₱661,467	(₱43,910)	₱450,159	₱–	₱714,088

As of December 31, 2022 (Audited)						
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Segment assets	₱699,718,901	₱318,631,627	₱102,166,641	₱69,835,932	(₱45,196,025)	₱1,145,157,076
Unallocated assets						–
Total assets						₱1,145,157,076
Segment liabilities	₱680,567,910	₱227,645,082	₱21,889,505	₱93,262,996	(₱48,114,051)	₱975,251,442
Unallocated liabilities						–
Total liabilities						₱975,251,442

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

5.2 Geographical Segments

Although the Group's businesses are managed on a worldwide basis, the Group operates in four principal geographical areas of the world. The distribution of assets, liabilities, credit commitments, capital expenditures, and revenues by geographic region of the Group follows:

	Non-Current Assets*		Liabilities		Credit Commitments	
	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Philippines	P501,241,887	P536,693,910	P953,503,314	P930,350,192	P45,666,148	P43,941,525
Asia (excluding Philippines)	16,964,453	18,796,243	33,357,395	33,199,104	—	—
USA and Canada	2,488,360	2,079,055	6,199,427	11,598,988	—	—
United Kingdom	392	797	106,598	103,158	—	—
	P520,695,092	P557,570,005	P993,166,734	P975,251,442	P45,666,148	P43,941,525

* Gross of allowance for impairment and credit losses and unearned and other deferred income

	Capital Expenditures		Revenues	
	September 30, 2023 (Unaudited)	September 30, 2022 (Unaudited)	September 30, 2023 (Unaudited)	September 30, 2022 (Unaudited)
Philippines	P848,744	P1,120,781	P51,839,487	P41,545,469
Asia (excluding Philippines)	2,163	6,131	2,015,206	1,800,149
USA and Canada	831	717	812,094	596,948
United Kingdom	—	—	86,462	77,171
	P851,738	P1,127,629	P54,753,249	P44,019,737

6. Due from Bangko Sentral ng Pilipinas

This account consists of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Demand deposit	P76,679,175	P74,701,360
Term deposit	7,000,000	20,000,000
	P83,679,175	P94,701,360

For the nine-month periods ended September 30, 2023 and 2022, Due from BSP bears annual interest rates ranging from 5.0% to 6.7% and from 4.3% to 4.4%, respectively.

7. Trading and Investment Securities

This account consists of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Financial assets at FVTPL	P16,542,586	P7,347,201
Financial assets at FVOCI	154,153,689	158,183,525
Investment securities at amortized cost	131,509,142	110,467,960
	P302,205,417	P275,998,686

7.1 Financial Assets at FVTPL

This account consists of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Government securities	₱14,506,505	₱4,371,671
Private debt securities	1,592,946	1,610,681
Derivative assets	440,317	1,361,951
Equity securities	2,818	2,898
	₱16,542,586	₱7,347,201

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

	For the Nine Months Ended September 30	
	2023	2022
Government securities	1.4% - 8.6%	1.4% - 8.0%
Private debt securities	4.9% - 6.9%	4.9% - 6.9%

7.2 Financial Assets at FVOCI

This account consists of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Government securities	₱115,732,200	₱117,939,783
Private debt securities	12,185,782	15,430,870
Equity securities		
Quoted	932,944	792,216
Unquoted (Note 19)	25,302,763	24,020,656
	₱154,153,689	₱158,183,525

Unquoted equity securities include the Parent Company's retained 49.00% interest in PNB Holdings Corporation (PNB Holdings) amounting to ₱24.5 billion and ₱23.2 billion as of September 30, 2023 and December 31, 2022, respectively (refer to Note 19). The Group determines its fair value using the net asset value method after applying a 16.50% discount for lack of marketability by referring to a number of recent initial public offerings. On June 23, 2023, the PNB BOD approved and confirmed the plan for PNB to sell 14% of its stake in PNB Holdings through private placement.

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

	For the Nine Months Ended September 30	
	2023	2022
Government securities	0.6% - 19.1%	0.2% - 33.8%
Private debt securities	0.5% - 6.3%	0.5% - 6.4%

As of September 30, 2023 and December 31, 2022, net unrealized losses on financial assets at FVOCI amounted to ₱3.1 billion and ₱6.0 billion, respectively.

7.3 Investment Securities at Amortized Cost

This account consists of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Government securities	P108,071,225	P78,197,433
Private debt securities	27,276,377	36,118,377
	135,347,602	114,315,810
Less allowance for credit losses (Note 13)	3,838,460	3,847,850
	P131,509,142	P110,467,960

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

	For the Nine Months Ended September 30	
	2023	2022
Government securities	0.8% - 7.5%	0.8% - 7.5%
Private debt securities	1.0% - 8.3%	0.4% - 8.3%

7.4 Interest Income on Investment Securities at Amortized Cost and FVOCI

This account consists of:

	For the Nine Months Ended September 30	
	2023 (Unaudited)	2022 (Unaudited)
Investment securities at amortized cost	P5,371,848	P2,376,197
Financial assets at FVOCI	3,768,329	3,221,525
	P9,140,177	P5,597,722

7.5 Trading and Investment Securities Gains (Losses) - net

This account consists of:

	For the Nine Months Ended September 30	
	2023 (Unaudited)	2022 (Unaudited)
Financial assets at FVTPL		
Government securities	P151,417	P-
Private debt securities	(11,863)	(256,929)
Equity securities	(80)	(160)
Derivatives	2,710	3
Financial assets at FVOCI		
Private debt securities	103	-
Investment securities at amortized cost	(5,358)	(11,193)
	P136,929	(P268,279)

Trading losses on investment securities at amortized cost pertain to investments which were redeemed by the respective issuers prior to their contractual maturity.

8. Loans and Receivables

This account consists of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Receivables from customers (Note 19):		
Loans and discounts	P604,649,836	P579,484,209
Credit card receivables	15,170,385	14,382,681
Customers' liabilities on letters of credit and trust receipts	7,988,307	10,378,461
Customers' liabilities on acceptances	4,780,797	7,272,876
Lease contracts receivable	354,511	873,878
Bills purchased	2,169,577	1,220,029
	635,113,413	613,612,134
Less unearned and other deferred income	823,721	756,049
	634,289,692	612,856,085
Other receivables:		
Accrued interest receivable (Note 19)	8,543,969	6,911,100
Sales contract receivables (Note 19)	3,648,444	6,240,309
Accounts receivable (Note 19)	5,827,761	5,478,103
Miscellaneous	365,074	559,099
	18,385,248	19,188,611
	652,674,940	632,044,696
Less allowance for credit losses (Note 13)	43,292,388	38,944,781
	P609,382,552	P593,099,915

Included in 'Surplus reserves' is the amount of P4.0 billion and P4.2 billion as of September 30, 2023 and December 31, 2022, 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* (refer to Note 15.2).

As of September 30, 2023 and December 31, 2022, 70.3% and 70.5%, respectively, of the total receivables from customers of the Parent Company were subject to interest repricing. For the nine months ended September 30, 2023 and 2022, remaining receivables carry annual fixed interest rates ranging from 1.1% to 9.0% for foreign currency-denominated receivables, and from 1.1% to 31.0% for peso-denominated receivables.

9. Property and Equipment

For the nine-month periods ended September 30, 2023 and 2022, the Group purchased assets with cost of P0.4 billion. For the same periods, the Group disposed property and equipment with net book value of P332.0 million and P41.9 million, respectively, recognizing gain on sale of P7.4 million and P5.4 million, respectively.

10. Investment Properties

For the nine-month periods ended September 30, 2023 and 2022, the Group foreclosed investment properties amounting to P2.7 billion and P3.9 billion, respectively. For the same periods, the Group disposed investment properties with net book value of P1.7 billion and P826.0 million, recognizing gain on sale of P2.8 billion and P3.8 billion, respectively.

11. Goodwill and Intangible Assets

11.1 Software Costs

For the nine-month periods ended September 30, 2023 and 2022, the Group purchased software with cost of ₱0.5 billion and ₱0.7 billion, respectively.

11.2 Goodwill

As of September 30, 2023 and December 31, 2022, goodwill for each cash-generating unit amounted to:

Retail Banking	₱6,110,312
Treasury	3,074,730
Corporate Banking	2,036,368
	₱11,221,410

Goodwill is reviewed for impairment annually in the fourth quarter of the reporting period, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. As of September 30, 2023, the Parent Company assessed no events or changes in circumstances that will require impairment testing of its goodwill.

12. Other Assets and Other Liabilities

12.1 Other Assets

This account consists of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Financial		
Return checks and other cash items	₱30,529	₱46,253
Security deposits (Note 19)	18,556	18,309
Miscellaneous	5,662	5,769
	54,747	70,331
Nonfinancial		
Deferred charges (Note 19)	1,624,141	1,477,860
Creditable withholding taxes	1,425,907	856,206
Real estate inventories held under development	638,875	638,875
Prepaid expenses	387,117	340,243
Chattel mortgage properties - net of depreciation	328,334	211,619
Documentary stamps on hand	289,836	317,932
Stationeries and supplies	114,333	81,073
Other investments	26,302	26,276
Input value-added tax (VAT)	17,428	75,276
Miscellaneous	1,342,355	1,101,671
	6,194,628	5,127,031
	6,249,375	5,197,362
Less allowance for credit and impairment losses (Note 13)	1,047,544	1,041,840
	₱5,201,831	₱4,155,522

12.2 Other Liabilities

This account consists of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Financial		
Accounts payable	P3,575,959	P5,036,170
Bills purchased - contra	1,796,348	877,767
Dormant credits	1,240,573	1,591,380
Manager's checks and demand drafts outstanding	1,139,049	1,548,448
Due to other banks (Note 19)	632,880	276,770
Accounts payable - electronic money	546,521	315,290
Margin deposits and cash letters of credit	397,184	224,033
Payment order payable	179,000	220,949
Transmission liability	62,210	40,280
Deposits on lease contracts (Note 19)	29,095	75,129
Deposit for keys on safety deposit boxes	16,061	16,167
	9,614,880	10,222,383
Nonfinancial		
Due to Treasurer of the Philippines	1,476,373	891,709
Provisions	944,236	1,107,015
Deferred revenue - Credit card-related	635,347	646,361
Deferred revenue - Bancassurance	445,574	500,474
Retirement benefit liability	362,028	384,838
Withholding tax payable	265,890	310,530
Deferred tax liabilities	165,844	165,721
SSS, Philhealth, Employer's compensation premiums and Pag-IBIG contributions payable	53,577	48,081
Miscellaneous	1,145,746	1,550,528
	5,494,615	5,605,257
	P15,109,495	P15,827,640

13. Allowance for Impairment, Credit and Other Losses

Movements in this account follow:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance at beginning of period:		
Due from other banks	₱9,898	₱10,593
Interbank loans receivable	1,369	6,579
Securities held under agreements to resell	2,188	3,644
Financial assets at FVOCI	121,585	134,151
Investment securities at amortized cost (Note 7)	3,847,850	3,822,166
Loans and receivables (Note 8)	38,944,781	39,340,761
Property and equipment	1,168,887	1,168,887
Investment properties	2,175,669	2,204,822
Other assets (Note 12)	1,041,840	1,069,216
	47,314,067	47,760,819
Movements during the period:		
Provision for impairment, credit and other losses	5,151,795	7,198,117
Accounts charged-off	(915,534)	(2,785,836)
Sale of receivables	(587,172)	—
Loan settlement through dacion	—	(4,591,743)
Transfers and others	616,757	(267,290)
	4,265,846	(446,752)
Balance at end of period:		
Due from other banks	4	9,898
Interbank loans receivable (Note 21)	7,439	1,369
Securities held under agreements to resell	5,947	2,188
Financial assets at FVOCI	46,216	121,585
Investment securities at amortized cost (Note 7)	3,838,460	3,847,850
Loans and receivables (Note 8)	43,292,388	38,944,781
Property and equipment	1,165,398	1,168,887
Investment properties	2,176,517	2,175,669
Other assets (Note 12)	1,047,544	1,041,840
	₱51,579,913	₱47,314,067

14. Financial Liabilities

14.1 Deposit Liabilities

As of September 30, 2023, and December 31, 2022, noninterest-bearing deposit liabilities amounted to ₱24.9 billion and ₱27.8 billion, respectively. For the nine-month periods ended September 30, 2023 and 2022, the remaining deposit liabilities of the Group generally bear annual fixed interest rates ranging from 0.1% to 7.5% and 0.1% to 6.8%, respectively for peso-denominated deposit liabilities, and from 0.01% to 6.5% and 0.01% to 3.0%, respectively for foreign currency-denominated deposit liabilities.

On June 23, 2023, the BSP issued its Circular No. 1175, which reduces the reserve requirement ratios of deposit and deposit substitute liabilities of banks and non-bank financial institutions with quasi-banking functions. For universal and commercial banks, reserve requirement for non-FCDU deposit liabilities is reduced from 12.0% to 9.5% effective June 30, 2023.

LTNCDs issued by the Parent Company consist of:

Issue Date	Maturity Date	Face Value	Coupon Rate	Interest Repayment Terms	Carrying Value	
					September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
October 11, 2019	April 11, 2025	P4,600,000	4.38%	Quarterly	P4,589,469	P4,584,136
February 27, 2019	August 27, 2024	8,220,000	5.75%	Quarterly	8,208,662	8,198,193
October 26, 2017	April 26, 2023	6,350,000	3.88%	Quarterly	—	6,347,683
		P19,170,000			P12,798,131	P19,130,012

Interest expense on deposit liabilities consists of:

	For the Nine Months Ended September 30	
	2023 (Unaudited)	2022 (Unaudited)
Savings	P4,684,235	P1,642,840
Time	3,579,599	945,570
LTNCD	602,147	893,308
Demand	152,087	152,505
	P9,018,068	P3,634,223

14.2 Bonds Payable

This account consists of:

Issue Date	Maturity Date	Face Value	Coupon Rate	Interest Repayment Terms	Carrying Value	
					September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
<u>Fixed rate medium term senior notes</u>						
June 27, 2019	September 27, 2024	USD750,000	3.28%	Semi-annually	₱42,377,846	₱41,722,415
April 26, 2018	April 27, 2023	300,000	4.25%	Semi-annually	–	16,716,682
		USD1,050,000			₱42,377,846	₱58,439,097

As of September 30, 2023 and December 31, 2022, the unamortized transaction costs of bonds payable amounted to P42.1 million and P92.8 million, respectively. For the nine-month periods ended September 30, 2023 and 2022, amortization of transaction costs amounting to P50.7 million and P54.1 million, were charged to 'Interest expense on bonds payable' in the statements of income.

15. Equity

15.1 Capital Stock

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

	Shares	Amount
Common - P40 par value		
Authorized	1,750,000,001	P70,000,000
Issued and outstanding		
Balance at the beginning and end of the period	1,525,764,850	P61,030,594

As of September 30, 2023 and December 31, 2022, the Parent Company had 36,098 and 36,192 stockholders, respectively.

15.2 Surplus Reserves

This account consists of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Reserves under BSP Circular 1011 (Note 8)	P4,029,114	P4,218,928
Reserves for trust business	630,314	630,314
Reserves for self-insurance	105,000	80,000
	P4,764,428	P4,929,242

15.3 Regulatory Reporting for Capital Management

As of September 30, 2023 and December 31, 2022, Common Equity Tier 1 (CET1) ratio and Total Capital Adequacy Ratio (CAR) are as follows:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Consolidated		
a) CET1 Capital/Tier 1 Capital	P126,655,197	P110,612,265
b) Total Qualifying Capital	133,568,084	116,721,710
c) Total Risk-Weighted Assets	806,531,293	758,729,864
CET 1 Ratio/Tier 1 Ratio (a/c)	15.70%	14.58%
Total CAR (b/c)	16.56%	15.38%
Parent Company		
d) CET1 Capital/Tier 1 Capital	P104,346,192	P92,950,157
e) Total Qualifying Capital	111,028,324	98,828,614
f) Total Risk-Weighted Assets	778,076,671	733,555,902
CET 1 Ratio/Tier 1 Ratio (d/f)	13.41%	12.67%
Total CAR (e/f)	14.27%	13.47%

16. Other Operating Income and Expenses

16.1 Service Fees and Commission Income

This account consists of:

	For the Nine Months Ended September 30	
	2023 (Unaudited)	2022 (Unaudited)
Deposit-related	P1,303,191	P1,172,792
Loan-related	1,146,124	766,248
Credit card-related	618,711	485,618
Remittance	504,679	505,645
(Forward)		

	For the Nine Months Ended September 30	
	2023	2022
	(Unaudited)	(Unaudited)
Interchange fees	P458,846	P319,263
Underwriting fees	346,525	306,310
Bancassurance	300,848	430,409
Trust fees	281,522	237,685
Miscellaneous	223,388	190,966
	P5,183,834	P4,414,936

16.2 Miscellaneous Expenses

This account consists of:

	For the Nine Months Ended September 30	
	2023	2022
	(Unaudited)	(Unaudited)
Insurance	P1,480,458	P1,472,390
Secretarial, janitorial and messengerial	1,340,522	1,193,998
Information technology	723,173	821,063
Marketing expenses	655,136	763,407
Litigation and assets acquired expenses	508,029	250,178
Travelling	251,568	238,124
Management and other professional fees	185,195	197,449
Common use service area charges	175,779	131,257
Stationery and supplies	151,966	157,587
VAT on leases	149,412	113,727
Postage, telephone and cable	118,056	110,672
Entertainment, amusement and recreation	60,052	106,025
Freight	20,778	22,531
Repairs and maintenance	15,479	40,888
Fuel and lubricants	10,526	11,766
Others	450,957	1,166,057
	P6,297,086	P6,797,119

17. Income Taxes

Provision for income tax consists of:

	For the Nine Months Ended September 30	
	2023	2022
	(Unaudited)	(Unaudited)
Current		
Regular	P1,859,162	P2,066,437
Final	2,136,505	1,233,359
	3,995,667	3,299,796
Deferred	(774,089)	34,449
	P3,221,578	P3,334,245

As of September 30, 2023 and December 31, 2022, the Group recognized deferred tax assets amounting to ₱7.4 billion and ₱6.6 billion, respectively, with the increase in 2023 mainly coming from deferred tax assets on allowance for impairment and credit losses.

18. Earnings Per Share

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

	For the Nine Months Ended September 30	
	2023 (Unaudited)	2022 (Unaudited)
a) Net income attributable to equity holders of the Parent Company	₱13,520,157	₱11,308,793
b) Weighted average number of common shares for basic earnings per share	1,525,765	1,525,765
c) Basic and diluted earnings per share (a/b)	₱8.86	₱7.41

There are no potential common shares with dilutive effect on the basic earnings per share.

19. Related Party Transactions

Balances of significant related party transactions of the Group as of September 30, 2023 and December 31, 2022 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 other related parties represent companies which are under common control.

	Significant Investors		Subsidiaries		Other Related Parties		Associate	
	September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Receivables from customer	₱–	₱–	₱1,324,158	₱1,105,000	₱41,319,910	₱41,077,025	₱–	₱–
Credit facilities	–	–	12,671,584	11,925,849	98,861,820	94,657,106	120,000	–
Sales contract receivable	–	–	–	–	907	1,065	–	–
Financial assets at FVOCI	–	–	–	–	24,476,801	23,218,499	–	–
Interbank loans receivable	–	–	11,921	15,147	–	–	–	–
Due from other banks	–	–	285,753	269,904	–	–	–	–
Accounts receivable	–	–	23,689	60,474	–	–	–	–
Accrued interest receivable	–	–	146	3,187	341,480	132,080	–	–
Right-of-use assets	–	–	–	–	3,215,646	2,237,136	–	–
Security deposit	–	–	–	–	–	55,513	–	–
Deferred charges	–	–	–	–	–	5,097	–	–
Deposit liabilities	1,933,914	1,323,009	3,133,530	3,494,470	47,931,853	40,352,466	367,949	468,046
Bills payable	–	–	–	13,904	–	–	–	–
Bonds payable	–	–	–	–	–	84,840	–	–
Accrued interest payable	7,007	2,060	17,335	11,206	299,927	75,597	45	19
Accrued other expenses	–	–	–	–	297,879	319,882	–	–
Lease liabilities	–	–	–	–	2,246,562	2,191,862	–	–
Deposits on lease contracts	–	–	–	–	–	–	27	27
Deferred revenues	–	–	–	–	41,944	44,444	567,292	622,192
Due to other banks	–	–	590	122,139	–	–	–	–

Significant related party transactions of the Group for the nine-month periods ended September 30, 2023 and 2022 follow (transactions with subsidiaries have been eliminated in the consolidated financial statements):

	Significant Investors		Subsidiaries		Other Related Parties		Associate	
	September 30		September 30		September 30		September 30	
	2023	2022	2023	2022	2023	2022	2023	2022
Interest income	P-	P-	P65,545	P71,629	P1,270,342	P727,108	P-	P-
Interest expense	48,993	6,820	146,873	24,421	1,268,093	313,886	1,098	528
Miscellaneous other income	-	-	1,749	1,687	-	-	-	-
Purchases of securities	-	-	166,676	3,990	5,141,344	11,906,577	-	-
Sale of securities	-	-	237,005	848,140	8,616,558	6,746,700	-	-
Trading gains (losses)	-	-	18	19	(39,681)	(23,240)	-	-
Amortization expenses	-	-	-	-	497,594	845,241	-	-
Miscellaneous expenses	-	-	-	-	-	82,050	-	-
Service fee income	-	-	-	-	-	-	36,600	54,899

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

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 the third quarter of 2023.

20.1 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

21.1 Interbank Loans Receivable

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

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Interbank loans receivable	P33,358,430	P16,291,470
Less: Allowance for credit losses	7,439	1,369
	33,350,991	16,290,101
Less: Interbank loans receivable not considered as cash and cash equivalents	3,720,305	6,507,649
	P29,630,686	P9,782,452

21.2 Cash Flows from Financing Activities

The changes in liabilities arising from financing activities for the nine-month periods ended September 30, 2023 and 2022 follow:

	September 30, 2023 (Unaudited)			
	Beginning balance	Net cash flows	Others	Ending balance
Bills and acceptances payable	P14,980,373	(P597,784)	P97,209	P14,479,797
Bonds payable	58,439,097	(16,560,000)	498,749	42,377,846
Lease liabilities	3,636,391	(1,069,546)	1,318,363	3,885,208
	P77,055,861	(P18,227,330)	P1,914,321	P60,742,851

	September 30, 2022 (Unaudited)			
	Beginning balance	Net cash flows	Others	Ending balance
Bills and acceptances payable	P52,953,797	(P35,315,015)	P1,963,777	P19,602,559
Bonds payable	53,383,421	—	8,041,333	61,424,754
Lease liabilities	3,765,391	(966,629)	875,195	3,673,957
	P110,102,609	(P36,281,644)	P10,880,305	P84,701,270

21.3 Non-Cash Transactions

For the nine-month periods ended September 30, 2023 and 2022, additions to right-of-use assets amounted to P1.2 billion and P0.4 billion, respectively, while additional lease liabilities amounted to P1.2 billion and P0.4 billion, respectively.

For the nine-month periods ended September 30, 2023 and 2022, the Group foreclosed investment properties amounting to P2.7 billion and P3.9 billion, respectively.

For the nine-month periods ended September 30, 2023 and 2022, the Group applied creditable withholding taxes against its income tax payable amounting to P0.7 billion and P1.4 billion, respectively.

22. Events After the Reporting Date

On October 27, 2023, the BOD of the Parent Company approved to execute a proxy in favor of the LT Group, Inc. to vote all shares registered in the name of PNB on any and all matters in the Special Stockholders' Meeting of PNB Holdings to be held on November 9, 2023.

On the same date, the BOD of the Parent Company approved the creation of Consumer Finance Sector which consolidates the Cards and Payments Solutions Group, Retail Lending Group and select retail lending operations units of the Parent Company as part of its efforts to strengthen its retail lending business.

On the same date, the BOD of PNB Capital and Investment Corporation declared cash dividends in the amount of ₱448.9 million out of its unrestricted retained earnings in favor of stockholders of record as of October 27, 2023 and payable on or before December 31, 2023.

23. Contingencies and Commitments Arising from Off-Balance Sheet Items

The following is a summary of various commitments, contingent assets and contingent liabilities at their equivalent peso contractual amounts as reported to BSP:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Trust department accounts	₱169,875,830	₱152,746,479
Derivative forwards	155,762,870	151,543,370
Standby letters of credit	52,637,579	43,922,556
Unutilized credit card lines	44,650,994	41,981,905
Deficiency claims receivable	23,669,532	28,065,650
Derivative spots	17,796,548	7,474,525
Inward bills for collection	583,799	1,116,689
Outward bills for collection	170,032	355,358
Unused commercial letters of credit	167,231	204,707
Confirmed export letters of credit	95,895	94,784
Items held as collateral	65,355	165,282
Shipping guarantees issued	22,884	22,800
Other contingent accounts	27,057	76,663

24. 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;
- 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 in Note 23;
- material commitments for capital expenditures;
- issuances, repurchases and repayments of debt and equity securities, except for the majority of the \$300 million, 4.25% fixed rate bonds in April 2023.

- 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, 2023 other than the disclosure in Note 22.

25. 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 9, 2023.

ANNEX B

PHILIPPINE NATIONAL BANK SCHEDULE OF AGING OF LOANS RECEIVABLES FROM CUSTOMERS

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

	September 30, 2023
Current Accounts	P582,309,136
Past Due:	
Less than 30 days	8,414,776
31 to 90 days	5,685,520
91 to 180 days	9,585,109
More than 180 days	29,118,872
Loans Receivables, gross	635,113,413
Less:	
Unearned and other deferred income	(823,721)
Allowance for credit losses	(39,173,368)
Loans Receivables, net	P595,116,324