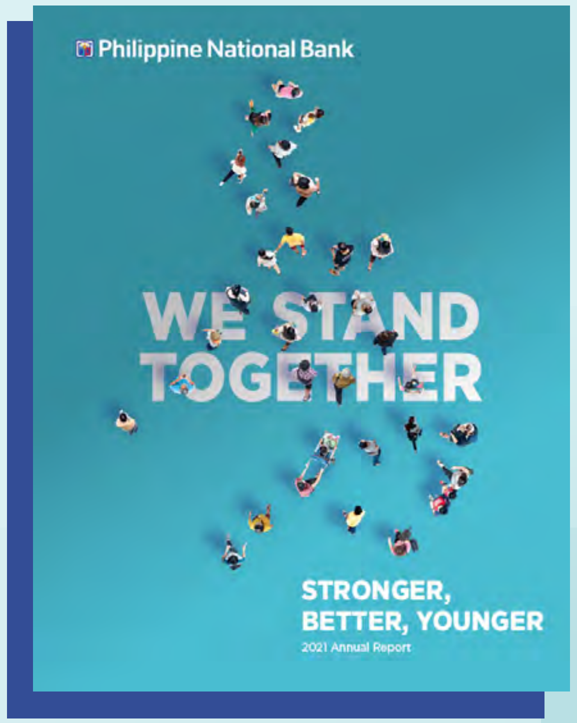
Philippine National Bank

WE STAND TOGETHER

STRONGER, BETTER, YOUNGER

2021 Annual Report

ABOUT THE COVER



The cover shows the Philippine archipelago formed by Filipinos who are all heading towards the same direction, portraying the route of high hopes and new beginnings. The design also signifies that Philippine National Bank stands with the nation as we all navigate the road to recovery.

CONTENTS

CORPORATE OBJECTIVE

PNB aims to continually provide the best customer experience to generations of Filipinos here and abroad.

VISION

To be the most admired financial services organization in the country in terms of:

- Financial performance – rank #1 or #2 in its businesses in terms of return on equity
- Innovativeness – in products, services, distribution and the use of cutting-edge technology
    - Customer perception
    - The preferred financial services provider
- The customer-centered organization with a passion for service excellence
- Social responsibility – the employer of choice, a good corporate citizen and partner in nation-building
- Long-term vision – developing competitive advantage on a sustained basis by anticipating changes in customer's preferences and in the manner of doing business

MISSION

We are a leading, dynamic Filipino financial services group with a global presence committed to delivering a whole range of quality products and services that will create value and enrich the lives of our customers, employees, shareholders and the communities we serve.

THE PNB BRAND

For more than a hundred years, Philippine National Bank has established itself as a *"Bangko ng Bayan"*, a stable, reliable, and service-oriented financial institution serving generations of Filipinos anytime, anywhere in the world. We believe in the right to prosperity for all as we support our customers, employees, shareholders, and communities on their roads to success and wealth creation.

Our way of service is *"malalapitan"*. We are a customer-centric organization with a passion for financial growth, innovation, and service excellence. We are committed to the highest standard of professionalism and integrity. Our strength lies in our ability to work as an integrated, cohesive entity. We strive to become an employer of choice and a true partner in nation-building.

In 2021, amidst health and safety concerns and quarantine restrictions, we saw an increase in customer preference for online banking. In line with the Bank's strengthened digital thrust, we accelerated digital transformation by offering enhanced digital banking products and services to our clients.

At PNB we live by the tagline, "*Masasandalan. Kahit kailan. Kahit saan.*"

Our customer's evolving needs propelled the change of our brand message from *You First* to *Masasandalan. Masasandalan* is a brand message brought forth by a deeper understanding of customer needs in times of uncertainties. This brand message reinforces that PNB puts the customer at the heart of the financial solutions we offer while embodying our core values: service orientation *(Mapaglingkod)*, trustworthiness *(Mapagkakatiwalaan)*, and commitment *(Mapagmalasakit)*.

PNB VALUES

Our shared values bind us together and enable us to achieve our vision and mission.

***Mapaglingkod* (Service Orientation)**
We are committed to deliver the best possible service to our customers, proactively responding to their needs and exceeding expectations as manifestation of the value and respect that the Bank holds for every single one of them.

***Mapagkakatiwalaan* (Trustworthiness)**
We hold sacred the consistent adherence to a strict moral and ethical code manifested through honesty, professionalism, fairness, prudence, and respect for the law.

***Mapang-akma* (Adaptive to Change)**
We nurture within each one of us a positive attitude towards change and innovation, promoting flexibility and celebrating creativity as drivers of our quest for continuous improvement and operational excellence.

***Mapagkapwa* (Team Orientation)**
We are committed to work together as a family, united in pursuit of common goals and aspirations, valuing meritocracy in promoting the common good.

***Mapagmalasakit* (Commitment)**
As stewards not only of the Bank's business, but of its proud name and enduring heritage, we manifest genuine concern and affection for the Bank, its business, and its core constituents.

***Mapagmalaki* (Pride)**
We take pride in working with the Bank, of being a Philnabanker, in whatever tasks we undertake. This will be reflected in all our actions, in the passion of how we get things done.

BUSINESS MODEL AND SCOPE OF BUSINESS

Philippine National Bank (PNB), the country's first universal bank, is one of the largest privately-owned Philippine commercial banks. PNB was established by the Government of the Philippines in 1916 and became fully privatized in 2007. As an instrument of economic development, PNB led the industry through the years with its agricultural modernization program and trade finance support for the country's agricultural exports. In addition, the Bank pioneered efforts in the Overseas Filipino Worker (OFW) remittance business and introduced many innovations such as Bank on Wheels, computerized banking, Automated Teller Machine (ATM) banking, mobile money changing, domestic traveler's checks, electronic filing and payment system for large taxpayers, and Unit Investment Trust Fund (UITF) ATMs. PNB has the largest number of overseas offices and one of the largest domestic branch networks among local banks.

PNB's principal commercial banking activities include deposit-taking, lending, bills discounting, trade finance, foreign exchange dealings, fund transfers, remittance servicing, a full range of retail banking and trust services, and treasury operations. Through its subsidiaries and affiliate, the Bank engages in full banking services in China and the United Kingdom; banking services in Hong Kong; and a number of diversified financial and related businesses such as remittance servicing in the United States, Canada, and Hong Kong; investment banking; life and non-life insurance; stock brokerage; and leasing and financing services.

The Bank provides a full range of banking and other financial services to its customers through its Head Office, 670 domestic branches and 70 overseas branches, representative offices, remittance centers, and subsidiaries in 17 locations in the United States, Canada, Europe, the Middle East, and Asia. The Bank's customers include corporations, small and medium markets, retail customers, and various government units and agencies. PNB's banking activities are undertaken through the following groups within its organization, namely:

Retail Banking Sector The core business of Retail Banking Sector (RBS) principally focuses on the Bank's deposit-taking activities by offering a wide array of deposit products and services such as peso accounts and its variants like interest-bearing savings and time deposit accounts, current accounts, and US dollar and other third-foreign currency accounts. The Sector also provides its broad customer base with other retail products like credit cards, consumer loans, remittance services, and other bank services. While the main purpose is the generation of lower cost funding for the Bank's operations, RBS also concentrates on the cross-selling of trust products, treasury products, and bancassurance products (both life and non-life) to existing customers as well as referrals of customers by transforming its domestic and overseas branch distribution channels into a sales-focused organization.

Cards Banking Solutions Group The Cards Banking Solutions Group (CBSG) under RBS provides convenient, safe, and secure cashless payment solutions in the form of card products. It likewise extends installment loans that cater to the Bank's diverse retail and corporate clients with varying payment needs. CBSG is also responsible in forging new partnerships, onboarding additional merchants and strengthening its relationship for in-store and online promotions as well as installment programs to ensure that the customers get the best experience in using PNB cards.

Retail Lending Group The Retail Lending Group (RLG) was established in mid-2019 under the umbrella of RBS. It serves as the Bank's full consumer lending arm following the full integration of its wholly-owned thrift bank subsidiary, PNB Savings Bank, into the Parent Bank in March 2020. RLG is at the forefront of providing housing loans, home flexi-loans, and auto/car loans to the retail clients of the Bank through its extensive domestic branch network. In addition, the group extends consumer financing solutions to the buyers of its accredited car dealers and real estate developers in the country.

International Banking and Remittance Group The International Banking and Remittance Group (IBRG) covers the Bank's overseas offices across Asia, Middle East, North America, and Europe. As part of RBS, the Group ensures that overseas Filipinos are provided with an array of services to suit their needs - from convenient and safe remittance to full banking services in selected jurisdictions, bills payment, deposit account opening, corporate credit and trade, and consumer financing with the Own a Philippine Home Loan (OPHL), which makes it easier even for non-Filipinos to acquire their dream homes in the Philippines. IBRG is also responsible for establishing and strengthening partnerships with remittance agents and tie-ups to further extend the Bank's market reach beyond its brick and mortar presence worldwide.

Institutional Banking Sector The Institutional Banking Sector (IBS) is responsible for the establishment, expansion, and overall management of banking relationships with large corporate clients and government entities under its Corporate Banking Group (CBG) as well as middle market and SME customers through its Commercial Banking Group (COMBG). IBS is also complemented by the Institutional Transaction Banking Group (ITBG) which assists the Sector in capturing the entire value chains of the Bank's anchor clients by offering a comprehensive network of tailor-fit, end-to-end financial solutions. Through ITBG, clients are provided with cash management, innovative solutions, credit programs, and trade products.

In 2020, IBS repositioned its Deal Execution Team (DET) as the Structuring and Execution Division (SED) as the Sector's priorities shifted from deal-making to remedial management amidst the impact of the COVID-19 pandemic. SED's primary objectives are to triage COVID-impacted accounts, assist on accounts that require more intensive workouts and cashflow analysis, and serve as specialists for new regulations.

Global Banking and Markets Sector The Global Banking and Markets Sector (GBMS) oversees the management of the Bank's liquidity and regulatory reserves as well as the risk positions on interest rates and foreign exchange arising from the daily inherent operations in deposit-taking and lending, and from proprietary trading. Likewise, GBMS provides a wide range of banking products and services to corporates, governments, financial institutions, and high-net-worth individuals. Its functions also include carrying forward the Bank's wealth management proposition, providing corporate and middle market clients with access to the financial markets, and building partnerships with multinationals, financial institutions, and non-bank financial institutions by offering them banking solutions to address their needs and help attain their objectives.

Trust Banking Group The Trust Banking Group (TBG) provides a full range of Trust, Agency, and Fiduciary products and services designed to serve a broad spectrum of market segments. Its personal trust products and services include personal management trust, investment management, estate planning, guardianship, life insurance trust, and escrow. Corporate trust services and products include corporate trusteeship, securitization, portfolio management, administration of employee benefit plans, pension and retirement plans, and trust indenture services. Other fiduciary services include roles such as bond registrar, collecting and paying agent, loan facility agent, escrow agent, share transfer agent, and receiving bank. TBG manages thirteen Philippine Peso- and US dollar-denominated Unit Investment Trust Funds (UITFs). These include money market funds, bond funds, balanced funds, local equity funds, and global equity feeder funds.

Digital Innovations Group The Digital Innovations Group is tasked to drive the consumer digital strategy of PNB, working with business lines and subsidiaries, support groups and Information Technology Group (ITG) to provide innovative digital experiences and products for retail consumers. The group provides end-to-end digital business and product development, covering market scoping and assessment, ideation of business models, customer experience definition, and coordination with marketing and business groups to promote the acquisition of digital customers and usage of digital products. It is likewise tasked to execute, deliver and implement digital products and solutions, and to manage and provide support to the Bank's mobile, internet banking and other digital platforms, in coordination with PNB ITG and external solutions providers.

FINANCIAL HIGHLIGHTS

(In Thousands except Selected Ratios, Per Common Share Data and Headcount)	Consolidated		Parent Entity	
Minimum Required Data	**2021**	**2020 (As Restated)**	**2021**	**2020**
Profitability				
Net Interest Income	**₱34,844,827**	₱35,820,463	**₱34,003,443**	₱34,649,027
Non-Interest Income	**42,151,612**	9,487,547	**40,072,203**	8,795,932
Non-Interest Expenses	**26,146,831**	27,876,972	**24,653,586**	25,896,213
Pre-Provision Profit	**50,849,608**	17,431,038	**49,422,060**	17,548,746
Provision for Credit and Impairment Losses	**12,879,011**	16,882,621	**13,125,737**	16,534,335
Income Tax Provision (Benefit)	**5,545,194**	(1,866,402)	**5,012,561**	(1,945,521)
Income from Continuing Operations	**32,425,403**	2,414,819	**31,283,762**	2,959,932
Income (Loss) from Discontinued Operations	**(735,365)**	210,669	**-**	-
Net Income	**31,690,038**	2,625,488	**31,283,762**	2,959,932
Selected Balance Sheet Data				
Liquid Assets	**₱350,539,927**	₱383,713,521	**₱340,589,199**	₱373,565,148
Gross Loans	**630,542,277**	616,060,917	**615,763,913**	601,386,109
Total Assets	**1,190,784,662**	1,231,133,799	**1,188,010,652**	1,220,201,677
Deposits	**894,924,309**	890,287,889	**899,525,195**	893,548,044
Total Equity	**161,222,956**	155,983,008	**158,292,702**	153,244,982
Selected Ratios				
Return on Equity	**19.98%**	1.69%	**20.08%**	1.94%
Return on Assets	**2.62%**	0.22%	**2.60%**	0.26%
Common Equity Tier 1 Ratio / Total Tier 1 Ratio	**12.96%**	14.47%	**11.01%**	12.77%
Capital Adequacy Ratio	**13.66%**	15.14%	**11.70%**	13.44%
Per Common Share Data:				
Earnings Per Share:				
Basic	**₱20.73**	₱1.71	**₱20.73**	₱1.71
Diluted	**20.73**	1.71	**20.73**	1.71
Book Value	**103.56**	100.13	**103.75**	100.44
Others				
Cash dividends declared			**-**	-
Headcount				
Officers			**4,644**	4,691
Staff			**4,012**	4,380

MESSAGE FROM THE CHAIRMAN TO SHAREHOLDERS

GRI 102-14, 102-15

While focusing on initiatives to drive business and profitability amidst the pandemic, we continued to recognize the importance of strong corporate governance in sustaining the business for the long term.

The economy expanded for the third straight quarter as gross domestic product (GDP) grew 7.7% in the 4th quarter of 2021. Combined with the 4.8% expansion during the first nine months last year, this brought the full year growth to a robust 5.6% growth.

The recovery of the economy last year benefited the labor market as the unemployment rate improved to an average of 7.8% in 2021 from 10.3% in 2020. However, it remained meaningfully above 2019 average of 5.1%.

The fragile state of the economy last year convinced the Monetary Authorities to keep the interest rate at a historic low level despite rising inflation. Headline consumer prices rose by an average of 3.9% year-on-year in 2021 due to the supply shortages mainly caused by the African swine fever and lockdown-induced service capacity restrictions.

With regards to the peso, it weakened by 5.7% year-on-year to Php50.77/USD1 by end-2021 from Php48.04/USD1 in end-2020. The port congestions and transportation bottlenecks affected exports more than imports, which resulted to a bigger trade deficit reaching a record high of USD5.2 billion in December 2021.

Universal and commercial banks continued to face challenges but were able to fully recover in terms of overall lending activities. The industry's outstanding loans to residents (net of reverse repurchase operations) as of end-2021 stood at Php9.3 billion and was 2.0% above its pre-pandemic peak. Among the major industries, those in the information and communication, real estate, and construction sectors borrowed the most. Meanwhile, loan quality showed signs of improvement. The industry's gross non-performing loans (NPL) ratio climbed to a pandemic high of 4.1% in August 2021 but had started to ease and ended 2021 at 3.6%. The same can be said for the net NPL ratio, which peaked at 2.3% in May 2021 and settled at 1.8% in December 2021.

The Bank is expecting a better overall economic environment in 2022, with an in-house GDP growth forecast of 6.6% and return to the pre-pandemic output level by the third quarter of 2022. The increase in the number of vaccinations and perceptible path towards the benign phase of COVID-19 will likely allow the government to further ease mobility restrictions for most of 2022.

As PNB continues to adapt its businesses to the "new normal", we refocused our new lending activities to essential sectors and industries that have critical functions as the economy shows signs of improvement. These are the businesses that are considered as essential to the recovery of the economy. These include projects covered by the ongoing infrastructure program of the government, which is focused on supporting economic recovery efforts.

PNB has come up with a system that determines how the bank can best serve its customers based on their financial resiliency and industry vulnerability to the COVID-19 situation. This includes industries such as telecommunications; human health and social work activities; private general hospital activities; retail selling in supermarkets; and manufacturing of food products with undisrupted supply chain, among others.

2021 also saw an increase in customer preference for online banking amidst today's health and safety concerns. Clients preferred services that allowed them to safely bank anytime, anywhere.

To be able to better serve customers, PNB launched its web-based online account opening platform in June 2021. With the launch of this online service, customers can go to the PNB website, submit the needed identification and information, and allow PNB Branch staff to facilitate the know-your-customer (KYC) process through video-conferencing. The Bank also re-launched the PNB Digital App during the first half of 2021 with better features and enhanced online security.

While focusing on initiatives to drive business and profitability amidst the pandemic, we continued to recognize the importance of strong corporate governance in sustaining the business for the long term.

Our efforts in corporate governance were highlighted by the Institute of Corporate Directors (ICD) when we were given a four-golden arrow for the assessment of the ASEAN Corporate Governance Scorecard (ACGS). The recognition was given to PNB as it continued to raise the bar of good governance and protect the interest of its stakeholders to achieve long-term and sustainable growth.

In closing, I wish to thank all our Directors and Advisors for guiding the Bank during these challenging times. On behalf of the Board of Directors, I would also like to thank our customers and business partners for their unwavering trust and loyalty. I also sincerely thank all Philnabankers for putting the needs of our customers first.

(Original Signed)
FEDERICO C. PASCUAL
Chairman/Independent Director

MESSAGE FROM THE PRESIDENT AND CEO TO SHAREHOLDERS

We will continue to serve our customers and work together with the national government with the goal of supporting the Philippine economy on the road to recovery.

PNB booked higher net earnings reaching Php31.7 billion in 2021 -- 12 times higher than the Php2.62 billion recorded in 2020. Our Bank's core net income is now better than pre-pandemic 2019 levels as PNB posted robust performance fueled by continued growth in lending and fee-based income.

Net service fees and commissions grew by 43%, driven by higher loan-related and deposit-related transactions, as well as significant bancassurance and underwriting deals completed during the year. This was supplemented by the upward traction on fees from the increasing use of the Bank's digital platform.

The Bank reported net interest income of Php34.8 billion in 2021, which is relatively flat year-on-year, and managed to maintain its net interest margin at 3.2%. The Bank's gross loans grew by 2% to reach Php631 billion as of end-2021, while total deposits increased year-on-year by Php4.6 billion, closing at Php894.9 billion as of end-2021.

The Bank's core operating income was complemented by a Php33.4-billion gain from the properties-for-share swap completed during the year with PNB Holdings Corporation. This was part of a series of transactions which aimed to monetize the value of the Bank's low-earnings assets.

The Bank recorded trading and foreign exchange gains of Php1.5 billion in 2021. This was lower by 65% year-on-year, because in 2020 the Bank took advantage of the decline in benchmark interest rates to off-load a significant amount of its trading portfolio.

While the Bank continued to build its loss reserves on loans of borrowers that were directly hit by the pandemic, it recorded much lower impairment and credit provisions by 24%. As part of its continuing strategy to trim down its non-performing loans (NPL), the Bank sold certain NPLs in 2021 with gross carrying amounts prior to sale of Php5.5 billion, resulting in gain on sale of Php767.0 million.

Operating expenses, excluding provisions, are also lower by 6% compared to the previous year as the Bank focused on more essential expenditures especially during these challenging times. Productivity showed steady improvement as hiring was fully focused on critical positions for the businesses and functions, particularly customer-facing personnel who are responsible for growing the Bank's businesses.

The Bank's Capital Adequacy Ratio of 13.66% and Common Equity Tier 1 Ratio of 12.96% remained above the minimum regulatory requirement of 10%.

Despite the economic fallout from COVID-19, PNB continued to play our part in helping our customers and employees navigate the impact of the continuing pandemic situation that we have.

In 2021, we continued to touch-base with Philnabankers on the ground through videoconferencing. These virtual meetings are a good way to feel the pulse of our employees and see how PNB is adapting to the new developments in relation to the Bank's strategy.

During the pandemic, we also relied on a service PNB had launched close to five decades ago. To enable Filipinos to safely and conveniently conduct transactions, we continued to deploy our Bank On Wheels – a vehicle built to be a roving ATM – to allow customers to withdraw cash, pay bills, and transfer funds. In 2021, the Bank On Wheels was able to serve 1,700 sites and communities.

In the credit card business, we launched the PNB Cart Mastercard, a virtual credit card made specifically for online transactions. With this new product, credit card credentials will be in digital form and a physical plastic card will no longer be issued as card details are emailed to the cardholder via a password-protected PDF file. Virtual cards are exclusively used for online purchases where credit card information can be keyed-in. To keep the cards relevant to customers during the pandemic, PNB partnered with merchants that are essential to cardholders such as food delivery, groceries, and shopping platforms. PNB also offered credit card services on the PNB Digital App for on-boarding, viewing of balances, bills payment, and access to electronic Statement of Account (eSOA).

Through our Institutional Banking business, PNB partnered with Adobe Sign to digitize loan implementation and transaction documents. With the partnership, PNB will make it safer and easier for customers to do transactions anytime, anywhere.

Furthermore, PNB offered two global feeder funds – the World Perspectives Equity Feeder Fund and the US Equity Sustainability Feeder Fund – which allow Filipino investors to diversify their investments to include US and other globally-traded shares of stocks. These funds are for Filipino investors who are looking to achieve long-term capital growth by investing at least 90% of their assets in a target fund.

Through our investment banking arm, PNB Capital and Investment Corporation, we continued to build the businesses by arranging and facilitating several IPOs, follow-on offerings, and other deals. Among others, some of the projects that PNB Capital worked on were the REIT offerings of DoubleDragon Properties Corporation and Robinsons Land Corporation – these issuances are proof that despite the challenges, the Philippine capital market continues to thrive.

Moving forward, we will continue to serve our customers and work together with the national government with the goal of supporting the Philippine economy on the road to recovery.

On behalf of the Senior Management Team of PNB, I thank our beloved *Kapitan*, Dr. Lucio Tan, and his family for their guidance, our shareholders for their support, our customers for their continued partnership, and our employees for their dedication to PNB.

Maraming salamat.

(Original Signed)
JOSE ARNULFO A. VELOSO
President and CEO

OPERATIONAL HIGHLIGHTS

670
Branches

1,731
ATMs and Cash Accept Machines

1,700
Communities served by Bank on Wheels

BRANCH BANKING

The Branch Banking Group (BBG) of the Retail Banking Sector (RBS) adapted to the challenging times as PNB continued serving the needs of its customers and the banking public.

In 2021, BBG continued its strategy and focused on profitability, customer experience, and transformation. To help customers better achieve their financial objectives, the Bank offered other product options at the branches aside from traditional deposits. These included bancassurance, investment products, unit investment trust funds (UITFs), loans, and credit cards, among others. The focus in meeting customer needs translated into solid business results with deposits growing 11% year-on-year.

In line with the Bank's emphasis on digital banking, BBG launched the online account opening service. While many branches remained open, BBG encouraged clients to shift to this digital platform for safer and easier account opening. Through the PNB website, those opening new accounts are able to submit the required documents and information and allow the PNB Branch of Account to pursue the know-your-customer (KYC) process via videoconferencing. As of end-2021, the group has opened over 50,000 new accounts.

The BBG streamlined its processes by implementing the Digitization of Customer Records project mandated by the Anti-Money Laundering Council. By the end of the year, the group had an achievement rate of 98.98% for CASA documents and 100% for UITF documents.

In 2021, BBG carried out a branch network rationalization plan in line with the Bank's goal to be adaptive and sustainable. PNB ended 2021 with a domestic branch network of 670. To improve the footprint of the Bank, we opened one (1) branch-lite unit in Silang, Cavite and implemented eight (8) relocation projects during the year.

PNB's ATM and Cash Accept Machine (CAM) network, on the other hand, stood at 1,731 by year-end. To enable Filipinos to conveniently conduct transactions anytime and anywhere, Bank On Wheels (BOW) were deployed in select areas where accessibility to cash is limited. The BOW allows our customers and the banking public to withdraw cash, pay bills, and transfer funds. In 2021, the BOW was able to serve 1,700 communities.

For 2022, BBG will accelerate transformation and customer experience by offering enhanced banking products and services across all customer touchpoints.

CARDS BANKING SOLUTIONS

The Cards Banking Solutions Group (CBSG) sustained its earnings in 2021 despite the implementation of a government-imposed cap on credit card interest rates aimed at providing financial flexibility to consumers in consideration of the lingering pandemic.

The CBSG was able to achieve an increase in its billings by 14% from Php32.1 billion in 2020 to Php36.6 billion in 2021. Its receivables likewise increased by 5% from Php12.5 billion in 2020 to Php13.2 billion in 2021. Billings and receivables expanded as the card base grew from 470K to 494K despite challenges in acquisition due to restricted consumer activities brought about by imposed quarantines.

The growth in new customers is a result of several initiatives executed during the pandemic as the CBSG focused on business continuity and improving cardholder satisfaction.

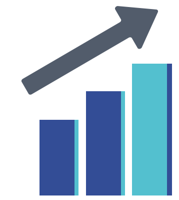
As the online business expanded as a result of the lockdowns, CBSG launched the PNB Cart Mastercard which is a virtual credit card with zero annual fees for life. This new card allows the cardholders to immediately transact online while waiting for their physical cards. The new product was launched to capture customers and to tap the emerging market of online savvy shoppers looking for a secure credit card exclusively for online transactions.

The Bank also launched a co-branded card with La Salle Green Hills Alumni Association (LSGHAA) for the La Sallian community.

Payments going through the Bank via credit cards have grown as more Filipinos went online to buy and sell products and services. In consideration of the ongoing and changing community restrictions, CBSG launched and implemented several campaigns that focused on internet purchases. Partnerships were forged with online selling platforms such as GrabFood, GrabMart, Lazada, and Shopee, to name a few. A Zero Percent (0%) Transaction Conversion program was also offered to cardholders with qualified online transaction to allow them to purchase high-ticket items online and convert it to installment for more payment flexibility. To further boost the growth of card billings, telemarketing activities were intensified to engage cardholders to avail of the different installment programs like Convert-to-Cash, Balance Conversion, and Balance Transfer to support their cash needs.

To further make it easier and safer for bank customers to transact with PNB, credit card functionalities were migrated to the new PNB Digital App. A new functionality was also introduced wherein cardholders are able to view and download their electronic Statement of Account (eSOA). CBSG also continued to implement mass migration to eSOA which led to a penetration rate of 86%. Fees and charges were also updated with the aim of being competitive in the industry as well as to increase revenues.

For the year 2022, CBSG is committed to further grow its business through the introduction of more products and services and the execution of new initiatives that will capture the evolving and expanding consumer market.



14%
Increase in billings

494K
Total card base

INTERNATIONAL BANKING AND REMITTANCE

PNB's extensive overseas network remains the largest among Philippine banks with 70 overseas offices and 107 overseas agents and tie-up partners operated by the International Banking and Remittance Group (IBRG) across Asia, Europe, Middle East and North America. Even at the height of the pandemic, the Bank's overseas offices continued to provide overseas Filipinos access to a wide array of banking services such as remittances, overseas bills payment, deposits, corporate credit and trade, and consumer financing facility with the Own a Philippine Home Loan (OPHL).

In 2021, IBRG focused on growing OPHL through various initiatives and promotional activities. Partnerships with licensed overseas real estate marketing and brokerage companies such as US-based real estate giant, Alexander Anderson Real Estate Group, expanded the overseas branches' geographical reach. This initiative includes a referrer incentive program which widened the retail distribution network by tapping overseas Filipinos and foreigners as individual referrers.

Likewise, digitalization efforts were intensified to improve remittance services. In October 2021, IBRG launched the PNB Singapore Mobile App, the Bank's first remittance app overseas allowing users to send money 24/7 using their mobile devices. Remittances are received real-time through the beneficiary's PNB account, other Philippine-based bank accounts, e-money issuers, or cash pick-up in over 7,000 payout partner locations nationwide. To encourage customers to use the new app, the group launched a year-long campaign, the *Panalong Padala Promo* where users earn raffle entries per transaction for a chance to win up to Php500,000 in the grand draw.

Meanwhile, PNB New York's Phone Remit service went live with an initial run in December 2021. Set to officially launch in early 2022, the service will enable residents of all US states to remit to their Philippine-based beneficiaries with just a phone call. Customers can fund transactions conveniently from their US bank accounts. Meanwhile, at PNB Japan, an online appointment system was implemented to improve client servicing and lobby management.

Overseas branches also remained active in their communities through various initiatives, such as PNB Guam's stronger collaboration with its partner agents, PNB Middle East's engagement in real estate developer road shows in Dubai and Qatar, PNB Los Angeles' outreach programs with the Philippine Consulate and SSS, PNB Hong Kong's strong advocacy for financial literacy which saw its general manager getting recognized in the *2021 Financial Education Leadership Awards* organized by the Institute of Financial Planners of Hong Kong, and PNB Singapore's significant contributions in advancing the cause of overseas Filipino communities with its general manager bringing honors as a recipient of the *2021 Presidential Banaag Award*.

IBRG is working on another key initiative in 2022 aimed at strengthening customer relationships through linked touchpoints to other groups within the Bank.

RETAIL LENDING

The COVID-19 pandemic impacted many of PNB's clients as the lockdowns slowed down many industry sectors and the overall economy. Consequently, this impacted their repayment capability and to a large extent, their appetite to make capital acquisitions resulting in weaker demand for consumer loans.

To kick up demand for loans amidst the bleak economic condition, the Retail Lending Group (RLG) launched an interest-rate promo for housing loans to encourage consumers to pursue their plans to buy or upgrade their homes, especially since the current pandemic situation necessitated a work-from-home set up where additional space is desired. This initiative is complemented by prudent lending guidelines to ensure that credit quality of assets is maintained.

RLG, likewise, collaborated with PNB's Institutional Transaction Banking Group in developing the Corporate Employee Loan Program, a viable product offered to the Bank's corporate clients.

For the existing clients of the Bank whose income source was affected, the group extended assistance by rescheduling their amortization payments to fit their current repayment capacity.

In line with the Bank's strengthened digital thrust, RLG launched the Online Auto Loan Onboarding in 2021. The platform allowed prospective clients interested in car loan to apply and submit scanned copies of requirements through the PNB website. The Bank also made available the e-Amortization Schedule to its clients to limit the need to physically go to the branch for this requirement.

RLG is working on the development of the Loan Evaluation and Decision System, as well as the Online Housing Loan Onboarding. Both digital initiatives are expected to quickly improve the service delivery of the Bank and, ultimately, enhance customer experience.

GLOBAL BANKING AND MARKETS SECTOR

Global Markets Group

Global Markets Group's (GMG) four (4) divisions—Asset Liability Management, Sales, Trading, and Business Support—continued to offer diversified banking solutions to meet the needs of its customers as it manages risk and optimizes the bank's balance sheet.

Grounded in financial markets and supported by a robust internal control framework, the GMG lent its expertise and in-depth market knowledge to guide its customers through the turbulence of 2021. GMG provided customers with the technical and operational support while managing its own risks to deliver results for the Bank.

The Global Markets Sales Division grew ahead of the economy in 2021. Sales volumes reached higher than pre-pandemic levels despite the continued imposition of community quarantine. The division widened its client base and provided clients with market insights to empower them to navigate through the uncertainties towards recovery. On top of this, PNB's Fixed Income Brokerage was awarded as one of the Top Brokering Participant by the PDS Group.

The Asset Liability Management Division ensured that the daily operating funding requirements of the Bank and the regulatory liquidity ratios were met. Collaborating with other units, the division maintained robust liquidity and funding across currencies, as PNB navigated the market uncertainties throughout the year. The division actively managed its portfolio consisting of stable investments that balance risk and return.

The Trading Division, through calculated risk-taking and collaboration, played an active role in the market by providing market liquidity to its clients and other market participants. A key market player, PNB leads specifically in fixed income and foreign exchange markets. Both desks ranked among the top dealers in the industry.

As a key partner for nation-building, PNB was awarded by the Bureau of the Treasury as one of the Top Government Securities Eligible Dealers for 2022, a testament to how Global Markets Group supported nation-building through its activity in the Philippine fixed income market in 2021.

For 2022, the Global Markets Group will continue to transform by providing a wider range of personalized services through its digital and traditional channels. The group will continue to support clients in their journey, giving them the guidance and confidence needed to achieve their financial goals.

Wealth Management

Wealth Management Group (WMG) is the Bank's investment distribution group that caters to individuals (high-net-worth and retail) and corporations that are non-financial institutions. The group helps clients plan for their financial future by developing a diversified investment portfolio based on their financial condition, risk tolerance, and knowledge of financial markets and products. The group works closely with other Bank units and subsidiaries in offering investment products including fixed income securities, mutual funds, unit investment trust funds (UITFs), single pay insurance, and other investment vehicles.

The outbreak of COVID-19 forced the market and its participants to shift to digital, enabling trading and capital markets activities to reach historical highs even amidst the pandemic. WMG swiftly adapted and was at the forefront in working with the Philippine Depository and Trust Corporation (PDTC), Securities and Exchange Commission (SEC), and product partners to ensure that client-servicing was not disrupted even at the height of the enhanced community quarantine. With these initiatives, the group's Asset Under Management and distribution volume registered a healthy growth year on year. But focus has always been on client needs as the group constantly engaged clients for market briefings and portfolio updates and held teach-ins with PNB branches through official virtual platforms. Collaboration with PNB Research was also done for the economic briefings and coffee talks with clients and branches.

Financial Institutions Division

The Financial Institutions Division (FID) focuses on managing the correspondent banking relationships with foreign and local banks, bank-affiliated leasing companies, financing companies, top cooperatives, savings and loan associations, and top insurance companies. Its business objectives include capturing funding requirements while effectively managing credit risk, deposits, and remittances; generating fee-based and other income from the Bank's cash management products and trade services; providing customized financial solutions to clients; servicing the business requirements such as collections and government payments; and ensuring the availability of alternative funding sources for PNB through trade advance facilities of foreign banks and multilateral or government funding sources.

The division employed a proactive approach in managing risk amidst the pandemic, with focus on addressing the clients' requirements in view of the change in market trends. In spite of limitations borne by the challenging environment, Financial Institutions Division managed to protect asset size and quality and achieve fee-based targets.

With a resilient and innovative mindset, Financial Institutions Division will continue to extend financial services to its clients in 2022 through credit, customized collection and disbursement solutions, and trade services.

Multinationals Division

Established in late 2019, the Multinationals Division serves the transaction banking requirements of multinational companies (MNCs), specifically business process offshoring (BPO) firms and companies in the special economic zones.

For 2022, tapping the BPO and MNC industries remains to be the main strategy. The division has been collaborating with other product owners of the Bank to create a needs-based corporate client suite. Apart from offering payroll and other cash management solutions, the solutions portfolio shall include products and services of the Bank's entire network, as well as employee personal credit cards. Multinationals will continue to bring in new-to-bank clients that would provide fresh revenues for the Bank, deepen the existing relationships, and increase the wallet-share with existing clients through active cross-selling of cash management solutions and other PNB products and services.

INSTITUTIONAL BANKING

When the pandemic first hit in 2020, the Institutional Banking Sector (IBS) quickly shifted from asset growth to credit-intensive portfolio management with the intent to hand-hold severely impacted client relationships and navigate a highly uncertain economic environment. The sector calibrated a framework that guided IBS in aiding borrowers heavily affected by the downturn and identified relationships in resilient industries where the sector could expand existing business.

In 2021, the sector capitalized on highly-resilient local corporates to safeguard the Bank's portfolio. Despite a drastically altered landscape, the Corporate Banking and Commercial Banking Groups provided much-needed financing to priority industries such as utilities, infrastructure, power, telecommunication, and wholesale and retail trade. IBS continued to strengthen its track record, swiftly adapting to change during these unprecedented times.

Much of IBS' resilience stems from the strengths of its teams. The Structuring and Execution Division (SED) was positioned as a triage for COVID-impacted commercial accounts and a vital source of industry information. By staying abreast with new policy changes in the industry, the sector was able to immediately pivot lending strategies.

In addition to SED, the Institutional Transaction Banking Group (ITBG) continued to provide new and enhanced products and solutions, strongly driven to attain sustained growth in deposits and fee-based income through cash management, innovative solutions, trade, and credit programs.

2021 also marked the beginning of the Bank's active roll-out of the Environmental, Social, and Governance (ESG) framework through two roundtable discussions for clients that were successfully hosted by the sector. While the implementation of the Bank's Sustainable Financing Framework is still currently underway, more than half of the sector's portfolio have been identified as borrowers belonging to low-risk ESG industries.

Overall, 2021 was a testament to IBS' propensity to power through adversity as the sector remains nimble and agile to the changing times. A prime example of this is the successful implementation of Adobe Sign, an electronic signature platform powered by Adobe that enables Bank personnel to easily send, sign, track and manage electronic documents and signatures via an internet browser or mobile device. PNB is the first local bank to use Adobe Sign as an electronic signature platform. As the world transitions to a "low-touch" economy where physical interactions are minimized, IBS remains committed to keep pace with the thriving landscape – digital or otherwise.

Though external circumstances are unpredictable, IBS remains flexible in capitalizing on both existing and untapped markets. True to being a partner for nation-building, IBS is set to carry on innovating products and services relevant to the needs of an evolving portfolio of relationships.

DIGITAL INNOVATIONS

The Digital Innovations Group (DIG) launched a new and improved mobile banking platform in February 2021. The PNB Digital App offers convenient and secure deposit account and credit card services such as account balance and transactions inquiry, real-time fund transfer within PNB and to other banks and financial wallets, and bills payment to more than 150 utility companies and institutions. Featuring an easy-to-use, intuitive user experience that allows clients to customize the interface to their preference, the app also provides improved security through biometrics login using Face ID or Touch ID, ease of payments using QR Codes, and a secure PNB Digital Key that allows verification of login and fund transfer transactions.

Complementing the PNB Digital App as an online service channel was the repurposed PNB Internet Banking portal, which focuses on specialized services for Credit Card Application, UITF suitability assessment, placement, and redemption. Other features available on Internet Banking include Time Deposit Viewing and Checkbook Order.

The group also initiated digital product experiences beyond the mobile and internet banking platforms. This included initial planning and design for customer servicing solutions like Video Banking and Chatbot, and a Customer Relationship Management (CRM) platform to optimize the Bank's marketing strategies.

In collaboration with Marketing Analytics and Services, DIG also embarked on digital campaigns and programs to promote the awareness and adoption of the new digital app, both to existing bank clients and prospective new-to-bank customers. The goal was to onboard digital users to avail of the benefits of the new platform, and to sustain the engagement and online activity of these digital clients.

The initial campaign introduced the new app, showcasing the interface and features. Following the preview of the new app and decommissioning of the old app, the campaign made a call to action for users to switch to the new app. Furthermore, a digital awareness campaign on Facebook and YouTube was launched featuring the Bank's former endorsers, Dingdong Dantes and Marian Rivera. This campaign was supplemented by a follow-through campaign called the "Life Hack Series", featuring tips on how to make digital banking easier as well as the Monthly Task Promo from October to December 2021.

In addition, all external campaigns were supplemented by internal communications to engage all PNB stakeholders.

With a state-of-the-art product launched, along with the sustained digital campaigns, the group achieved most of its key goals as measured by customer on-boarding, transaction usage, and fee income derived from digital transactions. DIG saw an 8% growth year-on-year in total digital banking users, with 73% of these users actively using

the platform. This in turn resulted to a 76% year-on-year increase in digital transactions, with the group exceeding its financial transactions target by 33%. In terms of fee income, the group exceeded their target by 23%, with InstaPay as the top transaction fee contributor.

The group rose to the challenge of delivering on its digital mandate amidst the pandemic by leveraging on the Bank's technology infrastructure that supported a work-from-home model. Product development and marketing efforts were planned, designed, and executed through remote collaboration with internal stakeholders and third-party providers.

For 2022, DIG aims to further develop the retail digital offerings of the Bank by expanding the mobile app services to cover investments, credit cards, digital account opening, and more robust payment services. The group will likewise build inroads to Lifestyle Banking, where the digital banking experience will expand to integrate eCommerce and marketplace interactions.

OPERATIONAL HIGHLIGHTS

TRUST BANKING

The PNB Trust Banking Group (TBG) continues to offer its clients a full range of products and services. The group ended the year 2021 with Php143.33 billion in total Assets Under Management (AUM) while sustaining its gross revenues at Php319 million.

In 2021, the group launched two new global feeder funds to meet the growing investment sophistication of customers and allow investors to venture globally and diversify their investments in the US and other globally-traded shares of stocks. The PNB Global Growth Equity Feeder Fund lets investors access high-quality global companies while the PNB US Equity Sustainability Leaders Feeder Fund allows clients to invest in US companies with superior Environmental, Social, and (Corporate) Governance (ESG) characteristics. PNB has partnered with Franklin Templeton, a global leader in asset management with over seven decades of experience and over US$1.5 trillion in AUM.

Moreover, the group implemented significant changes in the funds' product features and investment strategy. The goal was to improve its competitive position vis-à-vis funds of peer banks, make the funds more attractive to the investing public, and provide its clients with better returns on investments.

In support of the Bangko Sentral ng Pilipinas' (BSP) bid to grow the Personal Equity Retirement Account (PERA), the group launched the PNB PERA Bond Fund. Established via Republic Act 9505 (PERA Act of 2008), PERA is a voluntary retirement program that allows investors to accumulate additional funds for retirement. It supplements the national government's pension programs like the GSIS or SSS as well as the retirement programs of private companies. One of its main advantages is its generous tax incentives, such as a 5% tax credit on annual contributions and exemption from investment income taxes.

The group likewise played a significant role in various Initial Public Offerings (IPOs) and Stock Rights Offerings (SROs) in 2021. Known for its fiduciary services expertise, the group was appointed as a transfer agent, receiving agent, and escrow agent of DD Meridian Park REIT, Cirtek Holdings Inc., Allday Marts Inc., Medilines Distributors Inc., and Solar Philippines Nueva Ecija Corp.

The Certified UITF Sales Personnel (CUSP) training program was rolled out to all branch sales personnel in compliance with BSP Circular 1018. The CUSP was implemented by the BSP to enhance consumer protection and to improve the quality of sales and marketing practices of the UITF marketing personnel.

As part of its operational improvement and enhanced customer service, TBG replaced it printed client statements with electronic statement (e-statement). Apart from being environment-friendly, this move also allows clients to receive their e-statements on time. Phase 1 of the e-statement implementation began in early January 2022.

TBG manages a total of 11 local and two global Unit Investment Trust Funds (UITF) to address the investment requirements of various clients -- from the ultra-conservative investors to the more aggressive clients who are willing to take bigger risks. This includes the PNB Phil-Index Tracker Fund and the PNB High Dividend, which were consistently among the top funds in terms of Return on Investments (ROI). These funds are managed by a team of professional fund managers who have a wealth of training and experience under their belts.

As one of the pioneers in the trust banking business, PNB has a wide client base of retail, corporate and institutional clients who benefit from its wide array of trust banking products and services, large distribution network, professional expertise, and sound investment strategies. Moving into 2022, TBG intends to continue to be one of the strongest trust entities in the industry on fiduciary services such as Escrow, Transfer Agency, and Special Purpose Trust.

COVID-19 REPORT

The COVID-19 Command Center was established in 2020 to operationalize a safe and effective environment to conduct the Bank's business amidst the pandemic. In 2021, the Command Center has played a central coordinating role in utilizing the Bank's resources to support employees and clients. The center's key initiatives were as follows:

CUSTOMER MANAGEMENT

Through various communication channels, PNB provided daily updates on the operating schedule of the branches. Closer monitoring of ATM operations was reinforced to ensure that clients' access to cash was not disrupted. Moreover, the Bank On Wheels (BOW) was deployed in select areas where access to cash was limited.

HUMAN RESOURCE MANAGEMENT

In collaboration with the Lucio Tan Group (LTG), PNB operationalized the Vaccination Program for its employees, third-party personnel, and other members of the LTG. The team completed 28 vaccination runs for all employees and household members. Thirty-four percent (34%) or 2,950 PNB employees were vaccinated through the

OPERATIONAL HIGHLIGHTS

PNB-LTG Vaccination Program, while others received their vaccination from their respective local government units (LGUs). Employees were allowed to take the day off for their primary and booster vaccinations.

PNB, through its Human Resource Group (HRG), offered a special loan for COVID-19 vaccines to employees who ordered vaccines for their family and household members. A webinar was held and weekly key visuals on virus prevention and vaccination were disseminated via the internal email network. Flu managers were designated across various business groups to conduct the continuous monitoring and reporting of COVID-19-related health conditions of and updates from employees. Daily health screening was regularly conducted for employees reporting onsite. Work areas were regularly sanitized to ensure a safe environment for employees.

In partnership with ValuCare, PNB's healthcare provider, employees had 24/7 access to medical professionals for consultations for both physical and mental health concerns. Employees and their dependents could freely teleconsult with accredited ValuCare primary care doctors, psychologists and/or psychiatrists.

HRG also maintained mental health support for employees through the internal mental health hotline manned by a certified psychosocial support facilitator as well as its COVID-19 Assistance Hotline intended to monitor and reach out to employees to address and alleviate their concerns and anxieties. In 2021, HRG delivered 90 mental health-related webinars attended by 2,230 employees. A mental health webinar for the senior leaders of the organization was also conducted to help them adapt their management styles to the needs of the employees during the pandemic.

To continually foster a super-learning culture, HRG launched LinkedIn Learning in July 2021 and made "on-demand" and "in-demand" courses available to employees, along with live instructor-led trainings that were regularly conducted. The Bank continues to support hybrid work arrangements to protect employees from the threats of COVID-19.

CORPORATE SECURITY

The Corporate Security Group (CSG) continued its anti-COVID battle plan which is a methodical response for various community quarantine scenarios. This strategy included situational reporting, response teams deployed in PNB offices, intelligence tracker teams that facilitate data gathering and coordinate with law enforcement agencies, and schemes to ensure business continuity. Moreover, CSG has its own disease surveillance and case management investigation of COVID-19 cases. This initiative was operationalized during the start of the pandemic in 2020 and dedicated to the early detection and identification of COVID-19 confirmed cases (including close contacts of employees), resulting to appropriate and timely response of the Bank's COVID-19 Command Center. CSG also held online security awareness training programs for security personnel and employees. This initiative not only generated cost-savings but also widened the reach of the information campaign to a greater number of virtual audiences.

INFORMATION TECHNOLOGY MANAGEMENT

To continuously operate and keep an open line of communication, the Information Technology Group (ITG), provided 24/7 support for critical users on remote access. Proper configuration and security updates were likewise enforced for work-from-home (WFH) arrangements.

With telecommuting as the new normal, the Bank's Enterprise Information Security Group (EISG) continued to monitor attempts of cyber-attacks, deploy necessary tools and response to cyber intelligence and incidents, and coordinate with ITG to address security or access-related issues. The group also used internal communications platforms to communicate the Bank's policy on data privacy and security measures to all employees.

ADMINISTRATION

The Administration Group (AG) ensured that internal and external services were consistently delivered in order to keep the safety and welfare of Bank personnel and clients. Pursuant to IATF requirements, the group continued to provide car shuttle services for employees reporting onsite. Disinfection of workstations and office areas were likewise implemented regularly, managing the spread of the virus at the PNB Financial Center, Makati-Allied Bank Center, and the PNB branches.

COMMUNICATIONS AND TIMING MANAGEMENT

Across key areas, daily information on COVID-19 updates, advisories, and government pronouncements were communicated through available online platforms. Additionally, the Bank's communications team was tasked to convey directives of regulatory bodies, specifically those pertaining to operating conditions and operational changes, such as early cut-off times, shortened banking hours and other relevant banking policies. Likewise, regular communications to clients were done to cascade the regulatory directives and other essential information which will affect banking activities.

PLANS FOR 2022

PNB will continue to pursue strategies aimed at achieving safe, profitable and sustainable growth in 2022. As the economy and business gradually recovers, PNB will focus on initiatives that will take advantage of the opportunities in a landscape that was radically transformed by the COVID-19 pandemic. As digital banking has become the way of doing business, PNB will continue to expand its products and services anchored on the use of the PNB Digital App to give customers what they want, when they want it and how they want it. The Bank will embed solutions in the daily lives of customers and clients – whether they are shopping, online selling, paying for services, financial planning, and others. Alongside this, the Bank will beef up its cybersecurity and ensure that systems and safeguards are in place to sustain the trust and confidence of the public.

Even with intensified digitization, PNB will continue to operate a harmonized business model that integrates the strengths of digital and traditional banking business models as the Bank aims to continuously serve the evolving needs of customers while looking for innovative ways to enhance their experience.

In efforts to improve profitability, the Bank will rebalance its loan exposures to large local corporates and increase commercial, medium sized corporations, and consumer customers. Moreover, the Bank will finance projects and expenditures that will support growth objectives and, at the same time, create a positive environmental and social impact that will bring in economic and social benefits beyond this generation. PNB will continue to incorporate sustainability principles, including environment and social risk areas, into the corporate governance framework, risk management systems, and strategic objectives consistent with the size, risk profile, and complexity of its operations.

PNB will remain an active participant in the government's financial inclusion objectives as the Bank leverages on its strong presence in the provinces and makes financial services more accessible to a wider population. This is to guarantee that everyone benefits from the economic and business improvement that is anticipated in the years ahead.

While pursuing initiatives that will drive business and profitability, PNB will remain steadfast in maintaining a strong corporate governance and risk management framework to support sustainability goals.

AWARDS & RECOGNITION

PRIVATE BANKING AWARDS 2021 ASIAMONEY

BEST FOR INVESTMENT RESEARCH PHILIPPINES

Asiamoney

PNB was awarded as "Best Bank for Investment Research" during Asiamoney's Private Banking Awards. This is a testament to how the Bank supports clients through research capabilities. Likewise, PNB was recognized as a "Leader for Women" by Asiamoney in its Women In Finance supplement.

BSP Stakeholders Appreciation Ceremony

Several PNB branches were recognized by the BSP as "Outstanding Regional Partners" in the 2021 BSP Stakeholders Appreciation Ceremony – in recognition of our Bank's continuing support for the initiatives of the national government.

AREA ASIA RESPONSIBLE ENTERPRISE AWARDS 2021

Asia Responsible Enterprise Awards (AREA)

PNB received the Green Leadership Award in the 2021 Asia Responsible Enterprise Awards (AREA) for its Project P.L.A.N.E.T. (Protect, Love, and Nurture the Environment Together). Project P.L.A.N.E.T. is the Bank's banner environmental and sustainability program that was developed to raise awareness among employees on how they can play a role in upholding sustainability at the workplace and at home.

Asian Banking and Finance Retail Banking Awards

PNB's Own a Philippine Home Loan (OPHL) was recognized as "Best Mortgage and Home Loan Product of the Year" by the Asian Banking and Finance Retail Banking Awards. The OPHL makes it easier for Filipinos and foreigners residing and working abroad to purchase their dream home in the Philippines.

Asian Banking and Finance Corporate and Investment Banking Awards

PNB Capital and Investment Corporation received the "Green Deal of the Year Philippines" award for Arthaland Corporation's Php3.0 billion ASEAN Green Bonds and the "Consumer Equity Deal of the Year Philippines" award for MerryMart Consumer Corp.'s Php1.6 billion Initial Public Offering.

The Asian Banker Risk Management Awards

PNB was honored by The Asian Banker for its "KYC & Customer Onboarding Technology Implementation of the Year" during its annual Risk Management Awards. The Asian Banker recognized the Bank's enterprise-wide Transaction Monitoring System to effectively detect facilitation of financial crimes within its books.

Philippines Women's Empowerment Principles (WEPs) Awards

PNB was honored by a joint program of the European Union and UN Women as Champion for Transparency and Reporting in the UN Women 2021 Philippines Women's Empowerment Principles (WEPs) Awards. The Bank was cited for its commitment to transparency and reporting that reflects gender data and indicators.

Government Securities Eligible Dealers - Market Makers Awards

PNB was recognized by the Bureau of the Treasury as one of the Top Government Securities Eligible Dealers for 2022.

MESSAGE FROM THE BOARD AUDIT AND COMPLIANCE COMMITTEE CHAIRPERSON

ISABELITA M. PAPA
Independent Director

The Board Audit and Compliance Committee (BACC) of Philippine National Bank is an oversight committee of the Board of Directors.

The Committee is composed of three members who are qualified business professionals holding a broad range of expertise in the areas of accounting, auditing, financial management, and related banking practices that provide value to the strengthening and upholding of good governance in the Bank.

During the year, the Committee held 21 meetings composed of 13 regular and eight special meetings wherein the Committee ensured the fulfillment of its duties and responsibilities to:

- Oversee the financial reporting framework to ensure generation and preparation of accurate and comprehensive information and reports;
- Monitor and evaluate the adequacy and effectiveness of the internal control system and to ensure that periodic assessment of the internal control system is conducted to identify the weaknesses and evaluate its robustness considering the organization's risk profile and strategic direction;
- Oversee the compliance, internal, and external audit functions;
- Oversee the implementation of corrective actions in a timely manner to address issues identified by auditors and other control functions;
- Investigate significant issues or concerns raised; and
- Establish and maintain whistleblowing mechanism to ensure that arrangements are in place for the independent investigation, appropriate follow-up action, and subsequent resolution of complaints.

The Committee also had separate meetings with external auditors, as mandated by BSP Memorandum 2014-11 and BSP Circular No. 969 series of 2017.

The Internal Audit Group (IAG), headed by the Chief Audit Executive (CAE), performs the internal audit activities for the Bank which is strictly guided by its conformance with the International Standards for the Professional Practice of Internal Auditing (ISPPIA) and full compliance with the mandate for the third line role instituted by the BSP regarding Internal Audit Function and Internal Control Framework. IAG provides independent, objective assurance, and consulting services to evaluate and improve the effectiveness of risk management, control, and governance processes including the evaluation on the effectiveness of Fraud Risk Management Framework of the organization. Based on the overall evaluation by IAG, the Bank's risk management, internal control, and governance processes are satisfactory as the Bank's units' audit risk rating profile remained concentrated at low risk level.

IAG reports directly to this Board Level Committee and the CAE has direct and unrestricted access to the management and the Board. The Committee is responsible for the establishment of the IAG and the appointment, re-appointment, and replacement of the CAE. The responsibility of the Committee shall include the annual performance review of the CAE, as well as the acceptance of his resignation and/or dismissal, as the case maybe subject to due process. The Committee also reviews, evaluates, and approves the Annual Audit Plan. On released audit reports, the BACC Chairperson may issue directives to the Senior Management to develop and implement necessary corrective actions in a timely manner.

The Committee has ensured that there is always a strong and continuous collaboration within the three-line model, namely; business and operating units (1st line), risk management and compliance (2nd line) and internal audit (3rd line) focusing on the risks brought about by the ongoing global pandemic. It paid particular attention on the strong threat of cybercrime and fraud due to the high demand for digital platform in the Bank's operations. Moreover, in its oversight over the effectiveness of the internal control system, several process improvements and fraud prevention programs have been implemented by the Management upon the directives from the BACC, as follows:

- Sending of SMS/email notification to clients for Over-the-Counter Transactions
- Enhancement of the Whistleblower Policy to include rewards program
- Reduction of authority limits of tellers in processing transactions
- Expand functionalities of Cash Accepting Machines
- Profiling/lifestyle checking of employees

During the pandemic, IAG has continuously recalibrated its audit activities to ensure that emerging risks and threats that could impair the organization's ability to achieve its business objectives are properly captured and considered in every audit engagement. Likewise, continuous auditing methodology adopted by IAG has been subjected regularly to stringent enhancements to maintain its effectiveness for the timely identification and assessment of risks that pose the most significant threats in the organization.

IAG continues to observe audit quality as manifested by the result of the internal quality assurance review conducted during the year where the internal audit activities were rated "Generally Conforms with the *International Standards for the Professional Practice of Internal Auditing*".

Furthermore, the Committee believes that a sound and effective compliance regime is the cornerstone of PNB's strength and market presence, backed by over a century of stability and excellence. We adhere to the values of integrity, ethics, and good governance in the conduct of our business and affairs, exercising prudence in arriving at decisions, and upholding transparency and accountability to our regulators.

The Global Compliance Group (GCG) is responsible for the timely identification and mitigation of risks that may erode the franchise value of PNB, such as risks of legal or regulatory sanctions, material financial loss, or loss to reputation as a result of its failure to comply with laws, rules, related self-regulatory organization standards, and codes of conduct applicable to PNB's operations. Compliance risk management is an integral part of our culture and risk governance framework.

Our compliance framework remains effective and dynamic as there are no significant deviations noted by the Chief Compliance Officer (CCO) based on the compliance assessment, review, and monitoring on the implementation of policies, laws, and regulations. GCG, through the CCO, effectively implemented its compliance program, which serves as the authoritative codification of GCG's powers, mandate, authority, and formal status within the organization. The program likewise fosters adherence to banking laws, rules, and regulations and is ultimately aimed at promoting the safety and soundness of PNB's operations.

With the robust corporate governance of the Board of Directors and Senior Management in promoting high ethical and integrity standards; establishing appropriate culture that emphasizes, demonstrates, and promotes the importance of internal control; and designing and implementing processes for the prevention and detection of fraud, the Committee is highly confident that the internal control environment and risk management system of the Philippine National Bank remains effective and dynamic in responding timely to risks within the organization's risk management, governance, operations, information and compliance systems that provide reasonable assurance on the attainment of its business objectives.

(Original Signed)
ISABELITA M. PAPA
Board Audit and Compliance Committee Chairperson

MESSAGE FROM THE BOARD IT GOVERNANCE COMMITTEE CHAIRPERSON

VIVIENNE K. TAN
Non-Executive Director

The Board IT Governance Committee (BITGC) was created and approved by the Board of Directors on April 10, 2014. BITGC's mission is to assist the Board in performing its oversight functions of reviewing, approving, and monitoring the Bank's Information Technology (IT) policies and guidelines, risk assessment and management, IT strategies, plans and investments in support of the enterprise strategic plans, operating performance and organization.

The BITGC has remained committed in its mission by continuing to enforce and monitor IT performance metrics to ensure stable and robust IT governance and IT risk management functions. With the oversight and guidance from BITGC, as well as support from the Technology Management Committee, the Bank's Information Technology Group (ITG) has continued to align and improve its service level commitments to meet the expectations from the different business units.

In 2021, the BITGC members composed of five directors and two board advisors were able to conduct 12 sessions via Microsoft Teams amidst the continued COVID-19 pandemic lockdown and community quarantine.

Major Technology Initiatives for 2021

Organizational Transformation. ITG continued to support the key business strategies by strengthening its organization, processes, and technology. In December 2021, the board approved a new ITG table of organization as part of its transformation roadmap. Significant changes focused on the alignment of application development support structure to properly manage the technology requirements from the different lines of business, as well as further strengthening the governance function within the organization to improve the quality of risk management in response to the implementation of the new supervisory assessment framework of the BSP in 2021.

The organization aims to build a future-proof organizational structure that will kick start its journey towards realizing its long-term goal on digitization and the migration of its core systems to the cloud infrastructure.

People Training. Even with the limitations brought about by the COVID-19 pandemic, 100% of the Bank's IT personnel were able to attend various online training programs, specifically in system & database administration, application & system engineering, service quality management, and cybersecurity. This affirmed PNB's strong commitment and support in transforming ITG into a service-oriented, technology-capable, security-aware and goal-driven organization.

Process Improvements. Throughout the year, ITG continued to pursue its goal of attaining a level of organizational maturity that is anchored on industry standards and best practices while supporting the business strategic goals. Continuous process improvements were implemented across the organization as part of the annual process review and improvement plans in the areas of project management, service request, incident management, problem management, quality assurance, vendor management, release and deployment, and service level management. Quality assurance process and metrics were continuously being enhanced to effectively measure service performance and sustain efficient service improvement programs.

Operational Level Commitment. In 2021, significant improvements were noted in the IT service operations area, specifically on incident management, wherein 94.65% of reported incidents were resolved within the agreed service levels as compared to 89.95% in 2020 and 81% in 2019. In September 2021, ITG completed the implementation of an IT service management solution (ITSM) providing users access to a self-service portal and allowed the approval of user requests through an automated workflow system based on ITIL (I.T. Infrastructure Library) global best practices and standards. ITG is looking at maximizing the use of the tool to enhance operational efficiencies across all levels of the entire IT organization and improving user satisfaction towards ITG's service delivery. Since the client satisfaction survey was launched along with the ITSM tool, ITG has been consistently rated "Very Good" month on month by the respondents.

To manage and minimize business disruptions to users and customers, ITG continued to adopt "green zones" wherein system changes can only be implemented during lean hours of the day. ITG and the business units closely collaborate in reviewing system implementation checkpoints while assessing and mitigating potential implementation risks.

System Stability. As a key enabler of the Bank's business, ITG provided and sustained adequate IT resources that enabled the Bank to support its growing business in 2021. ITG was able to maintain enough resources and capacity for all computing platforms within industry-accepted thresholds. ITG's Infrastructure Management Division (IMD) continued to leverage on the benefits of on-premise scalable and resilient enterprise compute and storage systems based on capacity-on-demand service model, which provided flexibility in provisioning additional server and storage capacity as the need arises in less than a week. Closely monitoring the stability of various IT systems has been an important key performance indicator that is reported regularly to the Technology Management Committee and the Board IT Governance Committee.

High system availability for applications supporting critical business processes were sustained throughout the year with minimal disruptions noted.

New Systems. To strengthen and support the Bank's core business, several systems were acquired and implemented based from the 2020 – 2021 Strategic Plan despite the challenges and constraints of skeletal IT manpower and work-from-home setup because of the COVID-19 pandemic. ITG's project management improvements and tighter collaboration with the different project sponsors helped in the delivery and completion of Institutional Banking Sector's SXI CashNet+ Phase 4 cash management solution in May 2021, PNB RCI's Alessa CaseWare fraud detection & prevention solution in November 2021, Global Compliance Group's Governance Risk and Compliance (GRC) in October 2021 and Project Shield (SAS/AML) in December 2021, Risk Management Group and Financial Management Sector's FIS Ambit Focus Solutions for Asset Liability Management/Expected Credit Loss/Liquidity Stress Testing (ALM/PFRS9-ECL/LST) in May 2021, and Interest Rate Risk in Banking Books/Fund Transfer Pricing (IRRBB/FTP) in November 2021.

System Enhancements. ITG was able to sustain its commitment and delivered more than 79% of the 4,502 change requests by controlling, prioritizing, and monitoring change requests in view of the rapid changes demanded by the different line of businesses to meet customers and users' expectations. Majority of the enhancements were focused on addressing compliance, regulatory, and security requirements. In July 2021, PNB successfully implemented the new SWIFT messaging format required by BSP based on ISO 20022 standards as one of SWIFT Alliance's partner banks for the project. Other compliance related implementations include related party transaction consolidation, technology obsolescence, security patches, and vulnerability fixes.

Digital Innovation. Phase 1 of Marketing Group's Project Horizon mobile banking app was rolled out to the public in February 2021, enabling users to do online account sign up, account viewing, fund transfer, bills payment, and QR generation. Other functionalities were implemented under Phase 2 of the project in the succeeding months including the implementation of multifactor authentication (MFA) for fund transfer transactions which will eliminate the dependency on SMS-based one-time PIN. Remaining features including biller aggregator, PESONet, and scheduled transactions will be delivered by March 2022.

Likewise, International Banking & Remittance Group under Retail Banking Sector has implemented Phase 1 of PNB Singapore's mobile remittance app in October 2021. Phase 2 covering migration of additional billers, e-wallet and e-gift vouchers will be completed within the 2nd half of 2022.

These new mobile systems are part of the Bank's digital transformation roadmap focused on service-oriented architecture (SOA) software design and native app mobile development for wider access to APIs, improved app performance, consistency, and user experience.

ITG also sustained its digitalization journey by optimizing the use of Microsoft 365 functionalities in transforming and reengineering the backroom operations to support paperless workflow and approval processes. ITG partnered with Adobe for the digitization requirements of the Institutional Banking Sector using AdobeSign, which is a digital signature solution that provides end-to-end workflow for submitting corporate documents and capturing digital signatures. Global Marketing is also looking at this platform to address its requirement for an enterprise-wide content management and customer experience integration.

Infrastructure & Cybersecurity Investments. PNB continued to invest in its network communications, server and storage infrastructure, and cybersecurity systems to support, sustain, and strengthen the Bank's operational efficiencies and user experience. Through its continuing technology refresh and upgrade program, ITG Infrastructure Management Division (IMD) was able to address hardware and software technology obsolescence, improve online transaction processing, and enhance the security and seamless connectivity between our core mainframe-based banking system and web-based business solutions.

2021 was a challenging year for PNB amidst escalating cases of cyber-related crimes due to the pandemic. To support the Bank's information security program in response to these threats, ITG implemented tools and solutions as follows: system monitoring and analysis in April, web security and virtual desktop infrastructure (VDI) in June, endpoint detection and response in June, public key infrastructure and certificate life management in July, remote support and cloud management in July, anti-virus for IBM Power Series in September, and managed file transfer in October.

Business Continuity. ITG has been a key technology partner in leading the Bank's annual business continuity exercises for both domestic and overseas branches to ensure that the Bank's business continuity plan (BCP) objectives are met in terms of data recovery, business restoration, availability of critical systems, and readiness of the business units. All BCP exercises were successfully conducted from September to December 2021 in accordance with the Bank's BCP/DRP plans.

These and many accomplishments in 2021 connect directly to the passionate and dedicated employees of ITG and its technology support partners. In closing, the BITGC would like to thank and commend the group for helping the Bank sustain continuity of business amid the uncertainties brought about by the COVID-19 global crisis, while safeguarding the health of both customers and employees.

(Original Signed)
VIVIENNE K. TAN
Board IT Governance Committee Chairperson

MESSAGE FROM THE BOARD OVERSIGHT RPT COMMITTEE CHAIRMAN

GRI 102-25

DOMINGO H. YAP
Independent Director

As part of a large, diversified conglomerate with a strong presence and a dominant position in key industries, we recognize that conflicts of interest may arise due to dealings and transactions with related parties. We remain steadfast and committed to conducting PNB's affairs with objectivity, transparency, fairness, and integrity. As a matter of policy, related party transactions must always be conducted on an arm's length basis to prevent risks of potential abuse.

Although the Organization for Economic Co-operation and Development (OECD) claims that there is no strong definition of 'related parties', the Bangko Sentral ng Pilipinas (BSP), for purposes of monitoring such transactions, has defined related parties as encompassing the following: (a) the bank's subsidiaries as well as affiliates and any party that the bank exerts direct or indirect control over or that exerts direct or indirect control over the bank; (b) the bank's directors, officers, stockholders, and related interests; (c) and their close family members, as well as corresponding persons in affiliated companies. This shall include such other person or juridical entity whose interest may pose potential conflict of interest with the financial institution and, hence, is identified as a related party.

In accordance with PNB's policy, RPT dealings must be treated in the normal course of business, on an arm's length basis. This means that RPTs are undertaken in the same manner as similar transactions with non-related parties. The following critical factors shall be considered in the evaluation of RPTs: (i) the related party's relationship to the Bank and interest in the transaction; (ii) the material facts of the proposed RPT, including the proposed aggregate value of such transactions; (iii) the benefits to the Bank of the proposed RPT; (iv) the availability of other sources of comparable products or services; and (v) the comparative assessment between the proposed RPT and similar non-related party transactions.

Material RPTs are reviewed and endorsed by the Board Oversight RPT Committee (BORC) to the Board of Directors for notation and approval. As provided for under SEC Circular No. 10, series of 2019: Rules on Material Related Party Transactions for Publicly Listed Companies, material RPT refers to any transaction, either individually, or in aggregate over a twelve-month period with the same related party, amounting to ten percent (10%) or higher of the Bank's total assets based on its latest audited financial statements. In 2021, no transaction qualified under the materiality threshold defined by the SEC.

In this light, PNB ensures that individual and aggregate exposures to related parties are within prudent levels; consistent with defined limit; monitored through independent reviews by the Internal Audit Group and Global Compliance Group; and covered by disclosures and reportorial requirements handled by Financial Accounting Division.

Board members are required to disclose to the Board of Directors if they directly, indirectly, or on behalf of third parties, have financial interest in any transaction or matters affecting the Bank. Directors and officers involved in possible conflicts of interest shall inhibit themselves from the decision-making process and abstain from participating in the discussion, approval, and management of such transactions or matters affecting PNB. The BORC may also inform the Corporate Governance and Sustainability Committee of the directors' or officers' actual potential conflicts of interest with the Bank, as necessary.

Accomplishments in 2021

Established in 2013, the BORC continues to assist the Board of Directors in performing its oversight functions of monitoring and managing potential conflicts of interests, ensuring that exposures to related parties are effectively managed, and appropriate steps to control or mitigate the risks are taken.

On a periodic basis, the BORC performs its critical function of reviewing and approving the guidelines for appropriate handling of RPTs, consistent with existing laws, rules and regulations, and global best practices. Our RPT Framework and Policy Guidelines has five key elements designed to promote good governance: (1) well-defined Board and Senior Management oversight; (2) updated and Board-approved policies and procedures; (3) enterprise-wide RPT training program; (4) management information system (MIS) reporting; and (5) effective assessment and monitoring system.

The Committee is composed of five regular members, including three independent directors, and two non-voting members, the Chief Compliance Officer and the Chief Audit Executive. The Global Compliance Group acts as the secretariat to handle the administrative requirements of the committee.

In 2021, the BORC held a total of 14 meetings: 12 regular and two special meetings. The committee's charter stipulates that meetings shall be conducted at least monthly or as necessary to properly perform its duties and responsibilities. Meetings can only be held if attended by a majority of the members; but the vote of the majority of the quorum which, in no case is less than two members, is required to approve any act in all committee meetings.

Meanwhile, the Bank's RPT Framework and Policy Guidelines has been reviewed and updated in 2021 to align with the requirements of the following laws, rules, regulations and prevailing best practices on corporate governance: a) relevant provisions of the Manual of Regulations for Banks (MORB), as amended, and other issuances of the BSP not yet incorporated in the MORB; b) SEC Memorandum Circular No. 10, Series of 2019: Rules on Material Related Party Transactions for Publicly Listed Companies and other relevant SEC Memo Circulars; c) Republic Act No. 11232 otherwise known as the Revised Corporation Code of the Philippines; and d) other applicable internal policies and procedures. The Manual aims to articulate clear policies on the handling of any RPT dealings and to ensure that existing laws, rules and regulations are complied with at all times.

In 2021, the Bank shall continue to fulfill its commitment to be a responsible financial institution, bound by principles of equality, fairness, and impartiality.

(Original Signed)
DOMINGO H. YAP
Board Oversight RPT Committee Chairman

MESSAGE FROM THE BOARD STRATEGY AND POLICY COMMITTEE CHAIRMAN

LEONILO G. CORONEL
Vice Chairman/
Non-Executive Director

Recognizing the crucial role of strategic planning in the Bank's long-term success, the Board Strategy and Policy Committee (BSPC) was established to assist the Bank's Board of Directors in performing its oversight duties pertaining to the formulation and execution of the Bank's strategic business plan and the risks associated with such plan. The Committee is responsible for ensuring an interactive strategic planning process between the Board and Management so that the execution of approved strategies is consistent with the Bank's overall objectives, and resources are sufficient to undertake the Bank's initiatives. Likewise, the BSPC ensures that the Bank's operations, procedures, policies, risk appetite, capital program, and investments in human resources and technology are all consistent with and focused on achieving the Bank's objectives.

In carrying out its oversight responsibilities for strategic planning in 2021, the BSPC reviewed and discussed with Management the Bank's strategic direction as well as the key issues and external developments impacting the strategies. The BSPC played a critical part in the crafting of interim strategies and tactical moves to address the impact of the pandemic on the Bank's asset quality, profitability, capital position, and liquidity. To ensure that the implementation of strategies and initiatives is on track, the BSPC performed progress reviews with the Bank's various business and support groups, and its subsidiaries. By taking these steps, the BSPC was assured that decisions to continue or amend certain strategies as well as introduce new initiatives were done in a timely and effective way.

The BSPC maintained the conduct of regular economic updates in its sessions, including the trends and outlook of various industries, to identify which sectors could be considered as resilient and not resilient amidst the pandemic. This exercise guided the business groups in modifying their strategic plans and taking countermeasures. In line with the Bank's strengthened digital thrust, the BSPC reviewed the Bank's digital banking platforms to make online banking safer and easier for customers.

As part of its oversight on the adoption and implementation of the Bank's Board-approved Internal Capital Adequacy Assessment Process (ICAAP) and Recovery Plan, the BSPC evaluated, approved, and endorsed for Board approval the policies and procedures pertaining to the capital planning and risk assessment, stress-testing framework, options to improve the Bank's capital adequacy, and possible equity investment or divestment of the Bank.

Manuals were regularly reassessed and updated by the BSPC to sustain the efficiency of the Bank's processes and flexibility to the changes in the regulatory environment. In 2021, Bank policies were revisited and amended, particularly those involving the Bank's products and services. Cognizant of the ongoing COVID-19 situation, the BSPC also updated the Bank's plan in relation to the BSP's temporary regulatory relief on capital treatment of provisioning requirements.

To ensure that the implementation of strategies is on track, the BSPC conducted business plan and progress reviews with the Bank's business and support groups and its subsidiaries. In particular, the BSPC evaluated the infusion of additional capital for the Bank's affiliate to support its current sales performance and new growth opportunities. These initiatives had provided the BSPC the capability of seeing specific and measurable improvement in multiple areas that enabled the Committee to support the Bank's strategy of being a stronger, better, and younger institution.

Undoubtedly, 2021 has been a challenging year because of the impact of the pandemic. The BSPC will remain steadfast in fulfilling its role as the overseer of PNB's strategies and policies and continue its efforts to help deliver better products and services to thrive in the new normal.

(Original Signed)
LEONILO G. CORONEL
Board Strategy and Policy Committee Chairman

CAPITAL STRUCTURE AND ADEQUACY

The Group's consolidated capital adequacy ratio were 13.66%, 15.14% and 14.80% as of December 31, 2021, 2020, and 2019 respectively, which are well above the minimum 10% required by BSP. The following table sets the regulatory capital as reported to BSP as at December 31, 2021, 2020, and 2019 (amounts in Php millions):

	Consolidated			Solo		
	2021	2020	2019	2021	2020	2019
Common Equity Tier 1 (CET1) Capital	**152,857**	**144,298**	**146,808**	**149,117**	**142,235**	**144,654**
Common stock	61,031	61,031	61,031	61,031	61,031	61,031
Additional Paid In Capital	32,107	32,107	32,107	32,107	32,107	32,107
Retained Earnings	57,595	46,783	48,835	58,323	48,071	50,231
Other comprehensive income	(819)	1,633	1,971	(2,344)	1,026	1,286
Undivided profits	-	-	-	-	-	-
Minority interest in subsidiary financial allied undertakings which are less than wholly-owned (for consolidated basis)	2,944	2,744	2,865	-	-	-
Regulatory Adjustments to CET1 Capital	**48,541**	**28,838**	**22,303**	**61,982**	**42,732**	**47,960**
Total outstanding unsecured credit accommodations, both direct and indirect, to directors, officers, stockholders and their related interests (DOSRI)	1	1	2	1	1	2
Total outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiaries	1,464	1,714	937	1,464	1,714	937
Deferred tax assets	6,834	6,895	1,581	6,268	6,341	976
Goodwill	11,362	13,516	13,516	11,362	13,516	13,516
Other intangible assets	2,429	2,512	2,794	2,329	2,438	2,718
Investments in equity of unconsolidated subsidiary banks and quasi-banks, and other financial allied undertakings (excluding subsidiary securities dealers/ brokers and insurance companies), after deducting related goodwill, if any (for solo basis only and as applicable)	22,990	-	-	36,860	14,346	26,170
Investments in equity of unconsolidated subsidiary securities dealers/brokers and insurance companies after deducting related goodwill, if any (for both solo and consolidated bases and as applicable)	-	1,050	673	237	1,226	840
Significant minority investments (10%-50% of voting stock) in securities dealers/brokers and insurance companies, after deducting related goodwill, if any (for both solo and consolidated bases)	3,461	3,150	2,799	3,461	3,150	2,799
Other equity investments in non-financial allied undertakings and non-allied undertakings	-	-	2	-	-	2
TOTAL COMMON EQUITY TIER 1 CAPITAL	**104,316**	**115,460**	**124,505**	**87,135**	**99,503**	**96,694**

	Consolidated			Solo		
	2021	2020	2019	2021	2020	2019
Additional Tier 1 Capital (AT1)	-	-	-	-	-	-
TOTAL TIER 1 CAPITAL	**104,316**	**115,460**	**124,505**	**87,135**	**99,503**	**96,694**
Tier 2 (T2) Capital	**5,634**	**5,377**	**6,183**	**5,442**	**5,236**	**5,564**
Appraisal increment reserve – bank premises, as authorized by the Monetary Board	-	-	292	-	-	292
General loan loss provision, limited to a maximum of 1% of credit risk-weighted assets, and any amount in excess thereof shall be deducted from the credit risk-weighted assets in computing the denominator of the risk-based capital ratio	5,634	5,377	5,892	5,442	5,236	5,272
Regulatory Adjustments to Tier 2 capital	-	-	-	-	-	-
Total Tier 2 Capital	**5,634**	**5,377**	**6,183**	**5,442**	**5,236**	**5,564**
TOTAL QUALIFYING CAPITAL	**109,950**	**120,837**	**130,688**	**92,577**	**104,739**	**102,258**

Risk Weighted Assets

The risk-weighted assets of the Group and Parent as of December 31, 2021, 2020 and 2019 are as follows:

	Consolidated			Solo		
	2021	2020	2019	2021	2020	2019
Total Risk Weighted On-Balance Sheet Assets	646,098	642,058	713,285	641,061	632,958	637,725
Total Risk-Weighted Off-Balance Sheet Assets	29,089	28,609	31,435	28,924	28,411	30,838
Total Counterparty Risk-Weighted Assets in the Banking Book (Derivatives and Repo-style Transactions)	446	1,698	2,139	447	1,697	2,139
Total Counterparty Risk-Weighted Assets in the Trading Book (Derivatives and Repo-style Transactions)	2,071	1,138	1,016	1,920	1,114	993
Total Risk-Weighted Amount of Credit Linked Notes in the Banking Book	-	-	-	-	-	-
Total Risk-Weighted Securitization Exposures	-	-	-	-	-	-
General loan loss provision [in excess of the amount permitted to be included in Upper Tier 2]	-	-	-	-	-	-
Total Credit Risk Weighted Assets	677,704	673,503	747,874	672,350	664,180	671,694
Market Risk Weighted Assets	53,792	60,468	80,683	53,394	59,347	79,128
Operational Risk-Weighted Assets	73,407	64,199	54,498	65,604	55,576	46,127
Total Risk Weighted Assets	**804,903**	**798,170**	**883,055**	**791,349**	**779,103**	**796,949**

CAPITAL STRUCTURE AND ADEQUACY

Capital Adequacy Ratios

	Consolidated			Solo		
Capital Ratios	**2021**	**2020**	**2019**	**2021**	**2020**	**2019**
CET1 Capital (BASEL III)	12.96%	14.47%	14.10%	11.01%	12.77%	12.13%
Capital Conservation Buffer	6.96%	8.47%	8.10%	5.01%	6.77%	6.13%
Tier 1 capital ratio	12.96%	14.47%	14.10%	11.01%	12.77%	12.13%
Capital Adequacy Ratio	**13.66%**	**15.14%**	**14.80%**	**11.70%**	**13.44%**	**12.83%**

Capital Adequacy Ratio Report

The Group's consolidated Qualifying Capital (QC) as of December 31, 2021 stands at Php109,950 million with a corresponding Capital Adequacy Ratio (CAR) of 13.66%. The current consolidated QC still provides a good and sufficient margin above the minimum regulatory capital requirement of Php80,490 million, 10% of the Group's Php804,903 million Risk Weighted Assets (RWA).

PNB - Consolidated (in Php Million)	As of date indicated			
	Mar-21	Jun-21	Sep-21	Dec-21
Total Qualifying Capital	121,590	101,346	103,846	109,950
CAR	14.77%	12.52%	12.75%	13.66%
CET 1/Tier 1 Ratio	14.11%	11.82%	12.06%	12.96%
Total RWA – Pillar 1	823,092	809,403	814,773	804,903

Figure 1: PNB Consolidated CAR 2021

Under Solo basis, current QC of Php92,577 million and CAR of 11.70% still has 170 bps leeway above the regulatory capital requirement of Php79,135 million to cover the Php791,349 million RWA as of December 31, 2021.

PNB - Solo (in Php Million)	As of date indicated			
	Mar-21	Jun-21	Sep-21	Dec-21
Total Qualifying Capital	92,240	85,061	86,918	92,577
CAR	11.72%	10.74%	10.90%	11.70%
CET 1/Tier 1 Ratio	11.05%	10.05%	10.23%	11.01%
Total RWA - Pillar 1	787,322	791,919	797,258	791,349

Figure 2: PNB Solo CAR 2021

MESSAGE FROM THE RISK OVERSIGHT COMMITTEE CHAIRMAN

EDGAR A. CUA
Independent Director

The year 2021 saw global economic recovery from the after-effects of the pandemic. People, markets, businesses, and countries were now able to adjust to the new way of doing things. The trying times of the past year also made PNB and its employees capable not only to adapt but to respond to these remarkable changes.

Despite the difficult year it faced, PNB adhered to its goals of profitability, sustainable development, and social responsibilities. In addition, the Bank has remained accountable to all its stakeholders – regulators, shareholders, employees, and customers.

The heightened uncertainties in the global markets and the world economy brought by the pandemic continue to emphasize the importance of an effective risk oversight function. The Board continues to closely review the risk management framework with the intention to improve the following: (1) definition of the organization's risk appetite, (2) assessment of risk profile, and (3) monitoring of risk thresholds. This ensures that the Bank's business results are always evaluated against its strategies and objectives within a risk control environment.

PNB follows a strong Enterprise Risk Management Framework and consistently maintains high standards of internal controls and risk management processes against the Bank's risk appetite. The same framework is fit to ensure optimizing the risk / return ratio at all levels of the Bank and is embedded in our core values. The concept of the Three Lines of Defense for good risk management is part of our PNB culture.

As the work-from-home set-up continue to be the norm, the Risk Oversight Committee, comprised of six directors (three of whom are independent directors), held all its meetings virtually in 2021. Through these meetings, the committee upholds its duty as the oversight body on the Bank's identified material and emerging risks with respect to its overall strategy.

MESSAGE FROM THE RISK OVERSIGHT COMMITTEE CHAIRMAN

Significant milestones for 2021 in Risk Management included the following:

- The Asset Liability Management system went live, which will further enhance the Bank's ability to manage and monitor its Liquidity risk and Interest Rate Risk in the Banking Book
- Enhancement of the Capital Adequacy Ratio monitoring process to include Pillar 2 Risk Weighted Assets simulation, business projections and simulations
- Launching of Risk Awareness programs in the following areas: Operations Risk, Data Privacy, Business Continuity and Vendor Risk Management through partnership and collaboration with business units
- PNB was one of the top three awardees by the National Privacy Commission for being the Outstanding Personal Information Controller of 2021 (Private Sector Group)

The role of risk management has never been more important as the world starts to open up and recover from the pandemic. As a tool for managing its business and daily operations, it becomes imperative for the Bank to exercise diligence in identifying and addressing every risk. This also includes risks in new product and service offerings, as well as emerging risk trends brought by this unique scenario. The Bank also adheres to comply with the changing regulatory environment and be more responsive to the intensified reality of cyber security, data privacy, and sustainability.

The message that *risk is everyone's business* will be a constant reminder to our personnel while we all continue to renew our commitment to our stakeholders.

(Original Signed)
EDGAR A. CUA
Risk Oversight Committee Chairman

RISK MANAGEMENT DISCLOSURE

GRI 102-11, 102-15, 102-30

INTRODUCTION

A clear understanding of risks surrounding the business activities is crucial for any organization to create sustainable stakeholder value in executing its strategies. It is therefore essential to reinforce the overall strategy of an organization with a prudent risk management framework. This ensures that the Bank's opportunities are optimized while minimizing the effects of downside risks.

PNB, as one of the leading financial institutions in the country, with various allied undertakings and with an international footprint, performs a vital role of financial intermediation in the economy and in each of the communities it serves. With evolving global best practices and standards towards continuing financial stability and resilience, we remain committed to comply with the regulatory guidelines and legislative framework in each of the jurisdictions we operate in.

The nature and the impact of future changes in laws and regulations are not always predictable. These changes have implications on the way our business is conducted and with corresponding potential impact to capital and liquidity.

RISK GOVERNANCE

A disciplined risk management culture and framework facilitates oversight of and accountability for risk at all levels of the organization and across all risk types. Our Board of Directors, through the Risk Oversight Committee (ROC), exercises oversight and provides guidance to our experienced Senior Management Team who, through the Management Risk Committee (MRC), works closely with the business lines in managing risk. There is a rich risk culture, which seamlessly flows through not only within the Bank, but also across the Group subsidiaries and affiliates.

The Board of Directors 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.

Strong independent oversight has been established at all levels within the Bank. *Figure 1* below provides a list of the Board Committees and Management Committees. Their corresponding functions, roles, and responsibilities are highlighted in the Corporate Governance portion of this Annual Report.

RISK MANAGEMENT DISCLOSURE

Figure 1: Board & Management Committees

Board of Directors

- Executive Committee
- Board Audit and Compliance Committee
- Board IT Governance Committee
- Board Oversight RPT Committee
- Board Strategy and Policy Committee
- Corporate Governance and Sustainability Committee
- Risk Oversight Committee
- Trust Committee

President and CEO

- Acquired Asset Disposal Committee (AADC)
- Financial Crime Risk Committee (FCRC)
- Asset and Liability Committee (ALCO)
- Asset Disposal Committee (HO)
- Branch Site Selection Committee (Domestic Branches)
- Capital Management Sub-Committee of ALCO
- Committee on Accreditation of Overseas Remittance Agent-Selection of Expatriate Personnel and Branch Site (Overseas)
- Committee on Decorum and Investigation (CoDI)
- Ecosystem Steering Committee
- Ethical Standards Committee (ESC)
- IT Evaluation Committee (ITEC)
- IT Project Prioritization Committee
- Management Committee (ManCom)
- Management Risk Committee (MRC)
- Occupational Safety, Health and Family Welfare Committee (OSH-FW)
- Operations Committee (OPCOM)
- PNB Retirement Fund Board
- PNB Succession Management Program – Talent Board
- Procurement Committee
- Promotion Committee(s)
- Sectoral/Regional Credit Committee (s)
- Senior Management Credit Committee (SMCC)
- Technology Committee (TechCom)

Executive officers are assigned to various Management Committees that provide the leadership and execution of the vision and policies approved by the Board of Directors. Business strategies are driven, for the most part, by the day-to-day directions decided by the Management Committees with approvals and notation by the various Board Committees.

Risk Oversight Committee

PNB's Board Risk Oversight Committee (ROC) is mandated to set risk appetite; approve frameworks, policies, plans, programs, awareness testing exercises and processes for managing risk; and accept risks beyond the approval discretion provided to Management.

The risk management policy 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;
- effective internal controls and a comprehensive monitoring and risk-reporting process; and
- adherence to standards and regulations.

ROC membership is composed of at least six (6) members of the Board of Directors, majority of whom are Independent Directors including the Chairperson. The Chairperson shall not be the Chairperson of the Board of Directors, or any other Board Committee.

The members shall possess a range of expertise as well as adequate knowledge of the Bank's risk exposures. They must also meet the requirements of the Securities and Exchange Commission (SEC), the *Bangko Sentral ng Pilipinas* (BSP), and other applicable laws, rules, and regulations.

Risk Oversight Committee Charter

The ROC has the following mandated functions *(BSP Cir. 969 – Enhanced Corporate Governance Guidelines)*:

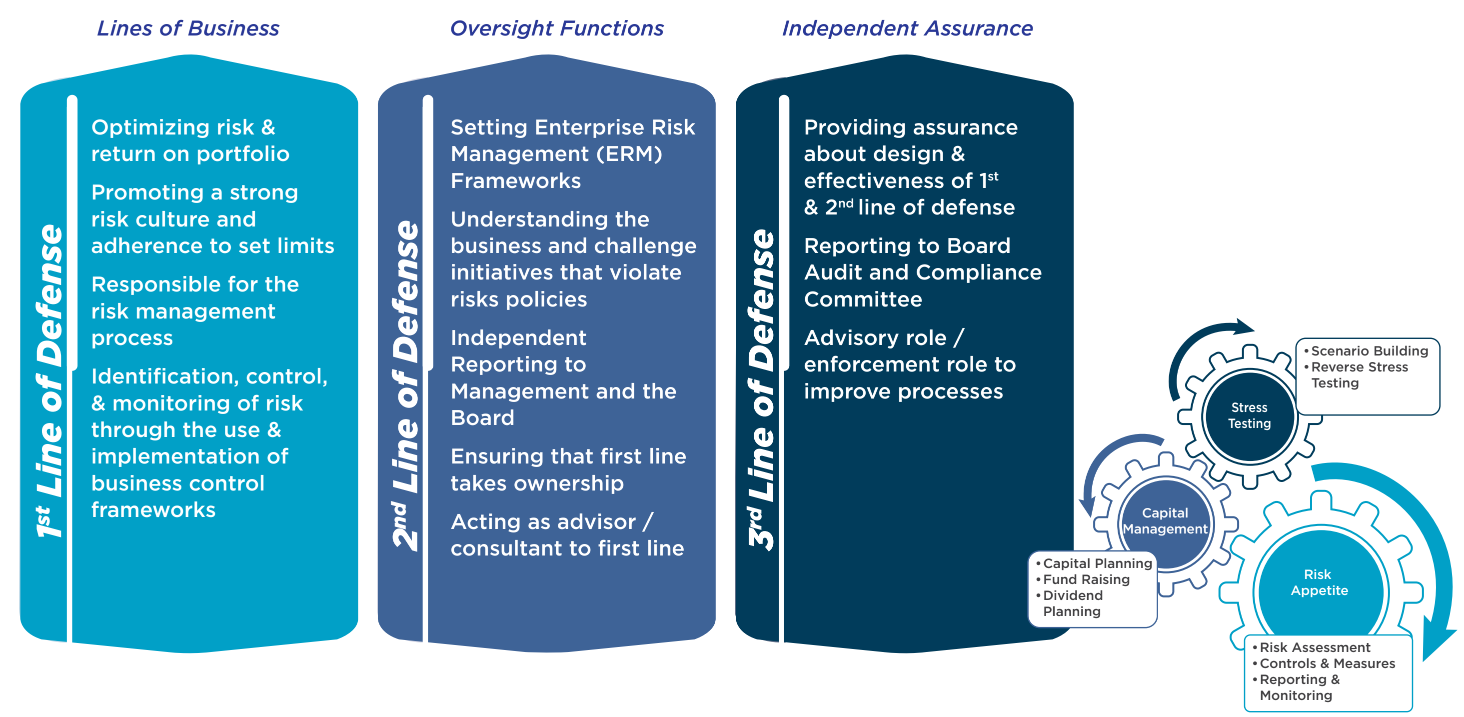
1. Oversee the risk management framework;
2. Oversee adherence to risk appetite;
3. Oversee the risk management function; and
4. Oversee regulatory compliance.

Management Risk Committee

Approved by the Board in 2020, the Management Risk Committee (MRC) was created as a forum for ensuring that the Bank's Enterprise Risk Management Framework (ERMF) is operationalized and that Senior Management has an enterprise-level view of all material risks and that risk-mitigating actions are properly determined and effectively executed.

Mainly composed of the Bank's Sector and Group Heads, the MRC is 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 the Bank's risk appetite statements are aligned with the Bank's business strategy and overall objectives.

Figure 2: Three Lines-of-Defense Model



ENTERPRISE RISK MANAGEMENT FRAMEWORK

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

Our risk management framework banks on a dynamic process that supports the development and implementation of overall Bank strategy. The process revolves around methodically addressing risks associated with the business lines of PNB. The ERMF, with regular reviews and updates, has served us well and has been resilient through economic cycles. We have placed a strong reliance on this risk governance framework and the *three lines-of-defense* model (see *Figure 2*), which are fundamental to our aspiration of becoming world-class at managing risk.

RISK MANAGEMENT DISCLOSURE

This model provides an effective method for organizations to enhance communication regarding risk and control by clarifying roles and responsibilities.

1. The *first line of defense* is made up of the management of business lines and legal entities. Business units are responsible for their risks. Effective first line management includes:

    1.1. the proactive self-identification / assessment of issues and risks, including emerging risks;
    1.2. the design, implementation, monitoring, and ownership of appropriate controls;
    1.3. the associated operational control remediation; and
    1.4. a strong control culture of effective and transparent risk partnership.

2. The *second line of defense* comes from both the risk management function, the compliance function, and information and cyber security functions of the Bank, 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 the Bank, 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 the Bank's individual business processes. Compliance testing function reports directly to the Board Audit and Compliance Committee (BACC). The second line of defense may also recommend implementation of action plans, corrective actions, or service recovery in managing the risk impact and prevent recurrence.

3. The *third line of defense* is the internal audit function which provides independent assessment of the adequacy and effectiveness of the overall risk management framework and governance structures. The internal audit function and compliance testing function report directly to the BACC.

Risk Management Group

Risk Management Group (RMG) is independent from the business lines and is organized as follows:

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

Each Division is tasked to monitor the implementation of the processes and procedures that support the policies for risk management applicable to PNB. These policies clearly establish the types of risks to be managed, define the risk 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. In addition, the ERM recognizes model validation as integral component of model governance which ensures that risks relative to use of models are identified, cascaded to concerned parties, escalated to oversight committees and deliberated for appropriate management actions. The model validation is the Management's resource to better understand the models, its purpose and limitations and ultimately manage expectations, actions, and decisions made based on the output of the model.

RMG performs as the Secretariat of the ROC which meets monthly to discuss the most recent risk profile of the Bank according to the material risks defined in the Bank's ICAAP document. Further, each Division of RMG engages with all levels of the Bank's business and support groups, including domestic and overseas branches and offices and domestic and foreign subsidiaries. This ensures that risk management and monitoring are embedded at origination.

IS/CYBER SECURITY GOVERNANCE FRAMEWORK

The IS/Cyber Security Governance Framework (*see Figure 3 below*) ensures effectiveness and sustainability of the Information Security Management System. Proper governance aids PNB Group in meeting optimal business value from information security and maintaining a balance between benefits and security risks.

Figure 3: Information Security Governance Framework

Enterprise Information Security Group

The Enterprise Information Security Group (EISG) manages the overall information and cyber security risk of the PNB Group to preserve the *Confidentiality, Integrity* and *Availability* of its Information Assets. To this end, it operates on a framework that supports governance and oversight mechanisms to ensure risk exposures are within the Bank's acceptable levels as it supports business goals and objectives. It further adapts to an ever-changing landscape via the interplay of people, policies and processes, and technology.

EISG is headed by the Chief Information Security Officer (CISO) who reports directly to the Risk Oversight Committee (ROC) on matters concerning information security and cyber security. The CISO chairs the Security Incident Response Team (SIRT) for effective and efficient management of information and cyber security-related incidents.

EISG is organized into two divisions, namely the Information Security Governance and Program Management and Cyber Security Operations Center, with the latter dedicated to the prevention, detection, assessment, and resolution of cyber security threats and incidents and fulfillment of regulatory compliance. With risk management activities closely linked to Information Technology Group's (ITG's) Infrastructure Management Division for incident reporting and remediation, EISG manages both the prevention and response to cyber threats as they occur.

EISG performs the following functions in support of the Bank's overall information and cyber risk exposure:

- Formulates and periodically updates the information and cyber security policies and guidelines adopting the standards of the Information Security Management System (ISO 27001), National Institute of Standardization (NIST) and other best practices taking into account business goals and regulatory requirements;

- Exercises governance and oversight to ensure compliance to policies, standards and guidelines;
- Conducts vulnerability assessments and testings to check on the susceptibility of information assets to exploits and escalates these for remediation and mitigation;
- Performs assessment on third-party providers ensuring compliance with the Bank's requirements and policies;
- Conducts information and cyber security learning and awareness programs that cater to different sets of stakeholders;
- Manages the 24 X 7 Security Operations Center via proactive monitoring and timely escalation of cyber security events and incidents;
- Conducts research on threats and subscribes to threat intelligence sharing platforms for wider visibility on the threat landscape and as means to monitor and mitigate emerging threats;
- Manages and leads in controlling and responding to information- and cyber-related incidents and crisis events;
- Conducts compromise assessments and regularly tests the effectivity of the Cyber Response Plan and Playbooks via simulation exercises.

RELEVANT REGULATORY CIRCULARS FOR 2021

NUMBER	DATE ISSUED	SUBJECT
1109	2021-02-04	Amendments to the Regulations on Investment Management Activities
1111	2021-03-03	Amendments to the Rules and Regulations on the Mandatory Credit Allocation for Agriculture and Agrarian Reform Credit
1112	2021-04-08	Amendments to Operational Risk Management and Internal Control Measures
1113	2021-04-16	Amendments to the Guidelines on Recovery Plan of a Domestic Systemically Important Bank (D-SIB)
1114	2021-04-16	Guidelines on Reputational Risk Management
1117	2021-05-27	Implementation of Republic Act (R.A.) No. 11523, otherwise known as the "Financial Institutions Strategic Transfer (FIST) Act"
1119	2021-06-07	Amendments to Derivatives Regulations of Banks, Quasi-Banks and Trust Corporations
1120 (Updated)	2021-06-07	Amendments to Regulations on the Open Foreign Exchange Position of Banks
1123	2021-07-13	Amendments to Guidelines on Report on Intraday Liquidity of Universal and Commercial Banks (UBs/KBs) and their Subsidiary Banks/Quasi-Banks (QBs)
1124	2021-08-10	Amendments to the foreign exchange regulations
1125	2021-08-20	Revised Guidelines on the Imposition of Monetary Penalties on BSFIs, and/or their Directors/Trustees, Officers and/or Employees for Violations with Sanctions Falling under Section 37 of R.A. No. 7653 (The New Central Bank Act), as Amended
1128 (Corrected)	2021-10-26	Environmental and Social Risk Management Framework
1131 (Corrected)	2021-12-13	Comprehensive Credit and Equity Exposures (COCREE) Report

THE BANK'S RISK APPETITE, THRESHOLD, AND TOLERANCE

Risk Appetite is the amount and type of risk that the Bank is willing to pursue, retain, or tolerate in pursuit of the organization's value and goals. Our principle on risk appetite is expressed as Risk Tolerance and is embedded on the business units. Risk Threshold emphasizes that "the risk appetite should not go beyond the Bank's capacity to manage risk, thus risk management is everyone's responsibility".

PNB's High-Level Risk Appetite Statement

We pursue our business objectives by accepting risks up to the level where it remains aligned with the following High-Level Risk Appetite Statements:

On Reputational and Strategic / Business Risks:
- We will avoid situations and actions that will result in negative impact on our reputation and if, and when an unfavorable situation arises, address these proactively to preserve our reputation and brand image.
- We aim for stability of earnings and maximize shareholder's value to ensure continued PNB's growth trajectory in the long-term.

On Operational/Technology/Cyber Security Risks:
- We maintain **LOW appetite for operational risk issues**. We will maintain effective processes and systems through strong internal controls, quality assurance, and quality control programs to manage operational risk. This includes implementing control measures to ensure continuity of business processes, managing proper vendor oversight, and employing appropriate governance processes in implementation of innovative and creative solutions.
- We have **LOW tolerance for damage to Bank assets borne by threats arising from malicious attacks and / or poor information security controls**. To address this risk, we aim for strong internal processes and the development and continuous improvement of robust technology controls.
- We have **LOW tolerance for data breaches** resulting from external factors (e.g., emerging cyber-threats) and / or internal factors (e.g., human error, internal fraud). To address this risk, we aim for strong internal processes, conduct of proactive awareness to personnel and development and continuous improvement of robust information security and data privacy controls.
- We have a **LOW appetite for IT system-related incidents** which are generated by poor project implementation or poor change management practices.

On Personnel / Clientele Behavior:
- We do not tolerate any dishonest or fraudulent behavior and we are committed to deterring and preventing any incidence. We take serious approach to cases or suspected cases of fraud or corruption perpetrated by our personnel. We respond fully and fairly in accordance with provisions of the Bank's Code of Conduct.

On Regulatory / Statutory Compliance:
- We aim to remain compliant with Philippine laws and regulatory bodies and its public mandate.
- We aim to remain compliant with the laws, regulations, and guidelines as prescribed by the host countries where we are present.
- We aim to remain in compliance with generally accepted accounting principles and standards.

The High-Level Risk Appetite Statements are translated into measurable metrics and set limits that cover all relevant risk categories arising from the Bank's business objectives which aims at keeping the overall risk profile within acceptable risk thresholds.

Risk tolerance is the outer constraint defined by the Bank via metrics and limits. This is expressed in quantitative terms that can be monitored and aggregated, relating to a specific business unit or according to a specific risk category. Risk Threshold / Limits are regularly defined, reviewed, and approved by the Board of Directors.

RISK MANAGEMENT DISCLOSURE

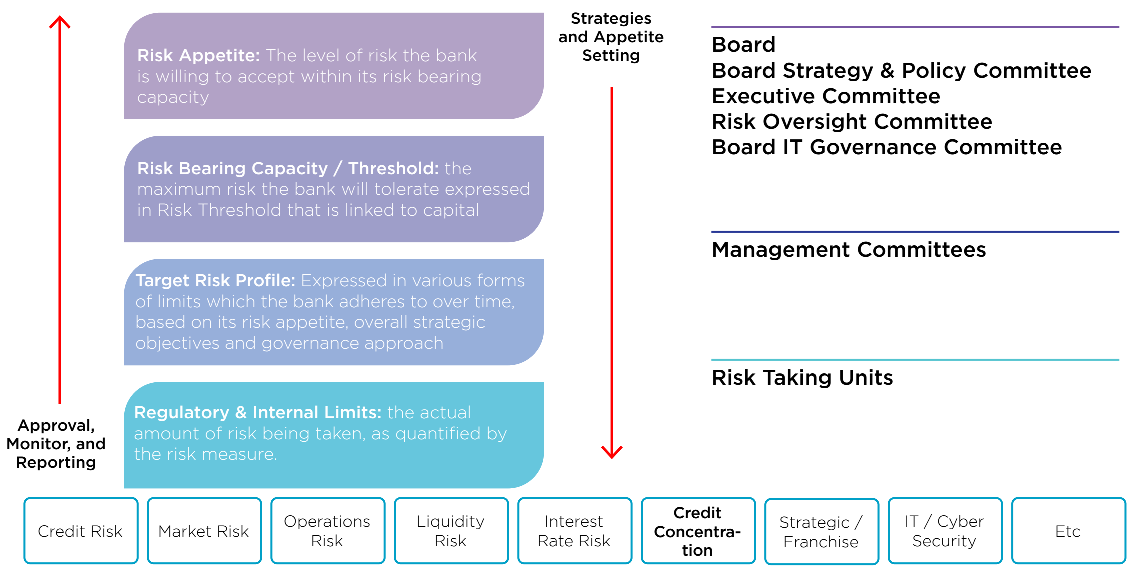
For the Bank's Risk Threshold, the Capital Adequacy Ratio (CAR), which is the measure of the Bank's solvency, is the parameter being used for the risk materiality. The CAR and CET1 ratios are key quantitative measures used by regulators to gauge the strength of a Bank. As such, it is imperative to monitor any adverse movement in these ratios.

The Board of Directors and Senior Management are responsible for ensuring that the Group maintains, at all times, the desired level and quality of capital commensurate with the inherent risks (credit, market, and operational risks) and with other Pillar II material risks such as *Strategic / Business, Credit Concentration, Liquidity, Interest Rate in Banking Books*, and emerging *Cyber Security Risks* that the Group is exposed to (*see Figure 4 below*).

ROC, as delegated by the Board of Directors and supported by Risk Management Group, oversees the risk profile and approves the risk management framework of PNB and its related allied subsidiaries.

The Board Strategy and Policy Committee (BSPC) is tasked to review, evaluate, approve and / or endorse for Board approval the various policies, manuals of products, and services offered to customers, both domestic and overseas. Together with the ROC, BSPC also reviews, evaluates, and approves / endorses to the Board for approval various Annual Strategic Forecasts, Plans, and Budget by the revenue sectors of the Bank. BSPC is responsible for the risk-taking activities and the periodic review of the Bank's ICAAP program.

Figure 4: Risk Appetite, Risk Threshold, Risk Tolerance



The Executive Committee (ExCom) reviews, discusses, notes, endorses, and / or approves management proposals on credit facilities; investment in financial assets; and borrowings and capital raising, updates and reports on credit, transactional, administrative and other matters.

The Capital Management Sub-Committee of the Asset / Liability Committee (ALCO) is tasked to specifically handle policies and procedures pertaining to the capital planning and assessment as well as possible equity investments of the Bank.

The Senior Management Team and the Business Units agree on the target risk profiles defined by the Bank's strategic plan, and allocate capital based on the risk / return profile. Corporate Planning and Analysis Division (CorPlan) and RMG monitor this jointly.

RISK CATEGORIES AND DEFINITIONS

Under our ERM framework, all risk-taking business units, including domestic and foreign subsidiaries and affiliates, shall perform comprehensive assessment of all material risks. This is accomplished on a annually, and/or as needed. The process includes:

- Identifying all inherent risks by each business unit;
- Prioritizing the most significant risks based on the business impact and the probability of occurrence;
- Quantifying the potential losses of each of these significant risks;
- Providing various risk mitigation and control measures to manage these identified risks; and
- Consolidating risk assessment results and potential losses for capital computation.

The identification of risks revolves around the monitoring of risk categories as defined by BSP for supervision purposes. These key risks, namely: credit, market, interest rate, liquidity, operational, compliance, strategic, and reputational risks, are not only monitored under their separate and distinct components, but also monitored across all interrelated business risks.

The RCSA is designed as a forward-looking tool to assess and measure the Bank's risk exposures. This exercise allows each risk-taking unit and support unit, to consider the extent to which potential events have an impact on the achievement of the unit's and ultimately, the Bank's objectives. Through the Process-based Risk and Control Self-Assessment (RCSA), the various business units identify, measure, monitor, and control additional operational risk categories that may be relevant to their specific areas.

The ICAAP RCSA, on the other hand, allows the risk owners provide a 3-year quantitative assessment of the identified risks by means of computing for estimated loss, which can be based on foregone income, opportunity loss, portfolio size, transaction amount, historical loss, additional cost, among others. Further, stress tests are also employed to capture potential losses under extreme scenarios.

Material Risks

Material risks (at Group level) are defined as those risks from any business activity large enough to threaten the Bank's capital position to drop below its desired level thereby resulting in reduction in earnings and / or qualifying capital. The risk threshold is set / computed, on any risk-taking activity that would result in the **reduction in CAR by 20 bps**.

On the other hand, risks not significant enough to impact the CAR by 20 bps will also be considered "material" by the Group if these fall under the following:

- Pillar 1 risks, i.e., Credit, Market, and Operational Risks;
- Other risks under BSP Circular No. 510, i.e., Interest Rate Risk in the Banking Book (IRRBB), Liquidity Risk, Reputational Risk and Strategic Risk;
- Information Technology Risk (BSP Cir. No. 808); and
- Further risks identified as "material" by the Board of Directors and Management Committee are included in the list being monitored. Most recent additions are Cyber Security, Data Privacy Risk and Human Resource Risk.

Resulting from the assessments based on the premise identified above, the Bank agrees and reviews on a regular basis the material risks that need focus from all three lines of defense. For the assessment period from 2021 to year 2023, these are based on the following eleven (11) material risks, which are grouped under Pillar 1 and Pillar 2 risks, shall be covered in the Bank's ICAAP Document submission to BSP, and required for monitoring.

Types and definition of each of these risks are discussed hereunder:

Pillar 1 Risks:

1. Credit Risk (includes Counterparty and Country Risks)
2. Market Risk
3. Operational Risk

RISK MANAGEMENT DISCLOSURE

Pillar 2 Risks:

4. Credit Concentration Risk;
5. Interest Rate Risk in Banking Book (IRRBB);
6. Liquidity Risk;
7. Reputational Risk;
8. Strategic Business Risk;
9. Information Security/ Cyber Security / Data Privacy Risk; and
10. Information Technology Risk
11. Human Resource Risk

2021 Risk Management Highlights

Market & Liquidity Management

The Market and ALM Division of RMG supports the Asset and Liability Committee (ALCO) and the ROC with the independent assessment and reporting of the market risk profile as well as the liquidity profile of the Bank. The market risk as well as the liquidity risk framework comprise of governance structure, risk policies, and generally accepted practices and control structure with the appropriate delegation of authority through the risk limits.

Highlights of the risk management activities for 2021 under Market and ALM Division are as follows:

Trading Market Risk / Price Risk

- Continuous involvement in the Treasury Management System activities which was implemented in May 2020 (GO LIVE) up to the post implementation / production activities;
- Value-at-Risk (VaR) Methodology switch from Parametric VaR to Historical VaR Methodology effective April 5, 2021
- Daily preparation of the Historical VaR Report and Monitoring of Stop Loss Report of different instruments for distribution to Global Markets Group (GMG), overseas branches and subsidiaries and monitoring of compliance to respective VaR limit and Stop Loss limit;
- Preparation of the monthly market risk dashboards for reporting to the ROC;
- Preparation and performance of the quarterly stress testing of the trading portfolio (FVTPL) and accrual portfolio (FVOCI) for reporting to the ALCO and ROC;
- Revision and updating of the Board-approved Market Risk Management Manual to incorporate new policies, new procedures, and updated limits;
- Monthly validation of the Market Risk Weighted Exposures of the Capital Adequacy Report which is an input to the Capital Adequacy Ratio (CAR) report (SOLO and CONSO);
- Implementation of the annual limits setting and performed assessment of the reasonability and relevance of trading risk limits;
- Ensured the implementation of the enhanced back testing framework for all trading instruments;
- Submission of the Market Risk Template (FX Risk) under the BSP Uniform Stress Testing requirement;
- Reviewed and performed risk analysis of new and existing treasury investments on its impact to CAR;
- Submission of the VaR, Stresstesting and Backtesting documentations/ requirements for model validation of the Model Validation Division;
- Active involvement in the Derivatives License Application to BSP (Type 2 limited dealer authority for deliverable FX Forwards, Cross Currency Swaps, and Asset Swaps)
- Provided guidance and consult to GMG, overseas branches, and subsidiaries in the review of their policy and / or procedures manuals; and
- Further enhanced the existing automated risk reports and expanded automation of various risk reports by contributing inputs to the Data Modeler during the development and conducted various user acceptance testing sessions for these reports.

Structural Market Risk – Interest Rate Risk in the Banking Books

- Preparation of the Interest Rate Risk in Banking Book (IRRBB) Dashboard covering Earnings-at-Risk (EaR) and Delta Economic Value of Equity (EVE) for reporting to the ALCO and the ROC on a regular basis;
- Improved the computation of EaR and Delta EVE by integrating actual loan cashflow/amortization data and taking into account the effect of projected loan released on Balance Sheet Market Value/Net Present Value
- Revised the computation of Delta EVE from duration-based to cash flow-based calculation
- Preparation of quarterly stress testing of the banking book portfolio for reporting to the ROC;
- Conducted extensive testing of the Bank's new Asset Liability Management (ALM) system particularly for automated computation and report preparation for EaR, delta EVE and delta NII (Net Interest Income) which went into production in May (EaR) and November 2021;
- Engaged with a third-party vendor to conduct behavioral analyses for the Bank's Non-Maturing Deposits (NMD), Time Deposit Redemption Rate (TDRR) and loan prepayments
- Updating and set-up of policies, procedures, assumptions and limits for interest rate risk management in line with regulatory requirements from the BSP as well as those recommended in BCBS D368;
- Submission of the Market Risk Template (Trading Book and Banking Book) under the BSP Uniform Stress Testing requirement;
- Submission of Delta EVE as well as revisions in EaR calculation and framework for model validation by the Model Validation Division; and
- Increased coordination and engagement with internal clients such as the Global Markets Group and Institutional Banking Sector regarding the derivation and implementation of risk management triggers/ limits
- Conducted extensive technical training and support to the overseas branches and subsidiaries with respect to preparation and monitoring of interest rate risk in the banking book reports.

Liquidity Risk

- Active involvement in the Asset Liability Management System project (from drafting the business requirements document, to data mapping, to user acceptance testing. Asset Liability Management (with Maximum Cumulative Outflow submodule) and Liquidity Stress Testing modules went into production on May 14, 2021 and May 24, 2021, respectively. Currently, MALMD is actively involved in post implementation/ production activities) related to these modules;
- Preparation of the liquidity risk dashboard for reporting to the ALCO and ROC on a regular basis;
- Preparation of the interim liquidity gap reports for the Global Markets Group;
- Preparation and performance of the quarterly stress testing for liquidity for reporting to the ROC;
- Preparation of quarterly back testing for Non-Maturing Deposit (NMD) behavioral model for reporting to the ROC;
- Updating of policies, procedures, assumptions, and limits for liquidity risk management;
- Separation of the Liquidity Risk Management Manual into policy and procedural manuals;
- Alignment of the Stress Testing Framework for Liquidity Risk with the Bank's Updated Contingency Funding Plan;
- Submission of the behavioral analysis model for NMD and MCO model for model validation of the Model Validation Division;
- Conducted risk awareness lectures on liquidity risk management to various training programs of the Bank; and
- Review and performance of risk analysis of new and existing treasury investments on its impact to the Bank's liquidity.

Other risk areas assigned to the Division:

- Presentation of the risk dashboard to various Board meetings of domestic subsidiaries on a regular basis;
- Provided guidance to domestic subsidiaries in formulating / review of their risk management framework (set up of limits and processes as well as review of risk manuals);
- Involvement on the annual review of the Bank's ICAAP document and Recovery Plan;
- Monitoring of the compliance of the FVOCI portfolio with the approved Cumulative Loss Limits and Management Action Triggers (MATs); and
- Calculation of the Effective Cost of Funds for reporting to ALCO on a regular basis.
- Monitoring of trading activities versus prohibited market practices

Credit Risk Management

The Bank is exposed to credit risk arising from the probability that the counterparties might default on their contractual obligations under loans and advances when due. Credit Risk Weighted Assets (CRWA) accounts for 84% (as of December 31, 2021) of the Group's consolidated RWA of Php804,258 million. Concentration risks are managed by defining credit policy and institutionalizing limits per industry as a percentage of qualifying capital.

The Group is also exposed to credit risk as a result of its trading and investment activities, as well as a result of its activities as an investment intermediary for its customers or for third parties. The credit risk arising from trading and investment activities is managed through the management of market risk.

The Credit Risk Management Division (CRMD) of RMG supports the implementation of the risk management framework for Asset Quality Exposures. Our asset quality rating reflects the quantity of existing and potential credit risk associated with loan and investment portfolios, other real estate owned, and other assets, as well as off-balance sheet transactions.

RISK MANAGEMENT DISCLOSURE

The Bank's Credit Risk Management Processes are performed coherently and collaboratively at three levels, namely:

1. Strategic Level, where the Board of Directors sets the annual revenue goals, target market, risk acceptance criteria; and defines strategic plans and credit risk philosophy and credit risk culture.

2. Transactional Level, where the Risk-Taking Personnel (RTP) (e.g., account officers, approving committees, etc.) determines opportunities and takes risks. The risk-taking activities at this level is congruent with the goals, target market, risk asset acceptance criteria (RAAC), strategies, and risk philosophy set by the policy-making body.

3. Portfolio Level, where the portfolio / total exposure is captured and evaluated by independent third party, other than risk-taking personnel (e.g., RMG, Internal Audit Group, and Global Compliance Group). The credit risk management of the entire loan portfolio is under the direct oversight of the ROC.

Highlights of the risk management activities for 2021 under Credit Risk are as follows:

1. Continued monitoring of the trend of the loan portfolio, non-performing loans, and adequacy of loan loss reserves, concentration risk, credit risk ratings migration and status of non-performing accounts via the Credit Dashboard Reports;
2. Oversight of the credit initiation and approval of selected accounts through pre-approval review. The Chief Risk Officer and the Head of Credit Risk sit as resource persons in the Senior Management and Institutional Banking Credit Committees, respectively.
3. Performed scenario analysis through stress testing on the impact of COVID-19 affected borrowers and industries mostly hit to assess the impact to the bank's NPL ratio and Capital Adequacy Ratio.
4. Stringent monitoring of industries and borrowers affected by the impact of COVID-19.
5. Identified emerging risk that can have an impact to a particular industry or group of borrowers and the possible risk faced by the Bank.
6. Performed independent credit review on the Bank's large exposures and interdependent accounts, restructured loans, accounts showing significant increase in credit risk as well as validate the computation of the Expected Credit Loss for each of the accounts reviewed.
7. Continued participation in the formulation, review of new / revised policies and procedures within the Bank and subsidiaries.
8. Continued stringent monitoring of Expanded Real Estate and Real Estate Stress Test as well as other regulatory limits (i.e., Agri-Agra and SME compliance).
9. Assisted the business units in identifying the risk inherent on their proposed products or process.
10. Updated the credit risk manual to improve the risk management framework for the group.
11. Assisted the subsidiaries in their compliance to regulations, formulation of policies and procedures and process improvement. Performed independent credit review to determine weakness in the credit processes.
12. Participated in the initial steps undertaken by the Bank in its compliance to the Environmental and Social risk requirements.

Operational Risk Management

Operational Risk Management (ORM) is at the core of our operations, integrating risk management practices into processes, systems, and culture. ORM's value lies in supporting and challenging them to align the business control environment with our strategy by measuring and mitigating risk exposure and contributing to optimal return for stakeholders.

Highlights of the risk management activities for 2021 under ORM are as follows:

1. Ongoing activities for the implementation of the Governance, Risk and Compliance (GRC) Solution which aims to automate and enhance the Operational Risk Tools such as Risk and Control Self-Assessment (RCSA), Loss Event Report (LER), and Metrics Monitoring (KRI). This will also serve as an integrated platform to provide a holistic view of the Bank's risk profile with interrelated inputs from risk management, compliance, audit, as well as information security;
2. Conclusion of the review on the Bank's Fraud Framework in partnership with Deloitte;
3. Leads the Enterprise Fraud Management Solution Project activities, in coordination with business units and vendors, for eventual implementation;
4. Leads the alignment and Board approval request for the Bank's risk assessment process and heat map;
5. Coordinates and monitor sustainability initiatives of RMG and deliverables in relation to ESG Roadmap;
6. Leads review of the Reputational Risk Management Framework in compliance to BSP Circular 1114;
7. Update of the Operational Risk Management Manual to incorporate changes and enhancements on the RCSA, LER and KRI process, including monitoring and reporting;
8. Proposal of Fraud Risk Department for central monitoring of fraud incidences and standardization of fraud risk management process for the Bank;
9. Review and discussion of accomplished process-based RCSA on identified critical business processes and reporting of results to MRC and ROC, including mitigating controls and action plans;
10. Continuous activities on alignment of risk assessments, business process mapping, enhancement of risk taxonomy and organizational hierarchy for build-up in the GRC to be used by all GRC stakeholders;
11. Continuous review of new product proposals, as well as process and procedures manual review of the Bank's processes, including subsidiaries;
12. Identification of High-Risk Areas for efficient monitoring of critical risks across the organization and continuous monitoring and reporting of top loss events;
13. Continuous monitoring and reporting on COVID-related risks, as well as, vaccination status of Bank personnel;
14. Continuous monitoring and reporting of digital platform-related and phishing incidences;
15. Discussion of KRIs with Business Units and suggested threshold limits for monitoring and escalation;
16. Conduct of GRC and RCO Trainings on RCSA, LER and KRI;
17. Continuous Risk Appetite awareness and risk education performed through e-mail blasts and HR-initiated trainings

Information Technology (including Business Continuity Program, Project Monitoring, Business Outsourcing)

While banks have greatly benefited from the software and systems that allow for more efficient delivery of products and services, they have also become more susceptible to the associated risks. Many banks now find that these technologies are involved in more than half of their critical operational risks, which typically include the disruption of critical processes both from internal applications and those outsourced to vendors, risk of breaches of sensitive customer or employee data, and risks of coordinated denial-of-service attacks.

Because of the underlying information technology and security risks, the use of IT / IS Risk Management Framework becomes essential to ensure that both Information Technology and Security Risks are properly identified, measured, managed / controlled, monitored and reported. Further, the BSP guidelines in managing these risks have also evolved to include not only the technology components but also indicated the need for analytics and response / recovery measure in case breaches and threats turn into realities.

1. 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 the Bank. 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. (ISACA Risk IT Framework).

2. Business Continuity Risk is the risk to the Bank's operations due to the disruption and failure of critical functions of the organization impacting the continued operation of the business. These are the risks on financial, operational, reputational, regulatory, and legal resulting from unavailability of products, services and manpower during disruption/s. The Bank's Business Continuity Plan (BCP) provides for continuity of business in instances where threats of risks including those to internal control and physical security may become successful in causing major damage and/or disruptions to the Bank's business operations. Business Continuity Plan (BCP) defines the procedures to be followed to recover critical functions on a limited basis in the event of abnormal or emergency conditions and other crises.

   These risks will be mitigated by the following:
   - Timely implementation and monitoring of BCP documents such as Business Impact Analysis, Risk Assessments, and BCP departmental manuals programs and exercises;
   - Implementing system redundancy and high availability;
   - Ensuring regular application and data backup;
   - Conducting regular business continuity testing;
   - Availability of third-party documentation and implementation on Business Continuity;

- Conducting awareness to employees through classroom type trainings and email advisories;
- Conducting awareness to Risk and Control Officers on their roles and responsibilities for BCP related requirements and BCP testing exercises;
- Ensuring all external service providers to undergo risk assessments and are compliant to Business Continuity Enterprise Policy; and
- Adhering to BSP Circular No. 951 in the implementation of Business Continuity Management.

3. Business Outsourcing Risk is the risk to the Bank's operations relating to services that are outsourced to third-party service providers. Outsourcing and vendor relationships present potential risks that must be properly managed on an ongoing basis, beginning with a sound due diligence process at the outset and continuing with annual or more frequent reviews of all vendor relationships. The extent of risk varies with each outsourcing & vendor relationship.

   These risks will be mitigated by the following:

   - Ensuring timely implementation and monitoring of third-party service providers' documents, programs, and exercises as stated in the Outsourcing and Vendor Risk Management Policy/ Manual;
   - Ensuring periodic review on performance evaluation;
   - Ensuring implementation of risk assessments and due diligence prior onboarding and periodic review/oversight for existing outsourcing/vendor engagements;
   - Conducting awareness to Vendor Relationship Managers on their roles and responsibilities for due diligence and periodic oversight/review requirements;
   - Availability of third-party documentation and implementation on Business Continuity to support the Bank's requirements during disruptions; and
   - Ensuring third-party service providers and business units' compliance to due diligence and periodic oversight/review requirements stipulated in the Enterprise Vendor Outsourcing Policy.

4. Project Risk is the risk of failure on the implementation of technology projects, which impacts the Bank's operations and service delivery. Project Health checks are conducted to ensure that proper project management activities are implemented and that project risks are monitored and mitigated to reduce the risk of project failures.

Highlights of risk management activities for IS / IT (including BCP) for 2021:

- Completion of Business Continuity Awareness Training for Head Office, domestic, and overseas branches;
- Adoption of ISO 22301 Framework for Business Continuity Framework and Vendor Risk Monitoring;
- Completion of Bankwide Business Impact Analysis and Risk Assessments;
- Completion of BCP Simulation Drills and Exercises;
- Project Risk Assessments – Completion of Project Assessment for major technology projects;
- Implementation of the IT Project Management Policy and alignment of project management monitoring with ITG;
- Roll-out of the enhanced IT Risk Assessment;
- Continuous monitoring of IT Key Risk Indicators;
- GRC System Project Implementation to automate and enhance risk management tools and process such as IT Risk Assessment (ITRA), Project Risk Assessment (PRA), Business Impact Analysis (BIA);
- Enhancement of IT risk taxonomy;
- Outsourcing and Vendor Risk Management Monitoring with inclusions of risk acceptance per engagement / vendor; and
- Update on Vendor Outsourcing Policy with inclusions of monitoring of Information Security, Data Privacy, Bribery and Corruption, Expired Contracts, Business Continuity Assessments, and Accreditation Status.

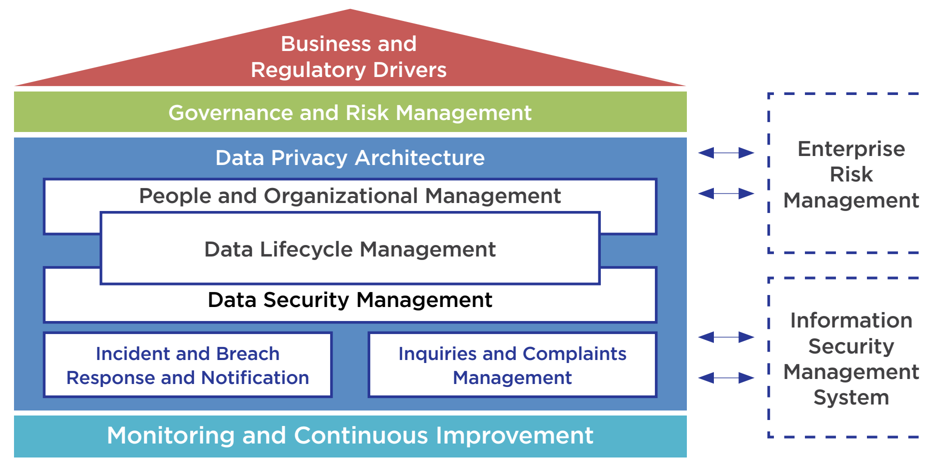
Data Privacy

We respect and value data privacy rights and we ensure that all personal data collected from data subjects are processed in adherence to the general principles of transparency, legitimate purpose, and proportionality. While reasons are founded in ethical and corporate responsibility, our privacy practices facilitate the following:

- *Good Corporate Citizenship:* A sound privacy practice is emblematic of reliable corporate citizens that respect data subjects' privacy.
- *Business Enablement:* Since the Bank uses significant volumes of personal data, privacy becomes a prerequisite to building enduring business relationships.
- *Legal Protection:* Appropriate privacy policies offer an opportunity to eliminate allegations of unlawful usage of personal information.

Recognizing the importance and criticality of personal information in achieving the Bank's vision and objectives, the Bank's Data Privacy Management System (*see Figure 5 below*) has been developed and put in place. The system includes security policies, organizational structures, and processes including technical, physical and environmental components, among others.

Figure 5: PNB Data Privacy Management System



Our Data Privacy Management System is managed through the continuous review, evaluation, and agreement between the Board of Directors and Senior Management. The authority to oversee the implementation of the system is vested upon the ROC as delegated by the Board of Directors. We review the performance and ensure that safe and sound management practices are always adhered to in all of the Bank's engagement and transactions.

Consumer protection is also thoroughly embedded within our data privacy management. We recognize and respect the consumer's right to safeguard their financial transactions with the Bank and be heard through appropriate channels concerning their feedback, inquiries, and / or complaints.

Highlights of the risk management activities for 2021 under the Data Privacy are as follows:

- Awarded as one of the top three Outstanding Personal Information Controller of 2021 (Private Sector Group) by the National Privacy Commission;
- Implementation of the revised PNB's Data Privacy Management System that includes implementation of the Enterprise Data Privacy Policy and Sub-Policies;
- Privacy Impact Assessment process implementation;
- Implementation of the revised PNB's Data Sharing Agreement Guidelines;
- Data Sharing Agreement and Data Protection Agreement implementation;
- Provided continuous Data Privacy Awareness and Education to the Bank including integration of basic data privacy awareness to Human Resources Group training namely: New Employees Orientation, Management Training Program, Junior Executive Development Institute, and Branch Operations Training Program;
- Revision and review of manuals, forms, and contracts to incorporate Data Privacy requirements;
- Conducted incident monitoring and reporting to the NPC;
- Tracking and monitoring of the submissions for consent; and
- Provided counsel to business units including branches, offices, and subsidiaries, both local and overseas, regarding Data Privacy concerns.

RISK MANAGEMENT DISCLOSURE

Information Security / Cyber Security Risk

Cyber-threat defense involves the entire organization from top to bottom and governance plays a critical role. Our Information Security / Cyber Security Risk Management Framework adopts a proactive stance to anticipate evolving and lingering global cyber threats. This requires continuous monitoring of threat intelligence feeds, targeted threat hunting mechanisms, improvement and adjustment on technology, enhancement of process and people skills, and the proper mechanisms for incident response and recovery.

Highlights of information / cyber security risk management activities (under our Enterprise Information Security Group) for 2021 include:

Information Security
- Partnered with an ISO-certified organization for the continued roll-out of activities for ISO 27001 (Information Security Management System) readiness for enterprise-wide coverage
- Strengthened oversight and monitoring on the performance of third parties via the conduct of risk assessments
- Closer management over remote workers in protecting the confidentiality and integrity of corporate information
- Implemented an automated Governance, Risk and Compliance (GRC) solution for efficient reporting of information asset registers, status of incidents, risk assessments for information assets and third-parties, compliance to acceptable use of systems, etc.
- Continued upgrading of education and awareness of its workforce aimed to instill a culture of security consciousness and appreciation of shared responsibility via the following activities: (1) virtual classroom training; (2) dissemination of advisories / bulletins; (3) holding of a Cyber Security Consciousness Week and participation in the global Cyber Security Awareness Month where webinars on cyber hygiene were ; (4) anti-phishing talks; etc.
- Continued conduct of vulnerability and compromise assessments in detecting security weaknesses in the Bank's information assets
- Continued monitoring on user compliance to policies, standards and guidelines and other acceptable use policies

Cyber Security
- Engagement of a Cyber Threat Intelligence provider for monitoring of cyber threats and taking proactive measures to avert a possible cyber incident such as a ransomware or malware attack
- Continued implementation of a Data Loss Prevention solution in protecting confidential and sensitive information from falling into the hands of unauthorized persons
- Adoption of a multi-layered security mechanism for a more secured environment
- Continued engagement with an external party for round-the-clock vigilance on cyber threats and escalation to the support unit within the prescribed time
- Periodic conduct of playbook simulation to ensure readiness in facilitating the containment, restoration and recovery processes should incidents occur
- Conduct of forensics on specific situations, as needed

Business Intelligence Analytics and Enterprise Data Warehouse Initiatives

The Business Intelligence and Data Warehouse Division (BIDWD) under the Risk Management Group is tasked to manage the design and implementation of the Enterprise Data Warehouse (EDW) Program (stream of concurrent projects) as defined in the EDW roadmap.

The EDW System is the single source of information for all regulatory and management reports and analytics including some operational reports for the Bank. In production for almost eight years, continuous enhancements are being done to provide more relevant reports and analytics to the various business units. To date, there are over 1,500 reports / analytics available in the EDW-BI system covering the following major subject areas:

- Customer Insight / View;
- Customer Information Data Quality Monitoring System;
- Deposit Information and Analytics;
- Compliance to Regulatory Reporting Requirements;
- On Credit Quality Assessment / Monitoring:
  - Credit Risk Rating and Migration Reports and Analytics, Decision Support Analytics
  - Loan Portfolio Reports and Analytics
  - Credit Facility/Loan Collateral Reports and Analysis
- Loss Events Reporting (LER) for Operational Risk Management;
- Executive Dashboards, Analytics, and Reports serviced for business and support groups;
- Asset Liability Management Dashboard;
- Regulatory Reports on Credit Risk Management: reports relating to the Expanded Real Estate Exposure (EREE); Capital Adequacy Ratio (CAR); BSP Circular 855 Guidelines on Sound Credit Risk Management Practices; BSP Circular 941 Regulations on Past Due and Non-Performing Loans; and the PFRS9 compliance project.
- Actionable Items Reports: The EDW System automatically generates on a daily or weekly basis (or as needed) these actionable reports to prompt the concerned business units to act proactively on a particular event (e.g., loan accounts due for repricing) or make corrective action on certain data in the source systems (e.g., no BSP Risks Asset Classification) or files for more accurate data and reporting.

The Bank is currently implementing the following Decision Support Systems (DSS):
- Asset and Liability Management System;
- Expected Credit Loss (ECL) Calculator for the Philippine Financial Reporting Standard 9 (PFRS9); and
- Governance, Risk and Compliance System.

These DSS all have touchpoints to the EDW where most of the Bank's data requirements can be found. With the implementation of these DSS, the EDW is now the central source of information, gathering data from Source Systems and distributing pertinent data to the different Decision Support Systems.

Internal Capital Adequacy Assessment Process (ICAAP)

The 2021 ICAAP activities is taking off from the October 2020 submission taking into account the lingering effect of the pandemic. The uncertainties brought by the COVID situation entailed the Bank to further identify risks and vulnerabilities not only on the part of the Bank, but, including its customers and counterparties. This is imperative as part of the ICAAP to properly manage the risks and ensure there's enough capital to cover potential losses especially through adversity.

Figure 6: 2021 ICAAP Milestones and List of Activities

KEY DATES	MILESTONES & ACTIVITIES
January – April 2021	• Review and approval of the Bank's Material Risks • Review and approval of ICAAP Stress Scenarios and Assumptions • Review and approval of the ICAAP Policy, including the revised ICAAP RCSA Procedures Manual to align with the new approach • Revisiting of business strategies relative to the COVID impact and situation • Extensive portfolio review and segmented borrowers • Recalculation of potential losses and capital impact to consider impact of pandemic • Enhancement of the Capital Adequacy Ratio monitoring process to include Pillar 2 Risk Weighted Assets simulation, business projections and simulations • Presentation of the ICAAP Document and Recovery Plan to Capital Management Subcom of ALCO, MRC, BSPC, and Board for the necessary approvals • ICAAP Document and Recovery Plan submitted to BSP in April 2021

RMG Sustainability Activities

In April 2020, BSP issued Circular 1085 on the adoption of a Sustainable Finance Framework. With the issuance of the issuance of the Circular, banks are given a period of three years to fully comply with the Transitory Provisions. This requires the Bank to embed sustainability principles in its strategic objectives, governance framework and risk management systems.
As RMG is part of the core working team, the following are the initial steps taken to comply with the Bank's sustainability initiatives:
- The Risk Oversight Committee (ROC) Charter was updated January 2021 to include monitoring of Sustainability Risks
- The Bank's Enterprise Risk Management Framework (ERMF) was updated last February 2021 to include coverage of sustainability risk under the risk management realm.
- The Bank's Credit Risk Manual was updated to align with the Sustainability Finance Framework.
- The job descriptions of Risk Management Officers were updated to incorporate their ESG-related responsibilities.
- The Bank's Risk Taxonomy was updated as of September 2021 to include E&S risks to be rolled-out for 2022 risk assessments.

RISK MANAGEMENT DISCLOSURE

- Sustainability clauses were included in the Enterprise Business Continuity and Vendor Outsourcing Manuals of the Bank, with Board approvals dated 2021 March and April, respectively.
- Sustainability criteria/questionnaire in CSD Vendors Information form was included and implemented last October 2021.
- Possible risk on sustainability for vendors was included in the Risk Assessment Form last April 2021.
- Data privacy principles and monitoring activities are ensured to align with ESG initiatives, specifically on corporate social responsibility.
- With Trust Banking Group's launching of its ESG fund (PNB US Equity Sustainability Leaders Equity Fund), Risk Management has correspondingly expanded its scope to include this fund in its risk monitoring processes.
- The Risk Management Group, as a member of the Sustainability Technical Working Group of the Bank, participates in the meetings with different units concerning data sources for future reporting and monitoring requirements

REGULAR CAPITAL REQUIREMENTS UNDER BASEL III – PILLAR 1 CAPITAL ADEQUACY RATIO

The Bank's Capital Adequacy Ratio as of December 31, 2021 stood at 13.66% on a consolidated basis while the Risk Weighted Assets (RWA) as of the end of 2021 amounted to Php804.903 billion composed of Php677.704 billion (Credit Risk Weighted Assets – CRWA), Php53.792 billion (Market Risk Weighted Assets – MRWA) and Php73.407 billion (Operations Risk Weighted Assets – ORWA).

Capital Adequacy Ratio

The Bank's total regulatory requirements for the four quarters for 2021 are as follows:

Consolidated	Weighted Exposures (as of End of Every Quarter of 2021)			
(Amounts in Php millions)	Dec 31	Sept 30	June 30	Mar 31
CRWA	677,704	672,924	677,889	702,240
MRWA	53,792	64,443	58,107	47,445
ORWA	73,407	73,407	73,407	73,407
Total Risk-Weighted Asset	**804,903**	**814,773**	**809,403**	**823,092**
Common Equity Tier 1 Ratio	12.96%	12.06%	11.82%	14.11%
Capital Conservation Buffer	6.96%	6.06%	5.82%	8.11%
Total Capital Adequacy Ratio	**13.66%**	**12.75%**	**12.52%**	**14.77%**

Presented below is the full reconciliation of all regulatory capital elements back to the balance sheet in the audited financial statements as at December 31, 2021 attributable to the Bank (amounts in Php thousands):

Accounts	Balance in Financial Reporting Package	Accounting differences and other adjustments	Balance in audited financial statements
Capital stock	61,030,594	–	61,030,594
Additional paid-in capital	32,106,560	–	32,106,560
Surplus reserves	5,032,515	(418)	5,032,097
Surplus	51,228,040	3,615,548	54,843,588
Net unrealized loss on Available-for-Sale investments	3,093,627	(39,224)	3,054,403
Remeasurement losses on retirement plan	(2,935,589)	(73,863)	(3,009,452)
Accumulated translation adjustment	867,846	(149,974)	717,872
Other equity reserves	–	419,542	419,542
Share in aggregate reserves on life insurance policies	–	(1,038,838)	(1,038,838)
Reserves of Disposal Group Classified as Held for Sale	–	88,616	88,616
TOTAL	**150,423,593**	**2,821,389**	**153,244,982**

Credit Risk-Weighted Assets as of December 31, 2021

The Bank adopts the standardized approach in quantifying the risk-weighted assets. Credit risk exposures are risk weighted based on third party credit assessments of Fitch, Moody's, Standard & Poor's and PhilRatings agencies. The ratings of these agencies are mapped in accordance with the BSP's standards. The following are the consolidated credit exposures of the Bank and the corresponding risk weights:

In Php Millions	Exposure, Net of Specific Provision	Exposures covered by Credit Risk Mitigants*	Net Exposure	0%	20%	50%	75%	100%	150%
Cash & Cash Items	27,501	–	27,501	27,458	43	–	–	–	–
Due from BSP	161,019	–	161,019	161,019	–	–	–	–	–
Due from Other Banks	28,731	–	28,731	–	14,011	14,030	–	689	–
Financial Asset at FVPL	–	–	–	–	–	–	–	–	–
Available for Sale	1,428	–	1,428	–	–	–	–	1,428	–
Held to Maturity (HTM)	90,176	4,653	85,523	18,286	7,846	50,342	–	9,049	–
Unquoted Debt Securities	–	–	–	–	–	–	–	–	–
Loans & Receivables	628,470	4,806	623,664	621	70,013	54,626	–	470,982	27,421
Loans and Receivables Arising from Repurchase Agreements, Securities Lending and Borrowing Transactions	15,797	–	15,797	15,797	–	–	–	–	–
Sales Contracts Receivable	4,470	–	4,470	–	–	–	–	4,074	396
Real & Other Properties Acquired	8,810	–	8,810	–	–	–	–	–	8,810
Other Assets	27,054	–	27,054	–	–	–	–	27,054	–
Total On-Balance Sheet Asset	993,456	9,459	983,997	223,181	91,913	118,999	–	513,276	36,627
Total Risk Weighted Asset - On-Balance Sheet	–	–	–	–	18,383	59,499	–	513,276	54,940
Total Risk Weighted Asset - Off-Balance Sheet Asset	–	–	–	–	–	609	–	28,480	–
Counterparty Risk Weighted Asset in Banking Book	–	–	–	–	–	446	–	–	–
Counterparty Risk Weighted Asset in Trading Book	–	–	–	–	–	1,774	–	297	–

** Credit Risk Mitigants used are cash, guarantees and warrants.*

Market Risk-Weighted Assets as of December 31, 2021

The Bank's Total Market Risk-Weighted Assets (MRWA) broken down by type of exposures (interest rate, equity, foreign exchange, and options) are as follows:

Consolidated	Weighted Exposures (as of End of Quarters 2021)			
(Amounts in Php millions)	Dec 31	Sept 30	June 30	Mar 31
Interest Rate Exposures	45,796	54,826	45,098	40,344
Equity Exposures	10	2,057	2,002	2,164
Foreign Exchange Exposures	7,986	7,560	11,007	4,937
Options	0	0	0	0
Total MRWA	**53,792**	**64,443**	**58,107**	**47,445**

MESSAGE FROM THE CORPORATE GOVERNANCE AND SUSTAINABILITY COMMITTEE CHAIRMAN

FEDERICO C. PASCUAL
Chairman/Independent Director

With the pandemic continuing to stretch on, our role in shaping recovery and helping our customers rebuild their financial health and security has become even more pronounced. Belonging to a heavily regulated industry, financial institutions are always called upon not just to solidify its economic performance and register strong financial returns, but also to make sound business decisions and create a lasting positive impact on stakeholders. As such, we place a special attention to corporate governance as a relevant area of focus in our operations.

PNB's corporate governance framework is anchored on accountability, prudence, ethics, and responsible business practices cutting across all levels of the enterprise. This framework is designed to provide a solid foundation and strong impetus for the consistent conduct of our affairs and withstand the demands of strict and rigorous supervision, examination, disclosure, and best practices.

As big believers of good governance, we are carefully moving the needle in raising our governance framework towards the adoption of prevailing best practices both at the local and international level. The following key governance initiatives were undertaken in 2021:

- Engaged the Institute of Corporate Directors (ICD) to assess the structure, processes, dynamics, roles, and overall performance of the Board and further align our governance framework with best practices, in compliance with the SEC's Code of Corporate Governance for Publicly Listed Companies. The evaluation revealed that PNB indeed has effective systems and policies in place that ensure its successful governance.
- Review of key governance policies such as the Manual on Corporate Governance, Code of Conduct, and Whistleblower Policy to ensure that these are continuously strengthened, cascaded, repeatedly communicated, reinforced in all training programs until the policies are embedded, and institutionalized as part of the practices and culture throughout the organization.
- Regular dialogue among independent directors to discuss key issues including emerging and top risks faced by the Bank, and corresponding strategies or action plans to effectively manage and mitigate those risks. Independent directors also ensure the integrity of the Bank's internal controls and effectiveness of the corporate governance and risk management system.
- Review of chairmanship, membership, and overall composition of board committees to ensure compliance with the requirements stipulated under the Bank's Manual on Corporate Governance, BSP's Manual of Regulations for Banks (MORB), and other applicable requirements under existing laws and BSP regulations.
- Conduct of in-house orientation program for new directors covering SEC-mandated topics on corporate governance to ensure that they are appropriately apprised of their duties and responsibilities, at the start of their directorships.
- Implementation of the Bank's Three-Year Sustainability Transition Plan, with the objective of integrating Environmental, Social, and Governance (ESG) principles and criteria in all areas of our business and operations.
- Signing of the UN Women Empowerment Principles (WEPs) to demonstrate our commitment to promote workplace gender equality and inclusion.
- Active participation of the Bank's senior leaders as speakers, panelists, and contributors for webinars, consultation meetings, studies, and book publications on topics such as corporate governance and workplace gender equality and inclusion.

Our efforts on this front have not gone unnoticed as we continue to be recognized by regulators, industry observers, and external organizations. We were cited as one of the recipients of the four-golden arrow recognition from ICD for the recent assessment of the ASEAN Corporate Governance Scorecard (ACGS). The ACGS is composed of a set of questions supported by a rigorous methodology and benchmarked against corporate governance principles of the Organization for Economic Cooperation and Development (OECD) as well as best practices of major publicly listed companies in the ASEAN. Jointly developed by the Asian Development Bank (ADB) and the ASEAN Capital Markets Forum (ACMF), the program aims to enhance the image of publicly listed ASEAN companies and their ability to attract investments as well as improve the image of capital markets towards integration into the ASEAN.

In addition, we are happy to share that our Bank received recognitions for our sustainability initiatives and efforts in workplace gender equality and inclusion. Our Bank was recognized as a "Leader for Women" by Asiamoney for the second time and was ranked as the "Best Company to Work in the Philippines" in LinkedIn's 2021 Philippine Top Companies. We were also recognized as the sole "Champion for Transparency and Reporting" in the 2021 Philippines Women's Empowerment Principles (WEPs) Awards. Lastly, we were honored with the "Green Leadership Award" in the 2021 Asia Responsible Enterprise Awards (AREA) for our internal environmental and sustainability awareness raising campaign called the Project P.L.A.N.E.T. (Protect, Love, and Nurture the Environment Together).

On that note, I am delighted to welcome Wilfrido E. Sanchez, Isabelita M. Papa, and Lucio C. Tan III to the PNB Board. Their respective backgrounds in law and taxation, banking and finance, computer science, and information technology represent a welcome addition to the diversity of the Board and allow them to capably perform their duties. My sincerest gratitude and appreciation also go to Florencia G. Tarriela, Felix Enrico R. Alfiler, and Christopher J. Nelson, who stepped down as members of the Board during the Annual Stockholders' Meeting in April 2021. As you transition to your new role as Board Advisors, I have every confidence that the Board will continue to benefit greatly from your leadership, guidance and commitment to good governance.

I would also like to express my heartfelt thanks to all our frontliners, employees, and members of the management team for your work ethic and relentless dedication much more so during trying times like this pandemic; to the Board of Directors for the guidance and leadership; and to our customers and other stakeholders for your continued trust and support. You have all shaped and molded this institution to what it is today – a successful organization well-positioned to seize opportunities and overcome the challenges and uncertainties of the future.

(Original Signed)
FEDERICO C. PASCUAL
Corporate Governance and Sustainability Committee Chairman

CORPORATE GOVERNANCE

PNB subscribes to the highest standards of corporate governance as we believe that good governance supports long-term value creation. The pages ahead provide a narrative of our corporate governance framework and its implementation. This report has been prepared in accordance with the BSP's Manual of Regulations for Banks (MORB), the Securities and Exchange Commission's (SEC) Code of Corporate Governance for Publicly Listed Companies, and prevailing best practices prescribed under the ASEAN Corporate Governance Scorecard (ACGS).

Board of Directors

The Board of Directors serves as the governing body elected by our shareholders to exercise the corporate powers of the Bank and conduct all its business. The Board is vested with the focal responsibility of promoting a culture of strong governance in the organization, through adopted policies and displayed practices. It approves and oversees the implementation of our governance framework.

Board Committees

The Board of Directors has created eight committees to increase its efficiency and allow deeper focus in specific areas of our operations. The scope of authority, duties, and responsibilities of each Board committee are adequately defined, documented, and clearly communicated in their respective charters. The extent to which authorities are delegated and the corresponding accountabilities are regularly reviewed and approved by the Board.

The Chairman, Vice Chairman, and President and CEO

The positions of Chairman of the Board and President and Chief Executive Officer are held by separate individuals to achieve an appropriate balance of power and improve the capacity of the Board for decision-making independent of management. The separation of the roles ensures the fair division of powers, increased accountability, and enhanced governance.

The Chairman of the Board is Federico C. Pascual, who has held the position since 2021. He ensures the effective functioning of the Board, including maintaining a relationship of trust with individual directors. He makes certain that the meeting agenda focuses on strategic matters, including discussions on risk appetite, and key governance concerns.

The Vice Chairman is Leonilo G. Coronel. He has served as Vice Chairman since 2021. He acts as the Chairman of the Board, either in the absence of the Chairman or as required by the Chairman and carries out additional leadership duties.

The President and CEO is Wick A. Veloso. He assumed the position in 2018. As President and CEO, he is the overall-in-charge for the management of the business and affairs of the Bank as governed by the strategic direction and risk appetite approved by the Board. He communicates and implements our vision, mission, values, and overall strategy.

The complete profile of the Chairman, Vice Chairman, and President and CEO can be found on the Profiles of the Board of Directors.

Our Governance Structure

GRI 102-18

CHAIRPERSON

FEDERICO C. PASCUAL

Key Role

Responsible for providing leadership in the Board of Directors and ensuring effective functioning of the Board, its committees, and individual directors

BOARD OF DIRECTORS

15 Directors

9 non-executive
5 independent
1 executive

Key Role

Responsible for approving objectives and strategies of the Bank, overseeing management's implementation thereof, and maximizing the Bank's long-term success and creating sustainable value for its stakeholders

CORPORATE GOVERNANCE AND SUSTAINABILITY COMMITTEE

Chairperson	Members
Federico C. Pascual *Independent Director*	Wilfrido E. Sanchez Isabelita M. Papa Domingo H. Yap

BOARD AUDIT AND COMPLIANCE COMMITTEE

Chairperson	Members
Isabelita M. Papa *Independent Director*	Edgar A. Cua Michael G. Tan

RISK OVERSIGHT COMMITTEE

Chairperson	Members	
Edgar A. Cua *Independent Director*	Isabelita M. Papa Florido P. Casuela Leonilo G. Coronel	Wilfrido E. Sanchez Vivienne K. Tan

BOARD OVERSIGHT RPT COMMITTEE

Chairperson	Members
Domingo H. Yap *Independent Director*	Edgar A. Cua Federico C. Pascual

EXECUTIVE COMMITTEE

Chairperson	Members	
Leonilo G. Coronel *Non-Executive Director*	Florido P. Casuela Sheila T. Pascual Lucio C. Tan III Michael G. Tan	Vivienne K. Tan Wick A. Veloso Federico C. Pascual Wilfrido E. Sanchez

TRUST COMMITTEE

Chairperson	Members
Florido P. Casuela *Non-Executive Director*	Sheila T. Pascual Leonilo G. Coronel Vivienne K. Tan Federico C. Pascual Wilfrido E. Sanchez Wick A. Veloso

BOARD IT GOVERNANCE COMMITTEE

Chairperson	Members	
Vivienne K. Tan *Non-Executive Director*	Lucio C. Tan III Florido P. Casuela Edgar A. Cua	Isabelita M. Papa Wick A. Veloso

BOARD STRATEGY AND POLICY COMMITTEE

Chairperson	Members	
Leonilo G. Coronel *Non-Executive Director*	Federico C. Pascual Florido P. Casuela Edgar A. Cua Isabelita M. Papa Sheila T. Pascual	Wilfrido E. Sanchez Lucio C. Tan III Michael G. Tan Vivienne K. Tan Wick A. Veloso

MANAGEMENT COMMITTEE

Chairperson	Members	
Wick A. Veloso *Executive Director, President & CEO*	Yolanda M. Albano Cenon C. Audencial, Jr. Manuel C. Bahena, Jr. Paolo Eugenio J. Baltao Roberto D. Baltazar Christine Grace A. Bandol Damasen Paul C. Cid Socorro D. Corpus (OIC) Isagani A. Cortes Juliet S. Dytoc (OIC) Claro P. Fernandez Aidell Amor R. Gregorio (OIC) Alexander Grenz Marie Fe Liza S. Jayme Maria Adelia A. Joson	Jose German M. Licup Maria Paz D. Lim Manuel Antonio G. Lisboa Noel C. Malabag Michael M. Morallos Roland V. Oscuro Aida M. Padilla Leia V. Regala-Teodoro (OIC) Analisa I. San Pedro (OIC) Joy Jasmin R. Santos Gerry B. Valenciano Nanette O. Vergara

CORPORATE GOVERNANCE

Board Advisors

As provided for under the Corporate Governance Manual, the Bank may appoint Board Advisors with qualities that complement the existing competencies and skillsets of the Board which enables them to provide advisory support. PNB has five Board Advisors: Florencia G. Tarriela, Felix Enrico R. Alfiler, Christopher J. Nelson, William T. Lim, and Chester Y. Luy.

Board Advisors provide advice and guidance on strategic direction, governance matters, risk management, and other relevant issues that the Board is confronted with. As such, they may attend meetings of the Board and the eight Board committees.

Unlike the Board members, Board Advisors do not have the authority to vote on corporate matters.

Corporate Secretary

The Corporate Secretary assists the Board of Directors and the Board committees in the conduct of their meetings. She plays a significant role in supporting the Board in discharging its responsibilities. Functions include safekeeping of and the preservation of the integrity of the minutes of the meetings and ensuring that the Board members have accurate information that will enable them to form sound decisions on matters that require their approval.

Board members are given separate and independent access to the Corporate Secretary at all times.

The Corporate Secretary of the Bank is Atty. Ruth Pamela E. Tanghal, a Filipino and a resident of the Philippines. She assumed the position in 2020. She is legally trained, with experience in legal matters, and company secretarial practices.

Chief Compliance Officer

The Chief Compliance Officer (CCO) implements and manages the enterprise-wide compliance program covering domestic and foreign branches, offices, subsidiaries, and affiliates. Our CCO is Atty. Isagani A. Cortes who assumed the position in 2019. He is also the Head of Global Compliance Group and the designated Corporate Governance Executive, tasked to assist the Board of Directors in performing its corporate governance oversight functions.

Chief Risk Officer

The Chief Risk Officer (CRO) supervises the enterprise risk management (ERM) process and communicates the top risks and the status of implementation of risk management strategies and action plans to the Board. The Officer-in-Charge (OIC) of the Risk Management Group is Juliet S. Dytoc who assumed the position in 2022.

Chief Audit Executive

The Chief Audit Executive (CAE) is responsible for developing and managing a broad, comprehensive program of internal auditing covering the Bank, its subsidiaries, and overseas businesses to provide the Board with independent assessment that key organizational and procedural controls and risk management systems are adequate, effective, and complied with. The Officer-in-Charge (OIC) of the Internal Audit Group is Analisa I. San Pedro, who has held the position since 2021.

Management Committee

PNB's Management Committee is composed of top-tier professionals who are well-accomplished in their respective fields. The Management Committee executes the Bank's strategy and drives business performance. It is headed by the President and CEO, supported by the Chief of Staff.

Legal Vehicles, Business, and Support Groups

As a large, diversified banking group, we have two classifications of business vehicles: domestic subsidiaries, and foreign branches, subsidiaries, and offices.

Within the parent bank, we have different business and support groups that work in unison to achieve our shared mission of becoming a leading provider of financial solutions. Each of the major groups is led by a Sector or Group Head who reports directly to the President and CEO.

BOARD MATTERS

Board Composition

The Bank has fifteen Board members with a broad range of experience and deep industry expertise. They are elected by the shareholders during the annual meeting of the stockholders and hold office for the ensuing year until their successors are elected and qualified. Our directors possess all the qualifications and none of the disqualifications under existing laws and BSP regulations.

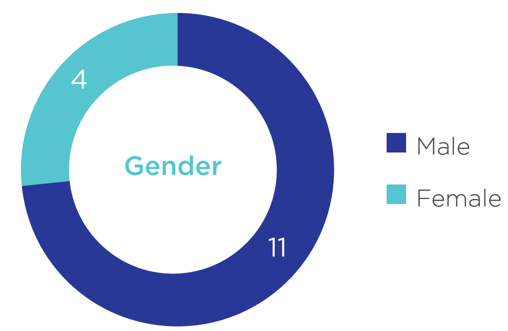
The President and CEO, who has executive responsibility of day-to-day operations, is elected as the sole executive director while the other members are non-executive directors (NEDs) who do not perform any work related to the operations of the Bank.

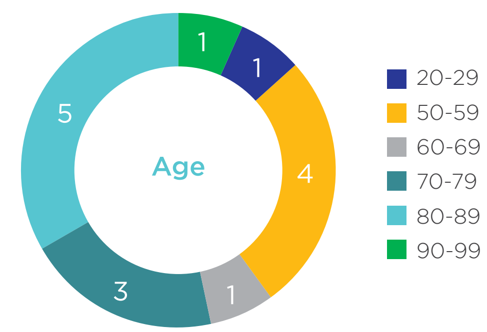
Among the Board members are five independent directors. They are independent of management and free from any business or other relationship which could materially interfere with the exercise of independent judgment in fulfilling their responsibilities as directors.

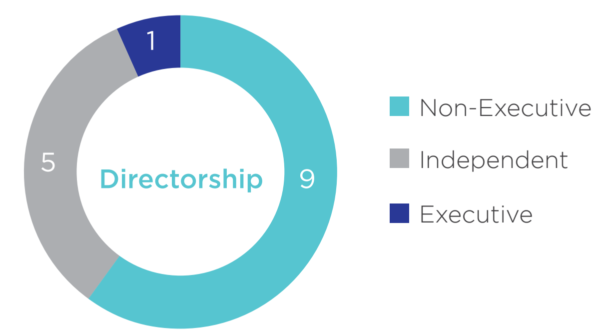
The Corporate Governance and Sustainability Committee reviewed the composition and membership of the Board and Board committees and identified the quality, existing competencies, and skillsets of directors aligned with the Bank's strategic direction.

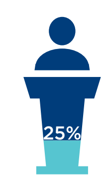
At the Annual Stockholders' Meeting (ASM) in 2021, the following changes in the Board composition were approved by the stockholders:

- Florencia G. Tarriela and Felix Enrico R. Alfiler stepped down as Chairman and Vice Chairman of the Board in compliance with the nine-year term limit for independent directors prescribed under the MORB.
- Christopher J. Nelson also stepped down as Board member effective April 27, 2021.
- Wilfrido E. Sanchez, Angelito M. Villanueva, and Lucio C. Tan III joined the Board effective April 27, 2021.









2 Out of 8 Board Committees are chaired by Women.

CORPORATE GOVERNANCE

During the year, Angelito M. Villanueva stepped down from the Board due to health reasons effective June 27, 2021. He is former Chairman of the Board Audit and Compliance Committee, Vice Chairman of the Risk Oversight Committee, and member of the Corporate Governance and Sustainability Committee and Board Strategy and Policy Committee.

Subsequently, Isabelita M. Papa joined the Board to serve the unexpired term of Mr. Angelito M. Villanueva effective August 5, 2021.

Following the ASM held in April 2021 and the appointment of Isabelita M. Papa in August 2021, the Board of Directors conducted a series of organizational reviews of the chairmanship, membership and overall composition of the board committees. The composition of the eight board committees remained compliant with the applicable BSP and SEC regulations, as well as the standards of the ASEAN Corporate Governance Scorecard. The latest composition can be found under the Board Committees section of this report.

Skills, Competency, and Diversity

We are committed to building an open and inclusive culture and recognize the benefits of having a Board with diverse backgrounds and experience. The current make–up of our Board reflects diversity in gender, age, knowledge, and skills.

In designing the Board's composition, diversity shall be considered from various aspects including but not limited to age, gender, ethnicity, cultural and educational background, skills, competence and knowledge. The Board shall also strive to ensure that there is appropriate representation of women in the Board.

Such diversity will allow the Board to raise challenging questions, contribute to problem-solving, avoid groupthink and ensure that optimal decision-making is achieved.

Consistent with our implementation of the ASEAN Corporate Governance Scorecard, the Bank continuously strives to meet the following:

- At least 50% of the members of the Board have educational background in banking and finance, accounting, economics, or law;
- At least 50% of the members of the Board have relevant skills and experience in the areas of banking and finance, accounting, economics, or law; and
- At least one female independent director.

By December 31, 2021, the Bank met the above–mentioned diversity targets. We have four female directors in the Board, one of whom is independent. The Board members also have diverse educational background, expertise, corporate qualifications, and professional experience including accounting, auditing, aviation and travel, banking and finance, business acumen, consumer goods, economics, general management expertise, legal expertise, manufacturing, real estate, and tobacco.

Nomination and Election of Directors

The criteria for the nomination and election of Board members comprise of knowledge, skills, experience, a record of integrity and good reputation and the ability to promote smooth interaction between Board members. Further, in the case of non-executive directors, the criteria include independence of mind, given their responsibilities to the Board and in light of the Bank's business and risk profile.

External sources were consulted in sourcing potential and qualified directors, including the Institute of Corporate Directors (ICD) and annual reports of other listed companies. As a matter of practice, all shareholders were also invited to recommend nominees for election as a director of the Bank.

The Corporate Secretary presented all nominations to the Corporate Governance and Sustainability Committee, together with the profiles of each nominee that included, among others, their qualifications and experiences, academic and professional backgrounds, and expertise relevant and beneficial to the business of the Bank.

Prior to the Annual Stockholders' Meeting (ASM), the Committee pre-screened the qualifications of the nominees, conducted the nomination procedure, and prepared the final list of all qualified candidates.

Meetings and Attendance

Board meetings are held monthly, and the schedule is set before the start of the financial year. The Corporate Secretary issues the annual Board calendar every December for the ensuing year.

Matters requiring decision and approval and matters which are for the Board's information are clearly set out in the detailed agenda. The Corporate Secretary informs the Board members of the agenda of their meetings and distributes materials at least five business days prior to the scheduled meeting. She likewise ensures that the members possess accurate information that enables them to make sound decisions on matters that require their approval. The Chairman encourages openness and debate at Board meetings and directors participate actively in Board discussions and share their insights on issues and matters tabled.

Two-thirds (2/3) of the directors shall be necessary at all meetings to constitute a quorum for the transaction of any business. In the absence of a quorum at any regular or special meeting, the Board shall adjourn at a later date and shall not transact any business until a quorum is secured.

In 2021, the Board held a total of twenty-six meetings: twelve regular meetings, thirteen special meetings, and one organizational meeting. Each Board member complied with the SEC's minimum attendance requirement of 50%.

Name	No. of Meetings Attended	% Present
Federico C. Pascual	26	100.00
Leonilo G. Coronel	26	100.00
Florido P. Casuela	26	100.00
Edgar A. Cua	26	100.00
Estelito P. Mendoza	16	61.54
Isabelita M. Papa	10 [a]	100.00
Wilfrido E. Sanchez	18 [b]	100.00
Carmen K. Tan	25	96.15
Lucio C. Tan	23	88.46
Lucio C. Tan III	18 [c]	100.00
Michael G. Tan	26	100.00
Sheila T. Pascual	25	96.15
Vivienne K. Tan	26	100.00
Wick A. Veloso	26	100.00
Domingo H. Yap	26	100.00
Florencia G. Tarriela	8 [d]	100.00
Felix Enrico R. Alfiler	8 [e]	100.00
Christopher J. Nelson	8 [f]	100.00
Angelito M. Villanueva	3 [g]	75.00

[a] 10 out of 10, from her election as member of the Board effective August 5, 2021
[b] 18 out of 18, from his election as member of the Board effective April 27, 2021
[c] 18 out of 18, from his election as member of the Board effective April 27, 2021
[d] 8 out of 8, stepped down as Chairman of the Board effective April 27, 2021
[e] 8 out of 8, stepped down as Vice Chairman of the Board effective April 27, 2021
[f] 8 out of 8, stepped down as member of the Board effective April 27, 2021
[g] 3 out of 4, from his election as member of the Board effective April 27, 2021 until his resignation effective June 27, 2021

In addition to the regular and special meetings of the Board, non-executive directors also meet regularly, other than in meetings of the audit, risk oversight, corporate governance, and related party transactions committees, in the absence of senior management, with the external auditor and heads of the internal audit, compliance and risk management functions. The non-executive directors' meeting was held on September 27, 2021 to tackle the audit planning presentation of the Bank's external auditor.

On October 28, 2021, the independent directors met without the presence of any executives to discuss the performance of management, emerging and top risks faced by the Bank, and corresponding strategies or action plans to effectively manage and mitigate those risks.

Remuneration

The remuneration and fringe benefits of Board members consisted of per diem for every Board and Board committee meeting and non-cash benefits such as healthcare plan, group life insurance, and group accident insurance.

The total per diem given to the Board, the total compensation of the President and CEO, and the list of the four most highly compensated executive officers were disclosed in the Definitive Information Statement sent to all shareholders.

No proposal on remuneration for directors was presented to the shareholders for approval in the 2021 ASM.

Retirement and Term Limit

As a matter of policy, a Board member is expected to remain fit and proper for the position of a director for the duration of his term, in accordance with the requirements and qualifications set out under the Bank's Corporate Governance Manual, Manual of Regulations for Banks (MORB), and other applicable requirements under existing laws and BSP regulations. Towards this end, the Bank believes that adopting a fixed limit on director tenure is counterproductive as it may lead to retirement of qualified and well-seasoned directors.

CORPORATE GOVERNANCE

The director has the burden to prove that he possesses all the minimum qualifications and none of the disqualifications set forth in the MORB. He shall continue to be mentally and physically fit to perform his responsibilities, manifested by his attendance and active participation during Board meetings, continuing training and education, and continued dialogue with other directors and key officers of the Bank, among others.

In the event a director no longer has the required fitness, he shall inform the Board of his intent to retire or refrain from seeking re-election.

As for the term limit, an independent director of the Bank may only serve as such for a maximum cumulative term of nine (9) years. After which, the independent director shall be perpetually barred from serving as independent director in the Bank, but may continue to serve as regular director. The nine (9) year maximum cumulative term for independent directors shall be reckoned from 2012. As of December 31, 2021, the Bank has no independent director who has served for more than nine (9) years.

Board Performance Evaluation

Good corporate governance improves Board performance. As such, the Board continuously seeks ways to assess its performance as individual directors and as a collegial body, identifying strengths and areas for improvement, and establishing mechanisms for addressing the results thereof.

The Board of Directors participates in an annual self-assessment exercise to assess their individual and collective performance. This exercise is also designed to determine and measure the adherence of management to corporate governance practices. The questionnaire covers comprehensive evaluation criteria focused on matters such as the director's time commitment and independence, governance landscape, ethical culture in the organization, risk governance, fitness and propriety of Board and Management, and internal controls.

The Board performance evaluation is facilitated by the CCO. He consolidates and reviews the responses and presents the summary of results and significant findings to the Corporate Governance and Sustainability Committee.

The Corporate Governance and Sustainability Committee shall then ensure that the results of the Board performance evaluation are shared, discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement.

In compliance with the SEC's Code of Corporate Governance for Publicly Listed Companies, we have engaged the Institute of Corporate Directors (ICD) to assess the structure, processes, dynamics, roles, and overall performance of the Board and further align our governance framework with best practices. The engagement culminated in May 2021 with favorable results and feedback from ICD facilitators Mr. Geocel Olanday and Ms. Rose Javier. The results of the performance evaluation confirmed that PNB is considered as one of the model enterprises for corporate governance in the Philippines and that the Bank indeed has effective systems and policies in place that ensure its successful governance.

Orientation and Continuing Education

The Board of Directors values ongoing professional development and actively participates in training programs annually to keep abreast of key issues and developments in the industry. Professional development may relate to a particular subject area, committee membership, or key developments in PNB's external environment, market or operations.

The Chairman of the Board ensures the conduct of proper orientation for first-time directors and provide training opportunities for all directors. Board members are encouraged to consult the Chairman if they consider that they personally, or the Board as a whole, would benefit from specific education or training regarding matters that fall within the responsibility of the Board or relate to the business of PNB.

As of December 31, 2021, all fifteen directors complied with the four-hour annual continuing training requirement. On top of the annual Corporate Governance Seminar conducted by SGV & Co. and hosted by the Lucio Tan Group of Companies, directors have also attended online courses on various topics provided by industry experts, including ICD and the Association of Bank Compliance Officers. Certificates of attendance have been submitted to SEC and disclosed to PSE.

The CCO likewise organized an in-house orientation program for new directors covering SEC-mandated topics on corporate governance to ensure that they are properly oriented upon joining the Board and that they are appropriately apprised of their duties and responsibilities, at the start of their directorships.

Name	Program	Date	Host / Training Institution
Federico C. Pascual	Corporate Governance Seminar	August 26, 2021	SGV & Co.
Leonilo G. Coronel	Corporate Governance Seminar	August 26, 2021	SGV & Co.
Florido P. Casuela	Corporate Governance Seminar	August 26, 2021	SGV & Co.
Edgar A. Cua	Corporate Governance Seminar	August 26, 2021	SGV & Co.
Estelito P. Mendoza	Corporate Governance Seminar	August 26, 2021	SGV & Co.
Isabelita M. Papa	Corporate Governance Seminar	August 26, 2021	SGV & Co.
Wilfrido E. Sanchez	Corporate Governance Seminar	August 26, 2021	SGV & Co.
Carmen K. Tan	Corporate Governance Seminar	August 26, 2021	SGV & Co.
Lucio C. Tan	Corporate Governance Seminar	August 26, 2021	SGV & Co.
Lucio C. Tan III	Corporate Governance Seminar	August 26, 2021	SGV & Co.
Michael G. Tan	Corporate Governance Seminar	August 26, 2021	SGV & Co.
Sheila T. Pascual	Corporate Governance Seminar	August 26, 2021	SGV & Co.
Vivienne K. Tan	Corporate Governance Seminar	August 26, 2021	SGV & Co.
Wick A. Veloso	Corporate Governance Seminar	August 26, 2021	SGV & Co.
Domingo H. Yap	Corporate Governance Seminar	August 26, 2021	SGV & Co.
Ruth Pamela E. Tanghal	Corporate Governance Seminar	August 26, 2021	SGV & Co.

Shareholdings

A director is required to advise the Corporate Secretary of his or her shareholdings in the Bank within three (3) business days after his or her appointment or any acquisition, disposal, or change in his or shareholdings. In this regard, all directors shall disclose and report to the Bank any dealings in the Bank's shares within three (3) business days of such dealings in order for the Bank to make the necessary disclosures with the Philippine Stock Exchange and the SEC by filing the requisite SEC Form 23-B.

Directors, Management, and employees considered as "insiders" are prohibited from selling or buying a security of PNB or another company while in possession of material information with respect to the issuer or the security that is not generally available to the public.

Name	No. of Direct PNB Shares as of December 31, 2021	No. of Indirect PNB Shares as of December 31, 2021	Total Direct and Indirect PNB Shares as of December 31, 2021	% of Shares Held to Total Outstanding Shares of Bank
Federico C. Pascual	38	1	39	0.0000025561
Leonilo G. Coronel	0	1	1	0.0000000655
Florido P. Casuela	0	162	162	0.0000106176
Edgar A. Cua	100	0	100	0.0000065541
Estelito P. Mendoza	0	1,150	1,150	0.0000753720
Isabelita M. Papa	0	1	1	0.0000000655
Wilfrido E. Sanchez	0	1	1	0.0000000655
Carmen K. Tan	0	5,000	5,000	0.0003277045
Lucio C. Tan	14,843,119	0	14,843,119	0.9728313639
Lucio C. Tan III	300	0	300	0.0000196623
Michael G. Tan	250	62,000	62,250	0.0040799210
Sheila T. Pascual	100	10	110	0.0000072095
Vivienne K. Tan	0	10	10	0.0000006554
Wick A. Veloso	0	418,395	418,395	0.0274219845
Domingo H. Yap	0	1	1	0.0000000655

Concurrent Directorships

A non-executive director may concurrently serve as director of a maximum of five publicly listed companies. In applying this provision to concurrent directorship in entities within the conglomerate, each entity where the non-executive director is concurrently serving as a director shall be separately considered in assessing compliance to this requirement. As of December 31, 2021, all fifteen directors have complied with the prescribed limit on concurrent directorships.

A director of the Bank must notify the Board of Directors before accepting a directorship in another company.

BOARD COMMITTEES

The Board of Directors has delegated certain functions to eight committees to enable a more focused and specialized attention on specific areas. These are the Board Audit and Compliance Committee (BACC), Board IT Governance Committee (BITGC), Board Oversight RPT Committee (BORC), Board Strategy and Policy Committee (BSPC), Corporate Governance and Sustainability Committee, Executive Committee (EXCOM), Risk Oversight Committee (ROC), and Trust Committee.

Name	Board Audit and Compliance	Board IT Governance	Board Oversight RPT	Board Strategy and Policy	Corporate Governance	Executive	Risk Oversight	Trust
Federico C. Pascual			M	VC	C	M (Non-voting)		M (Non-voting)
Leonilo G. Coronel				C		C	M	M
Florido P. Casuela		M		M		VC	M	C
Edgar A. Cua	VC	M	VC	M			C	
Estelito P. Mendoza								
Isabelita M. Papa	C	M		M	M		VC	
Wilfrido E. Sanchez				M	VC	M (Non-voting)	M	M (Non-voting)
Carmen K. Tan								
Lucio C. Tan								
Lucio C. Tan III		VC		M		M		
Michael G. Tan	M			M		M		
Sheila T. Pascual				M		M		VC
Vivienne K. Tan		C		M		M	M	M
Wick A. Veloso		M		M		M		M
Domingo H. Yap			C		M			

Legend:
C – Chairman
VC – Vice Chairman
M – Member

Board Audit and Compliance Committee (BACC)

Mandate:
- Assists the Board in the performance of its oversight responsibility relating to financial reporting process, systems of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations

Structure and membership:
- Chaired by an independent director
- Composed of two independent directors and one non-executive director
- The membership, composition, and independence of the BACC meets the requirements under existing laws, BSP and SEC regulations, and the ASEAN Corporate Governance Scorecard.

Meetings and Attendance:
- In 2021, BACC held a total of twenty-one meetings.
- The committee charter stipulates that meetings shall be held at least four times a year. Special meetings may be convened, as necessary. Meetings can only be held if attended by majority of the members; but the vote of the majority of the quorum which in no case is less than two members is required to approve any act in all the meetings of the committee.

Name	Role	No. of meetings attended	% Present
Isabelita M. Papa	Chairman, Independent Director	8 [a]	100.00
Edgar A. Cua	Vice Chairman, Independent Director	21	100.00
Michael G. Tan	Member, Non-executive Director	14 [b]	100.00
Angelito M. Villanueva	Chairman, Independent Director	2 [c]	100.00
Florencia G. Tarriela	Member, Independent Director	7 [d]	100.00
Felix Enrico R. Alfiler	Member, Independent Director	7 [e]	100.00

[a] 8 out 8, from her appointment as Chairman effective August 27, 2021
[b] 14 out 14, from his appointment as member effective April 27, 2021
[c] 2 out of 3, from his election as Chairman effective April 27, 2021 until his resignation effective June 27, 2021
[d] 7 out of 7, stepped down as member effective April 27, 2021
[e] 7 out of 7, stepped down as member effective April 27, 2021

Board IT Governance Committee (BITGC)

Mandate:
- Reviews and endorses for approval of the Board the enterprise IT strategic plans of the parent bank, its subsidiaries, and affiliates
- Reviews and monitors significant IT concerns including disruption, cyber security, and disaster recovery to ensure that all key risks are identified, managed and reported to the Board

Structure and membership:
- BITGC consists of six members: three non-executive directors, two independent directors, and one executive director

Meetings and Attendance:
- In 2021, BITGC held a total of twelve meetings.
- The committee charter stipulates that meetings shall be held at least every month. Meetings can only be held if attended by a majority of the members less one member; but the vote of the majority of the quorum which in no case is less than two members is required to approve any act in all the meetings of the committee.

Name	Role	No. of meetings attended	% Present
Vivienne K. Tan	Chairman, Non-executive Director	12	100.00
Lucio C. Tan III	Vice Chairman, Non-executive Director	4 [a]	50.00
Florido P. Casuela	Member, Non-executive Director	12	100.00
Edgar A. Cua	Member, Independent Director	7 [b]	100.00
Isabelita M. Papa	Member, Independent Director	4 [c]	100.00
Wick A. Veloso	Member, Executive Director	11	91.67
Leonilo G. Coronel	Member, Non-executive Director	8 [d]	100.00
Christopher J. Nelson	Member, Non-executive Director	4 [e]	100.00
Florencia G. Tarriela	Member, Independent Director	4 [f]	100.00

[a] 4 out of 8, from his election as Vice Chairman effective April 27, 2021
[b] 7 out of 7, from his election as member effective May 28, 2021
[c] 4 out of 4, from her election as member effective August 27, 2021
[d] 11 out of 11, stepped down as member effective August 27, 2021
[e] 4 out of 4, stepped down as member effective April 27, 2021
[f] 4 out of 4, stepped down as member effective April 27, 2021

Board Oversight RPT Committee (BORC)

Mandate:
- Oversees the evaluation of RPTs that present the risk of potential abuse and evaluates all material RPTs to ensure that these are conducted in the normal course of business

Structure and membership:
- Composed entirely of independent directors
- Chaired by an independent director
- Chairman of the BORC is not the Chairperson of the Board or of any other Board committee
- The Chief Compliance Officer (CCO) and the Chief Audit Executive (CAE) also sit as non-voting members of the committee.

Meetings and Attendance:
- In 2021, BORC held a total of fourteen meetings.
- The committee charter stipulates that BORC shall conduct monthly meetings or as necessary. Meetings can only be held if attended by a majority of the members; but the vote of the majority of the quorum which in no case is less than two members is required to approve any act in all the meetings of the committee.

Name	Role	No. of meetings attended	% Present
Domingo H. Yap	Chairman, Independent Director	14	100.00
Edgar A. Cua	Vice Chairman, Independent Director	14	100.00
Federico C. Pascual	Member, Independent Director	14	100.00
Isagani A. Cortes	Non-voting Member	14	100.00
Samuel G. Lazaro	Non-voting Member	12 [a]	100.00
Analisa I. San Pedro	Non-voting Member	2 [b]	100.00

[a] 12 out of 12; stepped down as Officer-in-Charge of Internal Audit Group effective November 1, 2021
[b] 2 out of 2; appointed as Officer-in-Charge of Internal Audit Group effective November 2, 2021

Board Strategy and Policy Committee (BSPC)

Mandate:
- Serves as the governing Board committee in exercising authority and delegating to Management the implementation of the Board-approved strategic plans and policies

Structure and membership:
- BSPC consists of eleven members: four independent directors, six non-executive directors and one executive director.

Meetings and Attendance:
- In 2021, BSPC held a total of thirty-nine meetings.
- The committee charter stipulates that regular meetings shall be held at least every month. Meetings can only be held if attended by a majority of the members.

Name	Role	No. of meetings attended	% Present
Leonilo G. Coronel	Chairman, Non-executive Director	39	100.00
Federico C. Pascual	Vice Chairman, Independent Director	39	100.00
Florido P. Casuela	Member, Non-executive Director	38	97.44
Edgar A. Cua	Member, Independent Director	39	100.00
Isabelita M. Papa	Member, Independent Director	16 [a]	100.00
Sheila T. Pascual	Member, Non-executive Director	39	100.00
Wilfrido E. Sanchez	Member, Independent Director	28 [b]	100.00
Lucio C. Tan III	Member, Non-executive Director	23 [c]	82.14
Michael G. Tan	Member, Non-executive Director	39	100.00
Vivienne K. Tan	Member, Non-executive Director	39	100.00
Wick A. Veloso	Member, Executive Director	39	100.00
Felix Enrico R. Alfiler	Chairman, Independent Director	11 [d]	100.00
Christopher J. Nelson	Member, Non-executive Director	11 [e]	100.00
Florencia G. Tarriela	Member, Independent Director	11 [f]	100.00
Angelito M. Villanueva	Member, Independent Director	2 [g]	50.00

[a] 16 out of 16, from her election as member effective August 27, 2021
[b] 28 out of 28, from his election as member effective April 27, 2021
[c] 23 out of 28, from his election as member effective April 27, 2021
[d] 11 out of 11, stepped down as Chairman effective April 27, 2021
[e] 11 out of 11, stepped down as member effective April 27, 2021
[f] 11 out of 11, stepped down as member effective April 27, 2021
[g] 2 out of 4, from his election as member effective April 27, 2021 until his resignation effective June 27, 2021

Corporate Governance and Sustainability Committee

Mandate:
- Assists the Board in the performance of its governance responsibilities, including the functions of the Nomination and Remuneration Committee, ensuring compliance with and proper observance of good corporate governance
- Oversees the consistent implementation of the Bank's sustainability framework

Structure and membership:
- Chaired by the Chairperson of the Board who is an independent director
- Composed entirely of independent directors

Meetings and Attendance:
- In 2021, the committee held a total of fifteen meetings.
- The committee charter stipulates that meetings shall be held at least every month. Meetings can only be held if attended by a majority of the members; but the vote of the majority of the quorum which in no case is less than two members is required to approve any act in all the meetings of the committee.

Name	Role	No. of meetings attended	% Present
Federico C. Pascual	Chairman, Independent Director	15	100.00
Wilfrido E. Sanchez	Vice Chairman, Independent Director	9 [a]	100.00
Isabelita M. Papa	Member, Independent Director	4 [b]	100.00
Domingo H. Yap	Member, Independent Director	15	100.00
Florencia G. Tarriela	Chairman, Independent Director	6 [c]	100.00
Felix Enrico R. Alfiler	Member, Independent Director	6 [d]	100.00
Angelito M. Villanueva	Member, Independent Director	1 [e]	50.00

[a] 9 out of 9, from his election as Vice Chairman effective April 27, 2021
[b] 4 out of 4, from her election as member effective August 27, 2021
[c] 6 out of 6, stepped down as Chairman effective April 27, 2021
[d] 6 out of 6, stepped down as member effective April 27, 2021
[e] 1 out of 2, from his election as member effective April 27, 2021 until his resignation effective June 27, 2021

CORPORATE GOVERNANCE

Executive Committee

Mandate:

- Assists the Board in the review of proposals regarding credit facilities, investments in financial assets, borrowings, and other credit or transactional matters in line with the Bank's strategic goals

Structure and membership:

- The membership and composition of the committee complies with the requirements of the Revised Corporation Code and other applicable laws.
- The committee consists of nine members: six non-executive directors, two independent directors, and one executive director.
- Independent directors may be appointed as non-voting members and may assume an advisory capacity to the committee. Non-voting members shall not vote with respect to any determination and proposal requiring the approval or notation of the committee and shall not count towards a quorum at any meeting.

Meetings and Attendance:

- In 2021, the Executive Committee held a total of fifty-two meetings.
- The presence of a majority of the members of the committee shall constitute a quorum. The unanimous vote of all the members present at the meeting shall be required to approve any act in all the meetings of the committee, otherwise the proposal under consideration shall be elevated to the Board for approval.

Name	Role	No. of meetings attended	% Present
Leonilo G. Coronel	Chairman, Non-executive Director	52	100.00
Florido P. Casuela	Vice Chairman, Non-executive Director	52	100.00
Sheila T. Pascual	Member, Non-executive Director	50	96.15
Lucio C. Tan III	Member, Non-executive Director	28 [a]	77.78
Michael G. Tan	Member, Non-executive Director	51	98.08
Vivienne K. Tan	Member, Non-executive Director	52	100.00
Wick A. Veloso	Member, Executive Director	48	92.31
Federico C. Pascual	Non-voting Member, Independent Director	36 [b]	100.00
Wilfrido E. Sanchez	Non-voting Member, Independent Director	36 [c]	100.00
Felix Enrico R. Alfiler	Non-voting Member, Independent Director	16 [d]	100.00
Christopher J. Nelson	Member, Non-Executive Director	16 [e]	100.00
Florencia G. Tarriela	Non-voting Member, Independent Director	16 [f]	100.00

[a] 28 out of 36, from his election as member effective April 27, 2021
[b] 36 out of 36, from his election as non-voting member effective April 27, 2021
[c] 36 out of 36, from his election as non-voting member effective April 27, 2021
[d] 16 out of 16, stepped down as non-voting member effective April 27, 2021
[e] 16 out of 16, stepped down as member effective April 27, 2021
[f] 16 out of 16, stepped down as non-voting member effective April 27, 2021

Risk Oversight Committee (ROC)

Mandate:

- Assists the Board of Directors in overseeing the risk profile and approving the risk management framework of the Bank, its subsidiaries, and affiliates

Structure and membership:

- Consists of six members: three independent and three non-executive directors
- Chaired by an independent director
- Chairman of ROC is not the Chairperson of the Board or of any other Board committee.

Meetings and Attendance:

- In 2021, ROC held a total of thirty-two meetings.
- The committee charter stipulates that regular meetings shall be held at least every month. Meetings can only be held if attended by a majority of the members; but the vote of the majority of the quorum is required to approve any act in all the meetings of the committee.

Name	Role	No. of meetings attended	% Present
Edgar A. Cua	Chairman, Independent Director	32	100.00
Isabelita M. Papa	Vice Chairman, Independent Director	17 [a]	100.00
Florido P. Casuela	Member, Non-executive Director	31	96.88
Leonilo G. Coronel	Member, Non-executive Director	32	100.00
Wilfrido E. Sanchez	Member, Independent Director	24 [b]	100.00
Vivienne K. Tan	Member, Non-executive Director	32	100.00
Federico C. Pascual	Chairman, Independent Director	8 [c]	100.00
Angelito M. Villanueva	Vice Chairman, Independent Director	2 [d]	66.67
Felix Enrico R. Alfiler	Member, Independent Director	8 [e]	100.00

[a] 17 out of 17, from her election as Vice Chairman effective August 27, 2021
[b] 24 out of 24, from his election as member effective April 27, 2021
[c] 8 out of 8, stepped down as Chairman effective April 27, 2021
[d] 2 out of 3, from his election as Vice Chairman effective April 27, 2021 until his resignation effective June 27, 2021
[e] 8 out of 8, stepped down as member effective April 27, 2021

Trust Committee

Mandate:

- Oversees the fiduciary activities of the Bank and ensures that these are conducted in accordance with applicable laws, rules and regulations, and prudent practices

Structure and membership:

- The committee consists of eight members: two independent directors, four non-executive directors, one executive director, and the Chief Trust Officer.
- No member of the BACC is concurrently designated as a member of the Trust Committee.

Meetings and Attendance:

- In 2021, the Trust Committee held a total of twelve meetings.
- As stipulated in its charter, the committee shall meet at least once every quarter. The presence of a majority of the members of the committee less one member shall constitute a quorum; but the vote of the majority of the quorum which in no case is less than two members is required to approve any act in all the meetings of the committee.

Name	Role	No. of meetings attended	% Present
Florido P. Casuela	Chairman, Non-executive Director	5 [a]	100.00
Sheila T. Pascual	Vice Chairman, Non-executive Director	12	100.00
Leonilo G. Coronel	Member, Non-executive Director	6 [b]	100.00
Vivienne K. Tan	Member, Non-executive Director	12	100.00
Federico C. Pascual	Non-voting Member, Independent Director	11 [c]	100.00
Wilfrido E. Sanchez	Non-voting Member, Independent Director	7 [d]	100.00
Wick A. Veloso	Ex-officio, Executive Director	11	91.67
Joy Jasmin R. Santos	Ex-officio, Chief Trust Officer	12	100.00
Christopher J. Nelson	Chairman, Non-executive Director	4 [e]	100.00

[a] 5 out of 5, from his election as Chairman effective July 23, 2021
[b] 6 out of 6, from his election as Chairman on May 28, 2021, stepped down as Chairman on July 23, 2021 and was reappointed as member effective August 27, 2021
[c] 11 out of 11, stepped down as non-voting member on April 27, 2021 and was reappointed as non-voting member effective May 28, 2021
[d] 7 out of 7, from his election as non-voting member effective May 28, 2021
[e] 4 out of 4, stepped down as Chairman effective April 27, 2021

CORPORATE GOVERNANCE

MANAGEMENT COMMITTEE

As the highest-ranking officer in the organization, the President and CEO is primarily accountable to the Board of Directors in championing the desired conduct and behavior and promoting the long-term interests of the Bank. He is supported by the Chief of Staff.

The Management Committee (MANCOM) assists the President and CEO in the implementation of the overall strategy and oversees the management and affairs of the Bank. MANCOM ensures that the activities and operations are consistent with the defined strategic objectives, risk strategy, and policies as approved by the Board.

The Chief Legal Counsel handles all legal matters and cases filed for or against the Bank and renders opinions and advice on questions of law. He plays a significant and indispensable role in the management of legal risk. The Chief Compliance Officer (CCO), on the other hand, oversees the design of an appropriate compliance system, promotes its effective implementation, and addresses breaches that may arise. He liaises with government regulatory bodies regarding relevant compliance matters.

Meanwhile, the Chief Risk Officer (CRO) oversees the risk management function and proposes enhancements to internal processes to ensure that the Bank's infrastructure, systems, and processes are robust and effective to fully support strategic objectives and risk-taking activities. He is also the Bank's Data Protection Officer (DPO) tasked to monitor compliance with the Data Privacy Act or Republic Act No. 10173, its implementing rules and regulations, issuances by the National Privacy Commission, and other applicable laws and policies.

In addition, the Chief Audit Executive (CAE) develops and manages a broad and comprehensive program of internal auditing covering the Bank, its subsidiaries, and overseas businesses to provide the Board with independent assessment on key organizational and procedural controls. The CAE also ensures that risk management systems are adequate, effective, and complied with.

The Chief Information Security Officer (CISO), who reports directly to the ROC, plays a key role in providing leadership and support for information security as well as balancing business and security requirements. The CISO is also responsible for ensuring that information security risks are within acceptable levels.

The complete background and qualifications of the members of the MANCOM can be found on the Profiles of the Management Committee.

COMPLIANCE

We believe that a sound and effective compliance regime is the cornerstone of PNB's strength and market presence, backed by over a century of stability and excellence. We adhere to the values of integrity, ethics, and good governance in the conduct of our business and affairs, exercising prudence in arriving at decisions, and upholding transparency and accountability to our regulators.

The Global Compliance Group (GCG) is responsible for the timely identification and mitigation of risks that may erode the franchise value of PNB, such as risks of legal or regulatory sanctions, material financial loss, or loss to reputation as a result of its failure to comply with laws, rules, related self-regulatory organization standards, and codes of conduct applicable to PNB's operations. Compliance risk management is an integral part of our culture and risk governance framework.

GCG is headed by the CCO, who functionally reports to the BACC and administratively, to the President and CEO. GCG is independent from the line of business and is composed of six divisions: Financial Crime Risk, Regulatory Compliance Risk, Compliance International, Compliance Assurance, Compliance Operations, and Corporate Governance.

GCG, through the CCO, oversees the overall design and effective implementation of the Compliance Program, which serves as the authoritative codification of GCG's powers, mandate, authority, and formal status within the organization. The program likewise fosters adherence to banking laws, rules and regulations and is ultimately aimed to promote the safety and soundness of PNB's operations.

Financial Crime Risk

In an age when money laundering, bribery, and corruption have become rampant, mitigation of financial crime risks is crucial in preserving the integrity of the financial system. Combatting threats to the financial system is not only a need but an absolute necessity to ensure that we preserve not only the interest of our clients while maintaining the full integrity of our financial institution.

The Bank's efforts to combat financial crime must not only be comprehensive but also absolute. The Financial Crime Risk Division (FRCD) under GCG is its primary arm in combatting any financial crime related activities. FCRD encompasses five key areas: anti-money laundering, counter terrorist financing, sanctions, anti-bribery and corruption, and tax transparency.

The Division's mandate was expanded to cover not only money laundering, but also other forms of financial crime. The Division ensures that all operating units of the Bank consistently comply with the requirements and obligations set out in legislation, rules, regulations, banking guidance, global best practices and that adequate systems and controls are in place to mitigate the risk of the Bank being used as a conduit to facilitate financial crime.

Regulatory Compliance Risk

The Regulatory Compliance Risk Division ensures adherence to banking laws, rules, regulations, and guidelines issued and mandated by the Bank's various regulators. The Division observes ongoing dissemination of regulatory issuances to various units through the appointed Compliance Officer Designates.

Compliance Assurance

The Compliance Assurance Division reviews and assesses the level of compliance on applicable rules and regulations of the business and examines the appropriateness and reliability of existing processes and adequacy of controls to mitigate risks that may erode the franchise value of PNB.

Compliance Operations

The Compliance Operations Division is responsible for data governance to ensure the accuracy and authenticity of data handled by the GCG and its data analytics to develop compliance risk insights and intelligence on our clients and their transactions.

Compliance International

PNB boasts of having the most extensive international footprint among Philippine banks with 70 overseas Branches and offices across Asia, Europe, Middle East, and North America. The Compliance International Division performs oversight and management of overseas branches, offices, and subsidiaries to ensure consistent compliance to local and host country relevant laws, rules, and regulations and alignment with the corporate standards established by the Bank.

INTERNAL AND EXTERNAL AUDIT

The Internal Audit Group (IAG), headed by the Chief Audit Executive (CAE), performs the internal audit activities for the Bank which is strictly guided by its conformance with the International Standards for the Professional Practice of Internal Auditing (ISPPIA) and full compliance with the mandate for the third line of defense role instituted by the BSP regarding Internal Audit Function and Internal Control Framework. IAG provides independent, objective assurance and consulting services to evaluate and improve the effectiveness of risk management, control, and governance processes. IAG achieves this through the competent application of systematic and disciplined processes, expertise, and insight.

IAG maintains independence from the business lines and reports directly to the BACC monthly. The BACC is responsible for the establishment of IAG and the appointment, re-appointment, and replacement of the CAE and the Deputy Chief Audit Executive (DCAE). The responsibility of the BACC includes the annual performance review of the CAE, accepting the resignation and/or dismissal subject to due process. It also reviews, evaluates, and approves the Annual Audit Plan as well as the audit reports to the extent that the BACC Chairman may issue directives to the Senior Management to develop and implement necessary corrective actions in a timely manner.

On the other hand, the external auditor undertakes an independent audit of the Bank and provides an objective assurance regarding the manner under which the financial statements are prepared and presented to the shareholders. The external auditor also ensures the establishment and maintenance of an environment of good corporate governance as reflected in the financial records and reports of the Bank.

The BACC has the sole authority to select, evaluate, appoint, dismiss, and re-appoint the external auditor (subject to shareholder ratification) and shall approve in advance all audit engagement fees and terms and all audit-related, and tax compliance engagements with the external auditor.

The external auditor is expected to charge only reasonable audit fees. In determining reasonable fees, the following factors may be considered: (a) expected hours needed to complete the scope of work envisioned in the audit plan; (b) complexity of the activities and structure of the Bank; (c) level of internal audit assistance; (d) level of fees being charged by other audit firms; and (e) quality of audit services.

CORPORATE GOVERNANCE

RIGHTS OF SHAREHOLDERS

PNB's shareholders have the following rights and privileges, thus: (a) right to inspect corporate books and records; (b) right to information; (c) right to dividends; (d) opportunity to place agenda items prior to and raise questions during the stockholders' meeting; and (e) right to vote on all matters that require their consent or approval.

All shareholders have the right to nominate and elect candidates for the Board of Directors. They also have the right to remove and replace directors and vote on certain corporate acts in accordance with the Revised Corporation Code, including, but not limited to: (i) amendment in the Bank's Articles of Incorporation and By-Laws, (ii) authorization of additional shares, and (iii) transfer of all or substantially all assets. The rights and responsibilities of shareholders are discussed in detail in the Bank's Corporate Governance Manual and By-Laws, accessible through PNB's website.

Stockholders' Meeting

PNB's shareholders are the highest authority in the Bank's governance structure. The stockholders' meeting serves as an avenue to make decisions based on the interests of the Bank in a fair and transparent manner.

The stockholders' meetings consist of the Annual Stockholders' Meeting (ASM), held once a year; and, special meetings, which may be held as needed in accordance with the procedure provided in the By-Laws and applicable laws.

Pursuant to the Bank's By-Laws, the ASM shall be held at the principal office of the Bank or any other place within Metro Manila as may be determined by the majority of the Board, on the last Tuesday of April of each year, unless such day is a legal holiday, in which case, the meeting shall be held on the following business day.

Special meetings may be called by the Chairperson of the Board, by the President and CEO, by a majority of the Board, or on the demand, in writing, of the shareholders who own majority of the voting stock.

In light of the COVID-19 pandemic, and to safeguard the health and ensure the safety of the stockholders and stakeholders of the Bank, the ASM was held virtually on April 27, 2021.

Before the ASM

On February 26, 2021, the Board of Directors approved the holding of the ASM on April 27, 2021 through remote communication and allowed voting *in absentia* to provide the stockholders a safer mode of attendance and participation in the Bank's ASM. The Notice of the ASM was disclosed to the PSE Edge on the same day.

The Notice was also published, in print and online format, from March 30, 2021 to March 31, 2021 in The Philippine Star and in the BusinessWorld, and from April 11, 2021 to April 17, 2021 in The Manila Bulletin, The Philippine Star, and the BusinessWorld.

During the ASM

The Bank conducted its recent ASM via remote communication and implemented electronic voting *in absentia* to provide the Directors, Senior Management, shareholders, and other stakeholders a safer mode of attendance and participation in the ASM and to comply with the Revised Corporation Code of the Philippines and SEC Memorandum Circular No. 6, series of 2020.

Fourteen (14) out of fifteen (15) members of the Board, the Chairperson of the Board, the President and Chief Executive Officer (CEO), the Chairman of the Board Audit and Compliance Committee (BACC), the Chief Compliance Officer (CCO), the Investor Relations Officer, representatives of the external auditors, and other key officers attended the virtual ASM.

The Chairperson of the Board formally opened the 2021 ASM. The Corporate Secretary certified the existence of a quorum for a valid transaction of business at the meeting. Every shareholder qualified to vote was entitled to one vote for each share of stock standing in his or her name on the books of the Bank.

Shareholders voted on the following agenda: (a) approval of the Minutes of shareholders' meeting held the previous year; (b) approval of the Annual Report and the Audited Financial Statements (AFS); (c) election of directors; and (d) appointment of the External Auditor. All legal acts, resolutions and proceedings of the Board, including approvals on Related Party Transactions (RPTs) endorsed by the Board Oversight RPT Committee (BORC), were also included on the agenda of the ASM for ratification of disinterested shareholders.

Shareholders are allowed to elect directors individually. Each resolution deals with only one item; there is no bundling of several items into the same resolution.

At the meeting, shareholders were encouraged to express their opinions and raise any questions, either on the agenda or any other questions related to the business and operations of the Bank. All questions had been answered by the Board and the Bank's corporate officers and were recorded in the Minutes of the meeting.

The Bank engaged its external counsel, Roxas Delos Reyes Laurel Rosario & Gonzales Law Offices, for the validation of proxies and votes cast during the meeting.

After the ASM

The results of the meeting were disclosed to the PSE Edge and on the Bank's website on April 27, 2021. The Minutes of the ASM were uploaded to the Bank's website on April 30, 2021. The Minutes contained the voting results including approving, dissenting, and abstaining votes for all resolutions/each agenda item, questions raised by shareholders, responses from the Board and officers, and attendance of the Board members and key officers.

DISCLOSURE AND TRANSPARENCY

PNB Website

The official website of PNB serves as an avenue to reach out to clients, investors, shareholders, and various stakeholder groups. As such, the Bank aspires to promote transparency and open communication to the public by ensuring timely and accurate disclosure of relevant and material information including financial statements and reports, materials provided in briefings to analysts and media (i.e., investor presentation materials and briefing notes), downloadable Annual Report, Notice and Minutes of the Annual Stockholders' Meeting, and the company's constitution (Articles of Incorporation and By-laws).

Annual and Quarterly Reports

We provide complete and accurate information on our operations and affairs regularly. The annual and quarterly reports are the primary disclosure mechanisms used by the Bank to convey its financial performance in a comprehensive, accurate, reliable, and timely manner. The reports provide a fair and complete picture of PNB's financial condition and results of business operations. Management's statement of responsibility regarding the company's financial statements and the fair and truthful preparation thereof is included in this Annual Report.

The reports are also being disclosed in accordance with the reportorial requirements of the SEC and PSE.

Press Releases and Media Briefings

PNB embraces print, broadcast and online media as relevant communication channels due to their extensive reach and accessibility. The Management regularly engages with various journalists and media outlets to discuss the bank's views, programs and efforts. Since the pandemic, these press engagements were done through teleconferences and online discussions. The conversation likewise focused on how COVID-19 is changing the business of banking and how bankers are preparing and pivoting towards new opportunities.

Investor Relations

Investor relations enable the Bank to keep the communication and information open with investors and help to maintain the Bank's foothold in the financial market. Despite the prolonged pandemic, the Bank continued its efforts in deepening its engagement with shareholders, investors, analysts, and the media through virtual conferences and briefings.

PNB has implemented its Investor Relations Program aimed at promoting investors' awareness and name recognition through participation in domestic and international conferences sponsored by fund managers as well as improving investors' perception of the Bank by keeping them abreast of recent developments in the Bank through constant communications. This program is also designed to effectively address concerns of shareholders and investors that could materially affect the Bank's reputation, operations, and viability particularly during this period of uncertainties brought about by the global pandemic.

The Investor Relations Program is anchored on three main principles:

- *Accuracy and Timeliness:* we are committed to provide analysts, credit rating agencies, investors, and shareholders with correct and up-to-date information on developments in the Bank;
- *Transparency:* we are committed to disclose relevant information to investors and shareholders in accordance with the prescribed standard of disclosure by regulatory agencies; and
- *Consistency and Impartiality:* we are committed to prepare the same, unbiased information and to make said information accessible to all interested analysts, credit rating agencies, investors, and existing shareholders through various modes of communication.

The contact information of the Investor Relations Officer is available at the PNB website.

In 2021, PNB also actively participated in various virtual investor events and conferences sponsored by investment bank and financial services companies with discussions focused on PNB's operating results and outlook on growth and asset quality, overall strategy amid the dynamically evolving business environment.

The following were the quarterly briefings held jointly by LTG and PNB for the analysts and investors:

Date of Analysts' and Investors' Briefing Hosted by LTG and PNB	Key Discussion Points / Subject
March 19, 2021	Virtual Analysts' Briefing on the LTG Companies' 2020 Full-Year Financial Results
May 11, 2021	Virtual Analysts' Briefing on the LTG Companies' 2021 Three-Month Financial Results
August 11, 2021	Virtual Analysts' Briefing on the LTG Companies' 2021 Six-Month Financial Results
November 12, 2021	Virtual Analysts' Briefing on the LTG Companies' 2021 Nine-Month Financial Results

Likewise, the Bank attended the following virtual conferences sponsored by investment companies:

Date of Investment Banks/Companies-sponsored Virtual Conferences	Key Discussion Points / Subject
January 27, 2021	15th J.P. Morgan Philippine Conference 2021
May 21, 2021	Virtual J.P. Morgan ASEAN Financial Day
June 23, 2021	Virtual Meeting with Sunlife Investment Team
August 20, 2021	Maybank Kim Eng Invest ASEAN 2021 (IA2021) Philippines Week

GOVERNANCE POLICIES AND PRACTICES

Corporate Governance Manual

The Corporate Governance Manual institutionalizes the principles of good corporate governance in PNB. The Corporate Governance Division regularly conducts review and evaluation of the Manual to ensure its continuing suitability, adequacy, and effectiveness.

The Manual clearly defines the roles, responsibilities, and accountabilities of the Board of Directors, together with the types of decisions requiring its approval. The Manual is publicly disclosed and accessible through the Bank's website.

Corporate Governance Confirmation Statement

The Bank adopts a policy of full compliance with the Code of Corporate Governance. PNB has substantially complied with the recommendations of the Code of Corporate Governance for Publicly Listed Companies, except for the following:

1) 30% public float requirement to increase liquidity in the market; and
2) Disclosure of director remuneration and executive compensation on an individual basis.

The details of the Bank's compliance with the Code of Corporate Governance and the explanation for the abovementioned items can be found in its Integrated Annual Corporate Governance Report, published on the PNB website.

Moreover, the Bank has substantially complied with the provisions and requirements set forth in the Corporate Governance Manual and there were no reported significant deviations from what is expected from its Directors, Board Advisors, officers, and employees.

Code of Ethics for Directors

The Code of Ethics for Directors serves as a guide of principles designed to enable the Board in exercising its powers, duties, and responsibilities in accordance with fit and proper standards. This establishes the minimum standards of conduct expected of all directors. As such, the Code shall be read in conjunction with the Bank's Corporate Governance Manual, articles of incorporation, bylaws, and internal policies and procedures.

The provisions of the Code shall apply to all members of the Board, whether executive, non-executive or independent, of PNB. All members of the Board are expected to observe and uphold the principles set out in the Code.

Code of Conduct for Employees

The Code of Conduct for Employees is designed to prescribe a moral code for employees which would not only instill discipline but also yield higher productivity at the workplace and enhance and safeguard the corporate image of the Bank. The provisions of the Code apply to all employees including its overseas branches and offices and PNB's domestic and foreign subsidiaries.

Each employee is furnished with a copy of the Bank's Code of Conduct. Moreover, they can access the Code through the Bank's intranet.

Each individual accomplishes an Acknowledgement Receipt certifying therein that he/she has been furnished with a copy of the Code; that he/she has fully read and understood the provisions embodied in the Code; and that he/she promises to abide with the rules and regulations of the Code.

Any failure to abide with the provisions of the Code is reported by the immediate supervisor and/or Head of Office concerned to the Human Resource Group and/or Corporate Governance and Sustainability Committee. A designated committee may subsequently evaluate the report to determine if any sanction or disciplinary action should be taken against the erring employee or director.

Whistleblowing Mechanism

It is the responsibility of all directors, officers, and employees to report suspected or actual occurrence of fraud and/or violation of any law, rule, policy, and misconduct, in accordance with the Bank's Whistleblower Policy.

Under the policy, a whistleblower may be an employee of the Bank or a third party who discloses, in good faith, any illegal, unethical, or improper behaviors or practices, and misconduct in the Bank. He/ She can report any suspected or actual infraction to any of the members of the Bank's Ethical Standards Committee (ESC), President/CEO, Chief Compliance Officer (CCO), Chief Audit Executive (CAE) or Chief Legal Counsel (CLC); or via the dedicated whistleblower hotline and electronic mail which are managed by the ESC Secretariat. Fraud cases involving monetary loss shall be reported directly to the President to ensure the anonymity of the whistleblower.

Whistleblowers are protected from retaliation by ensuring that his/her identity is kept in strict confidence. Anyone who retaliates against the whistleblower is subject to disciplinary action, including the possibility of termination or dismissal from the Bank service.

The whistleblower may report verbally or in written form any act of harassment, bullying, or adverse personnel action experienced to any of the members of the ESC and the senior officers, as stated above.

The Bank shall grant incentives to whistleblowers who provide credible information leading to the uncovering of financial fraud.

Anti-Bribery and Anti-Corruption

In line with the Bank's commitment to ensure that business dealings are conducted with the highest level of integrity and professionalism, employees are prohibited from engaging in any form of bribery such as the following:

- Giving/offering pecuniary benefits to external parties with the intention to influence the other party to commit a violation for personal and/or business advantage.
- Acceptance/receiving of pecuniary benefits from clients, suppliers, service providers in order to facilitate the processing or approval of transactions or service agreements with the Bank despite deficiency and/or non-compliance with the standard requirements and procedures.

Employees who have knowledge of any form of irregular transactions or corrupt practices being entered into by an office or an employee under the name of the Bank must report the same through the offices identified in our Whistleblower Policy.

Consumer Welfare

Embedding consumer protection practices across the organization is at the forefront of the Bank's corporate responsibility–from the Board of Directors who approves the policies and conducts oversight in the implementation of the Bank's Consumer Protection Risk Management System (CPRMS) and Consumer Assistance Management System (CAMS) to the Management Committee who ensures that all consumer protection practices are aligned with the approved policies and risk management system which is consistently adhered to by relevant units.

Consumers have the right to be informed of the benefits as well as the risks involved regarding the products and services they availed from the Bank. Throughout the banking relationship, the following standards of conduct are observed: (a) disclosure and transparency, (b) protection of client information, (c) fair treatment, (d) effective recourse, and (e) financial awareness and education.

CORPORATE GOVERNANCE

Consumer assistance mechanisms, as shown in diagram below, are made available in various forms: face-to-face support from PNB Branch personnel; account officers and relationship managers; 24x7 customer care hotlines; and electronic or digital channels. Each inquiry, request and/or complaint is acknowledged and processed within the standard turnaround time. From the frontline offices, customer concerns are handled by the resolving offices to provide reasonable resolution to address the same. Escalation of customer concerns is in place to ensure that appropriate courses of action are given to complex complaints. This complaint management process is established, a cross functional activity involving multiple offices, which provide priority assistance in resolving customer concerns. As part of this process, monitoring of complaints resolution and validation of implemented resolution has been incorporated to ensure customer satisfaction and retention is achieved. A monthly summary, which consists of consumer touchpoints and statistics, complaints category, aging, analysis on root causes, action plans and resolution validation, is reported to the Management Committee and to the Risk Oversight Committee for transparency and evaluation, while a quarterly report on the Consolidated Complaint Report is submitted to the BSP.

In 2021, the Bank strengthened the implementation of consumer protection policies with the revised Consumer Protection Policy and Implementing Guidelines and of the Enhanced Customer Relationship Management System (ECRM) (i.e., workflow manager and logging tool for customer concerns) with the revised Guidelines on the Recording, Monitoring, and Addressing Customer Concerns using the ECRM System and the Submission of BCCR to BSP.

PNB CONSUMER ASSISTANCE PROCESS

01 What to do...	02 PNB to collect...	03 PNB will...
Talk to the Branch Personnel - Sales and Service Head or Officer Designate. **You may also contact the Bank's Customer Service through the following channels 24/7:** **Customer Care Hotline:** (+632) 8573-8888 **Credit Card Customer Care Hotline:** • (+632) 8818-9818 • 1-800-10-8189818 (Domestic Toll free) **Online Communication (for both Domestic and Overseas):** • Facetime – Facetime1@pnb.com.ph (iOS users) • Skype - @PNB_Skype1 (Android users) • PNB Facebook private messaging **E-mail Addresses:** • For retail customers - customercare@pnb.com.ph • For retail credit card customers - pnbcreditcards@pnb.com.ph • For corporate customers - corporatecare@pnb.com.ph	**a. Your full name and contact details;** **b. Nature of concern and details** (nature of concern could be transactional, customer servicing, etc.) **Details of concern may include:** • Amount of transaction • Details of transaction • Account/Card Number **c. Processing time may vary depending on the type of concern** **d. Resolution requested;** (Resolution could be posting of unposted payment or fund transfer, an explanation to a questioned transaction or personnel behavior, and other applicable action which will address the concern) **e. Other information related to the concern (if necessary)** ***Reminder: Do not disclose your PIN/ OTP or Password to anyone. These are not necessary for PNB to evaluate your concern.***	**a. Receive and acknowledge your concerns.** **b. Record your concern through the Bank's centralized logging tool for monitoring of status. A reference number will be provided to you.** **c. Make an initial verification of your concerns.** **d. Process/ resolve your concerns or coordinate with the appropriate resolving office for resolution.** **e. Provide you feedback, as applicable.** (feedback may be in the form of an email, a formal letter, or a phone call) **f. Request for your feedback, if necessary.** ***Note: PNB is regulated by the Bangko Sentral ng Pilipinas (BSP).*** **BSP Webchat - https://www.bsp.gov.ph** **SMS: 21582277 (for Globe subscribers only)** **BSP Facebook:** **https://www.facebook.com/BangkoSentralngPilipinas**

PNB aims to be the financial partner of consumers in their journey to financial health and wealth. The Bank is committed to equip consumers with the information and tools they need to make wise financial decisions towards achieving their goals.

Creditors' Rights

PNB takes an active role in safeguarding the rights of its creditors. The Bank is committed to honoring its contractual financial obligations as evidenced by good credit standing. Since deposit-taking is one of the Bank's principal banking activities, special premium is placed on the protection of depositors who serve as our main creditors. The Bank recognizes that creditors have the right to safeguard their transactions with the Bank and be heard though appropriate channels when they escalate feedback and concerns.

The Bank provides its depositors with ready access to information that accurately represents the fundamental benefits and risks, as well as the terms and conditions of a financial product or service. Moreover, PNB is one with the Philippine Deposit Insurance Corporation (PDIC) in promoting public confidence and stability in the economy. As such, the Bank advertises PDIC's deposit insurance protection in appropriate and accurate manner by including the official PDIC Insurance Statement (Deposits are insured by PDIC up to Php500,000 per depositor) in general advertisements of the Bank and advertisements relating to deposit products and services appearing in print ads, TV, official website, and other forms of marketing communications.

As a matter of practice, PNB respects and upholds the rights of its creditors by observing fair and truthful disclosure of financial and operating results which enable them to evaluate and assess the Bank's performance and credit standing. The annual and quarterly reports are the primary disclosure mechanisms used by the Bank to convey its financial performance in a comprehensive, accurate, reliable, and timely manner. The reports provide a fair and complete picture of the Bank's financial condition and results of business operations.

Vendor and Supplier Selection

PNB works for the steadfast development and enrichment of its partnership with a broad spectrum of stakeholders. The Bank's reputation as a leading financial institution cannot be sustained without the unwavering support of its partners: suppliers, vendors, and third-party service providers.

The Bank takes outsourcing and vendor management seriously that appropriate committees have been established to guard the Bank from any exposure, loss, or risk. PNB also developed its Outsourcing and Vendor Management Policy consistent with existing statutory, regulatory, and supervisory requirements. This policy sets out the framework for engaging with suppliers, along with the responsibilities of the Board of Directors and Management Committee in the review and evaluation of all new and existing outsourcing arrangements and vendor relationships.

Each business unit has a dedicated Vendor Relationship Manager (VRM). VRM actively builds and maintains a commercial relationship with the vendors and service providers., employs a comprehensive onboarding process that encompasses risk assessment, elaborate due diligence procedures, contract structuring and review, and continuous monitoring and oversight. They are the arms of the committees to help oversee and monitor their vendors. As part of continuous improvement, the roles, responsibilities, and output of the appointed VRMs are monitored and assessed regularly. The VRMs are closely guided by the Vendor Risk Monitoring Department (Risk Management Group) and Accreditation and Vendor Management Department (Corporate Services Division) to maintain the effectiveness of the monitoring and oversight activities.

PNB believes that continuous monitoring and appraisal of performance is of paramount importance to evaluate the overall effectiveness of the vendor relationship and the consistency of the relationship with the Bank's strategic goals. Mechanisms are in place for the development of relevant performance metrics, vendor performance management, and competency evaluation.

With the new process update soon to be launched in 2022, automation of vendor management will greatly improve and give ease on monitoring and oversight.

Selection Process for Senior Management

Employees are PNB's key asset and we are consistent in our efforts to ensure a steady pool of qualified and competent talents who will sustain our leadership in the industry. Our Management team is composed of top-tier professionals who are well-accomplished in their respective fields.

Before a senior officer (with rank of Vice President and up) is appointed, suitable candidates are identified from various sources. Interviews will then be conducted by the recommending Group/Sector Head, Human Resource Group Head, President and CEO, and a Director of the Bank to determine the overall qualification of the candidates based on the factors for selection presented.

Once candidate is selected, the approval of the Board of Directors, as endorsed by the President and the Corporate Governance and Sustainability Committee will be sought.

Succession Management

The Succession Management Program is an evolving process of strategically and systematically identifying, assessing, and developing talents for future critical roles to ensure consistent and effective organizational performance. This program ensures the availability of talents who have the potential and required competencies and are ready to assume vacant positions as the need arises, due to organizational exigencies, particularly for key management positions.

A Talent Board consisting of senior officers has been created to monitor and review the success and progress of the program. It renders decisions on nominations and acceptance of talents in the Talent Pool. The process involves the following steps:

(a) Identification of key management positions.

(b) Nomination of Candidates –based on results and past performance, competencies, and potential, subject to the initial evaluation of the Talent Board, the respective Sector or Group head nominates possible candidates who may be from within or outside of their respective Group/ Sector subject to the acceptance of the concerned officer-candidate prior to processing.

(c) Conduct of Talent Screening – the process of evaluating and assessing the shortlisted nominees' competencies through online assessment, 360-degree feedback survey, and interviews with the members of the Talent Board or designated interviewers, if necessary. Those who qualify based on the evaluation of the Talent Board shall be recommended for inclusion in the Executive Talent Pool, subject to the approval of the President and CEO.

(d) Learning and Development – to address the development needs of each talent, an Individual Development Plan (IDP) consisting of on-the-job training, interactional development programs, and classroom training shall be created by the Sector or Group head and/or designated mentor. For a more objective and in-depth assessment of the talent's competencies, he/she may be required to train in the Assessment and Development Center. The training result is made an integral part of the IDP.

(e) Talent's Progress Review – the progress of the talent is monitored and evaluated.

(f) Engagement – strategies are employed to sustain the desired level of performance as well as the employee's commitment to the program.

(g) Placement – the talent review process and the learning and development programs continue until the need or opportunity arises for the talent to assume a key/critical position within the organization.

In–House and External Training Program for Senior Management

While the pandemic has permanently changed the workplace, the Bank's Learning and Development team have consistently strived and thrived throughout the year 2021.

As a testament to this commitment to the professional and personal growth of its employees, in April 2021, PNB was identified by professional networking platform, LinkedIn.com, as the #1 workplace in the Philippines to grow one's career. PNB was among the 15 best companies who, according to LinkedIn, "have put their employees first by implementing various policies around well-being and mental health and helped them get back on their feet through training and development programs."

The L&D team continued to hold its Virtual Instructor-Led Trainings (VILTs) for both its technical and essential skills training programs but was simultaneously shifting its approach to cater to a hybrid workplace.

In time for its anniversary, the Bank provided LinkedIn Learning access to all its employees. With over 8,000 learning courses available on-demand – anytime, anywhere – it better supports the new paradigm of "learning in the flow of work".

Mental wellness and related essential skills such as inclusion and gender sensitivity are still a priority. Hence, programs to equip the senior management with best practices in nurturing and sustaining team well-being amidst uncertainty, high pressure work demands, and compounding stressors have been provided to them.

Alongside, programs on Bank product awareness, risk management, internal audit, digital fluency, and economic outlook were also provided to align with the Bank's sustainable transformation journey.

Remuneration Policy

PNB aims to sustain a strong, performance-conducive environment that would attract, motivate, and retain the best talents. For this purpose, the Bank maintains a Remuneration Policy that commensurately compensates its directors and officers for high levels of performance. Such policy complements the Bank's efforts to hire and develop the best talents through its competitive recruitment program and continuing learning programs.

The PNB Remuneration Policy provides a sustainable compensation structure and fringe benefits program for directors and officers. The policy allows the Bank to be competitive with industry counterparts. It identifies basic compensation, incentives, recognition, and rewards for those who meet their performance targets and goals.

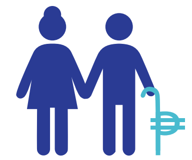
Officers' Compensation and Benefits

The compensation package for officers consists of monetary and non-monetary benefits, fringe benefits, and long-term schemes such as the following:

Monetary emoluments consist of monthly compensation, guaranteed bonuses equivalent to four (4) monthly basic salary, allowances for business-related expenses, official travel, annual clothing allowance, annual rice subsidy and other monetary allowances, and award upon reaching service milestones of at least ten (10) years and every five (5) years thereafter; and Non-monetary benefits consist of healthcare plan for the officer and two (2) of his / her qualified primary dependents, group life insurance, group accident insurance, leave privileges, car plan, and loan facilities such as general purpose loan, motor vehicle loan, and housing loan.

Performance-based Remuneration

PNB designed its compensation and benefits package as a competitive tool to attract and retain highly qualified individuals who will support the Bank's implementation of its business directions and to achieve business goals. Hence, provisions of the compensation and benefits policies show the clear linkage with employee contributions which are measured through a balanced scorecard approach in its performance management system. Officers who are unable to meet their targets become ineligible to certain benefits and/or incentive programs such as the car plan benefit, employee loans, and performance bonus to name a few. The same is true to employees who get involved in administrative cases where certain benefits are temporarily withheld in case an administrative sanction is imposed. In case of dismissal, benefits are forfeited and taken back including but not limited to the car plan benefit, the guaranteed bonuses equivalent to a three-month salary.



Retirement

PNB has a Retirement Plan for its employees that provides funds for the payment of separation benefits to employees who are eligible under the Bank's Retirement Plan, including cases of disability or death while on service.

There are three (3) modes of retirement:

- Normal Retirement: an employee shall be compulsorily retired from service and shall be entitled to receive the benefits under the Plan upon reaching 60 years of age or upon completing 35 years of service, whichever comes first;
- Early Retirement: with the consent of the Bank, an employee who has not yet reached the normal retirement requirement may opt to avail of the early or optional retirement benefits under the Plan upon reaching (i) 55 years of age and rendering at least 10 years of continuous service; or (ii) completing at least eleven 11 years of service; and
- Late Retirement: Any employee may offer his/her service to the Bank beyond the normal retirement date, but not beyond 65 years of age. Such retirement, however, shall be subject to the approval of the Bank on a case-to-case basis. Employees who intend to resign from service but do not meet the prescribed eligibility requirements are not entitled to any separation pay.

Performance Assessment for Senior Management

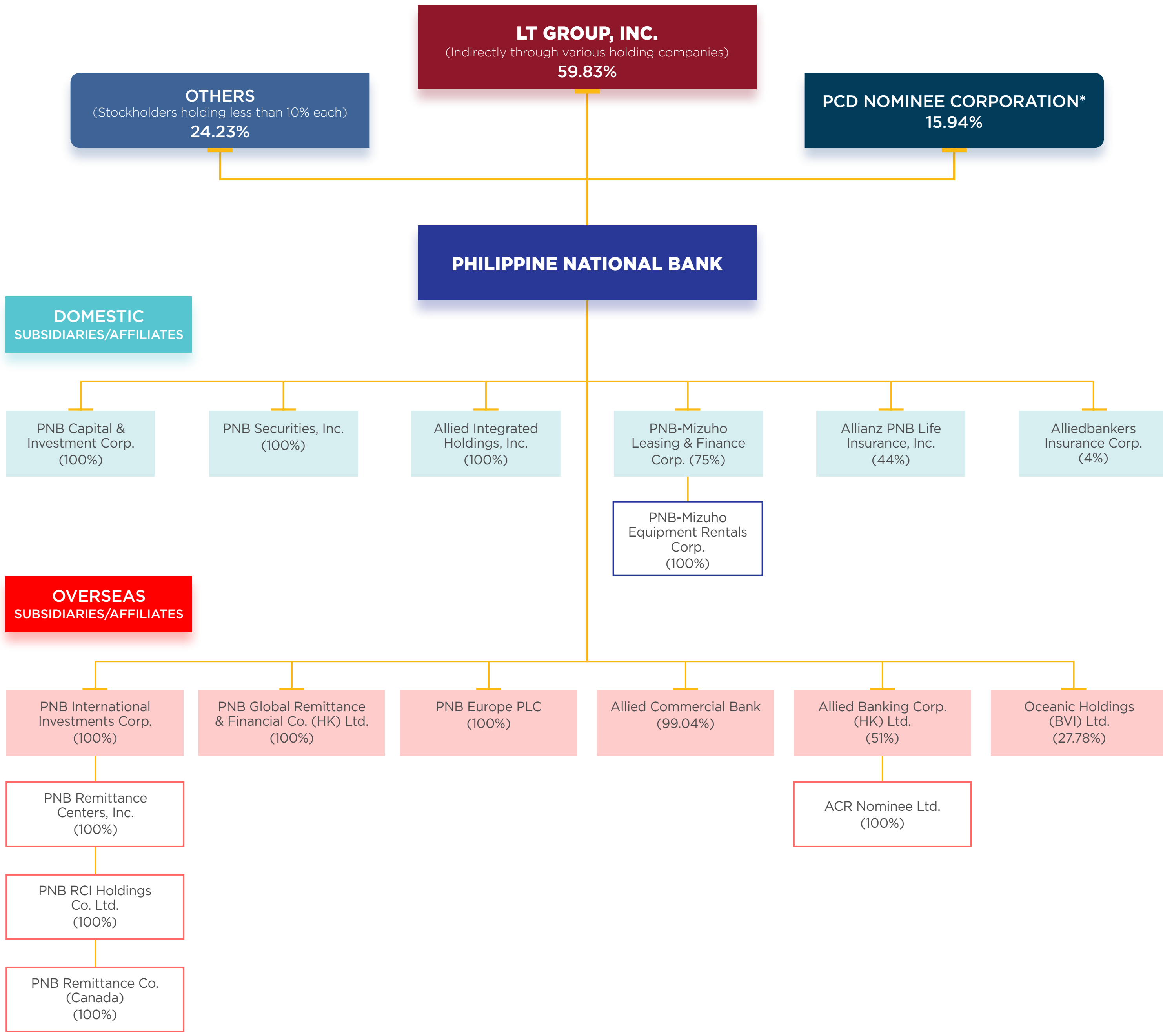
In PNB, we place special importance on talent development and review. We have established existing mechanisms to better monitor productivity and optimize employee performance. One of the key talent development initiatives conducted by our Human Resource Group (HRG) is the performance appraisal and development for employees which aims to provide feedback on the employee's performance, leadership capabilities, contribution to the company and career growth and development. This exercise is being conducted with prudence and deliberate manner and is leveraged as a tool used to motivate the employees, build their confidence, and foster strong working relationships.

PNB Shareholdings of Holding Companies Under LT Group, Inc.

Name	Direct Outstanding PNB Shares	Indirect	Total Direct & Indirect PNB Shares	Percent To Total PNB Outstanding Shares
All Seasons Realty Corp.	10,005,866	0	10,005,866	0.6557934534
AllMark Holdings Corp.	20,724,567	0	20,724,567	1.3583067535
Caravan Holdings Corp.	82,017,184	0	82,017,184	5.3754799765
Donfar Management Ltd.	30,747,898	0	30,747,898	2.0152448787
Dunmore Development Corp. (X-496)	15,140,723	0	15,140,723	0.9923365976
Dynaworld Holdings, Inc.	11,387,569	0	11,387,569	0.7463515102
Fast Return Enterprises, Ltd.	18,157,183	0	18,157,183	1.1900380979
Fil-Care Holdings, Inc.	25,450,962	0	25,450,962	1.6680789310
Fragile Touch Investment, Ltd.	22,696,137	0	22,696,137	1.4875252238
Ivory Holdings Inc.	20,761,731	0	20,761,731	1.3607425155
Kenrock Holdings Corp.	26,018,279	0	26,018,279	1.7052613973
Kentwood Development Corp.	17,237,017	0	17,237,017	1.1297295910
Key Landmark Investments, Ltd.	133,277,924	0	133,277,924	8.7351549618
La Vida Development Corp.	19,607,334	0	19,607,334	1.2850822982
Leadway Holdings, Inc.	65,310,444	0	65,310,444	4.2805052168
Mavelstone Int'l. Ltd.	29,575,168	0	29,575,168	1.9383831001
Merit Holdings & Equities, Inc.	17,385,520	0	17,385,520	1.1394626112
Multiple Star Holdings Corp.	30,798,151	0	30,798,151	2.0185385055
Pioneer Holdings Equities, Inc.	34,254,212	0	34,254,212	2.2450518506
Profound Holdings, Inc.	18,242,251	0	18,242,251	1.1956135311
Purple Crystal Holdings, Inc.	24,404,724	0	24,404,724	1.5995075519
Safeway Holdings & Equities, Inc.	12,048,843	0	12,048,843	0.7896920027
Society Holdings Corp.	17,298,825	0	17,298,825	1.1337805429
Solar Holdings Corp.	82,017,184	0	82,017,184	5.3754799765
Total Holdings Corporation	15,995,011	0	15,995,011	1.0483274012
True Success Profits Ltd.	82,017,184	0	82,017,184	5.3754799765
Uttermost Success, Ltd.	30,233,288	0	30,233,288	1.9815168766
Total	**912,811,179**	**0**	**912,811,179**	**59.8264653298**

CONGLOMERATE MAP

As of December 31, 2021
GRI 102-5



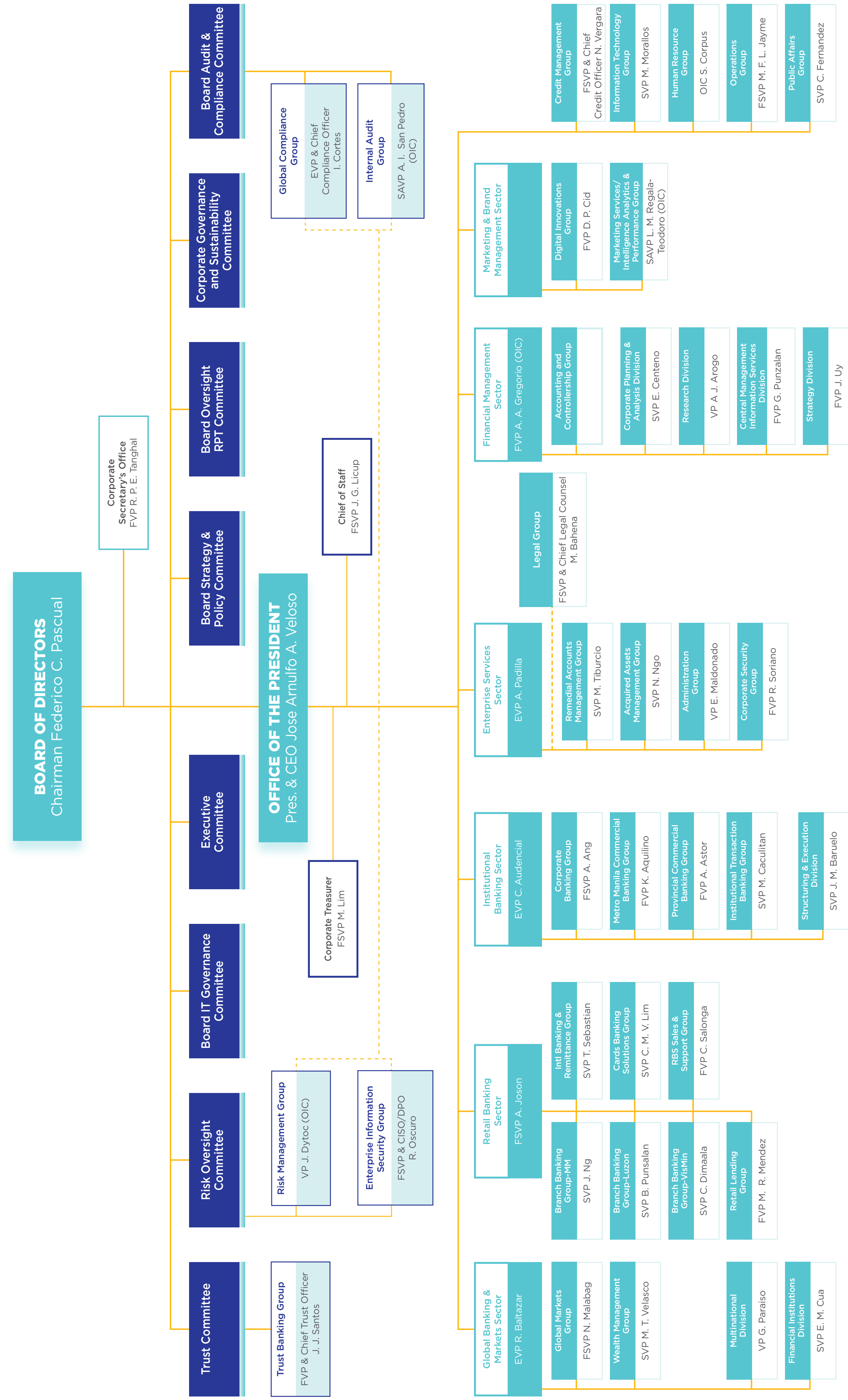
* PCD Nominee Corporation (PCDNC) acts as a trustee-nominee for all PNB shares lodged under the PCD System.

Note:

Dormant Overseas Subsidiary
1. PNB Corp. Guam

TABLE OF ORGANIZATION

As of February 28, 2022



2021 Sustainability Report

PNB continues to support the economy, society, and the environment even as COVID-19 has affected the health and productivity of our employees while the government's stringent community quarantine policies made operations more challenging.

The Bank continued to adjust and recalibrated ways of adapting to the "New Normal" as it embraced a hybrid work schedule, online learning platforms, a new internal communications platform, and automated forms and processes, among others.

The goal was to provide uninterrupted, accessible, safe, and secure banking services to our customers and the general banking public.

We continued to promote good governance, strengthen our risk management system, integrate sustainability principles into various aspects of our operations, and comply with regulatory requirements.

PNB renewed its commitment to gender equality and inclusion and became the first universal bank in the country to sign the UN Women Empowerment Principles in 2021. The bank capped the year with awards and recognitions for promoting workplace gender equality and inclusion, and sustainability-related initiatives.

For the second time, PNB was recognized as a Leader for Women by Asiamoney and was ranked as the best company for professionals to grow their careers by LinkedIn's 2021 Philippine Top Companies.

We were also honored as Champion for Transparency and Reporting in the UN Women 2021 Philippines Women's Empowerment Principles (WEPs) Awards, and was recognized with the Green Leadership Award in the 2021 Asia Responsible Enterprise Awards (AREA) for our internal environmental and sustainability awareness campaign called Project P.L.A.N.E.T. (Protect, Love, and Nurture the Environment Together).

Overall, the Bank met its goals set out for the year, achieving new milestones in its Sustainability Framework.

OUR SUSTAINABILITY JOURNEY CONTINUES: UPDATES IN IMPLEMENTING OUR SUSTAINABILITY TRANSITION PLAN

In December 2020, we developed and submitted our Board-approved Sustainability Policy, three-year Transition Plan, and Sustainable Finance Framework to the Bangko Sentral Ng Pilipinas (BSP). This was to comply with BSP Circular 1085, Series of 2020 on Sustainable Finance Framework which requires all banks to integrate sustainability principles in their business and operations within a three-year transitory period.

Below are the updates on the first year of implementation of our Sustainability Transition Plan:

1. Completed building the inventory of relevant environmental and social (E&S) regulations/laws to determine baseline compliance in the Philippines and overseas to help monitor and ensure our Bank's compliance.

2. Completed our Stakeholder Engagement Plan and Communications Plan. Our Public Affairs Group is putting together communication materials to push the messaging on the Bank's sustainability policy, sustainable financing, and other relevant environmental, social, and governance (ESG) topics for the different stakeholders of the Bank. The group is including these in activities that help support "Tone from the Top" (CEO communications), as well as other communication channels of the Bank.

3. Included corporate social responsibility (CSR) and sustainability topics and items in the Employee Engagement Survey which was rolled out in the second quarter of 2021.

4. Identified and integrated ESG functions in the job descriptions of identified roles/positions of employees. Based on this, we plan to put together a capacity-building program on ESG topics or themes for the different groups of employees (rank and file, middle and senior level officers, board, etc.).

5. Identified loan accounts with high, medium, and low E&S risk categories based on Philippine Standard Industrial Classification (PSIC) Code. We have also started to implement the ESG screening checklists and forms that we developed as part of due diligence, starting with High-Risk and Medium-Risk Corporate Banking Group (CBG) accounts, Publicly Listed Companies (PLCs), and Project Finance accounts.

6. Started integrating the results of the ESG scorecards in the credit risk assessment and rating of identified loan accounts of the Bank. We have also put in place implementing guidelines on project evaluation and selection of borrowers eligible for the Bank's sustainable financing.

7. Currently in the process of building a Sustainable Finance Database Management System. This database management system will (1) help the Bank identify, assess, manage, and mitigate its exposure to businesses or industries with high and medium E&S risks; (2) track the Bank's contribution to the Sustainable Development Goals (SDG) by financing green and / or social-eligible projects; (3) generate accurate data and reports for submission to concerned regulatory agencies (i.e., BSP, SEC); and (4) help contribute to the reduction of the environmental footprint of the Bank through automation of reports.

8. Conducted two virtual roundtable discussions for our loan clients and for our own employees to orient them on the Bank's Sustainable Financing Framework, raise awareness on different ESG-related topics and themes, and align expectations with regard to submission of requirements. We will be conducting the same on other ESG topics or themes on a yearly basis as part of our capacity-building program for employees and clients.

9. Started using the Sustainability SWOT Analysis Framework to integrate ESG factors in our SWOT Analysis to identify and assess risks and opportunities for the Bank.

10. Updated our Risk Oversight Committee (ROC) and Management Risk Committee (MRC) Charters to include monitoring of sustainability-related risks. We have also started updating our Risk Taxonomy to include E&S risks, aligning our data privacy principles and monitoring activities with ESG initiatives, and integrating ESG criteria in our Enterprise Sourcing and Vendor Management Policy, Enterprise Risk Management Framework, Credit Risk Manual, and Business Continuity Plan Manual.

11. Started automating our bank forms and processes as part of our digitization plan. We partnered with Adobe Sign to digitize our loan implementation and transaction documents for the whole organization in 2022. In addition, we have started enrolling our customers in electronic statement of accounts (e-SOA) and migrating them to our PNB Digital App.

12. Our Trust Banking Group launched a new global feeder fund which support companies with strong sustainability roadmaps- PNB US Equity Sustainability Leaders Feeder Fund. Our Risk Management Group has correspondingly expanded its scope to include this fund in its risk monitoring processes.

13. Became a signatory to the UN Women Empowerment Principles last March 2021 to align our workplace gender equality and inclusion thrusts with global standards and best practices

14. Recalibrated our Three-Year Sustainability Transition Plan to integrate the specific requirements of BSP Circular 1128, Series of 2021: Environmental and Social Risk Management System (ESMS).

As we put together PNB's Sustainability Framework, we plan to include in our next report our sustainability strategic objectives as we revisit and update our Vision and Mission statements to align with our Sustainability Policy.

We also intend to provide a report on the breakdown of the E & S risk exposures of our Bank per industry or sector, as well as on the existing and emerging environmental and social risks and their impacts on the Bank, by next year as we work on building our database that will help capture, track, and generate report on ESG-related data of our customers and consult with the experts, in accordance with the three-year transitory period provided under BSP Circular 1085, Series of 2021.

WHAT SUSTAINABILITY MEANS FOR US

- Ensuring that our employees are provided with the right competencies and learning opportunities as well as equal access to programs that can enhance productivity, leading to self-sufficiency and a better quality of life;
- Ensuring the longevity of our business by maintaining profitability, attracting and retaining the right talent, providing relevant financial solutions, managing our tangible and intangible resources, and upholding a culture of continuous improvement;
- Developing sustainable products and services, and financing businesses and activities that provide positive contribution to the environment and the society;
- Ensuring that our business and operations comply with all applicable laws, rules, and regulations; and aligned with local and international best practices and standards;
- Ensuring that we consider and integrate social inclusion and gender equality factors in how we do our business and operate in our communities;
- Promoting the well-being of our stakeholders by keeping a healthy ecosystem of employees, outsourced personnel, third-party service providers, suppliers / vendors, customers, shareholders, regulators, and external communities.

OUR SUSTAINABILITY POLICY STATEMENT

Philippine National Bank (PNB) is a private Filipino, universal bank with global presence committed to provide relevant financial solutions to customers anywhere in the world. It is committed to generate value through a strategy focused on safe and sustainable growth.

The capacity of the Bank to grow and sustain business is contingent upon the quality of its human capital, the condition of its physical resources, the viability of its businesses, and the Bank's relationship with its customers, employees, shareholders, regulators, suppliers / vendors, outsourced personnel, third-party service providers, and external communities.

The Bank believes that Sustainability starts from within by respecting human rights, cultivating an inclusive and collaborative work culture, helping all employees - regardless of gender and background - gain equal access to relevant training and opportunities to develop skills and capabilities needed to succeed and improve their well-being. Through this Policy, the Bank commits to educate and engage its employees, leading them to align with PNB's thrust on Sustainability. The Bank aims for its employees to embrace sustainability principles not only at work but also in their own personal lives.

Our corporate governance framework supports these sustainability commitments which earned the Bank recognitions from the Institute of Corporate Directors (ICD) and the Securities and Exchange Commission (SEC) for our governance practices and initiatives.

Recognizing the Bank's essential role in helping shape the environment and the social landscapes, we believe that our Bank's Sustainability footprint should also extend to our products and services as well as to financing or supporting the businesses and activities of our customers. As such, the Bank commits to fund or support projects and activities that will contribute to the achievement of the United Nations' Sustainable Development Goals (SDGs).

The Bank will not support or involve itself in any business or activity that is illegal, and which might cause harm, directly or indirectly, to people and the environment.

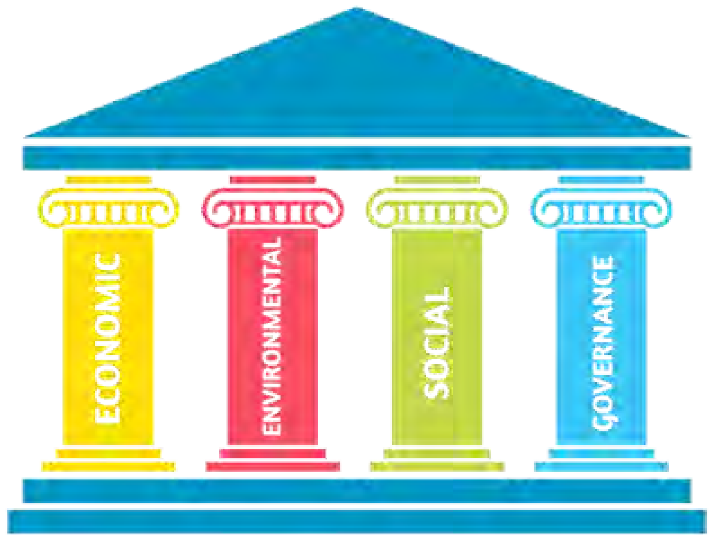
On the other hand, the Bank will subject to enhanced due diligence and close monitoring high-risk businesses and activities that are considered to have harmful effects or negative impacts on the society and the environment. The Bank will continue to support these businesses or activities provided they have the necessary government approvals and permits, have passed the ESG screening of the Bank, and have submitted their mitigation action plans to address environmental and social risks.

In addition, the Bank expects its customers, vendors / suppliers, and third-party service providers to improve their business practices by identifying and managing their own environmental and social risks and impacts, adopting good industry standards and practices, and contributing positively to the environment and the society. The Bank commits to educate its customers, vendors / suppliers, and third-party service providers on PNB's Sustainability Policy.

To promote social inclusion and gender equality, the Bank will support and make available socially- inclusive and gender-sensitive financial solutions. The Bank will do this by integrating social inclusion and gender lens in financing businesses; financing or refinancing projects that aim to improve social inclusion and gender equality; and by supporting CSR initiatives and activities that promote and improve social inclusion and gender equality.

Our economic, social, and environmental responsibility includes complying with all legal requirements. This Policy applies to all activities of PNB, including events, sponsorships, and engagements that the Bank supports. The Bank's employees, outsourced personnel, vendors / suppliers, and third-party service providers shall uphold the principles under this policy to the fullest extent possible within prevailing budgets. Employees are encouraged to inform the Bank's management about potential barriers that might hinder the growth of the organization's people and its business.

OUR SUSTAINABILITY PILLARS



Economic

- Revenue growth, profitability, and business continuity of the Bank.
- Engagement in Sustainable Financing Transactions, which will finance or refinance projects and expenditures that will have a positive environmental and social impact and likewise support the Bank's growth objectives.
- Financial wellness and long-term value for customers, employees, and shareholders

Environmental

- Efficient use and management of our resources.
- Reduced environmental footprint of the Bank, our employees, customers, outsourced personnel, vendors / suppliers, and third-party service providers.
- Support for business and activities with positive impact to the environment.
- Support for customers to manage their environmental risks and impacts.

Social

- Succession planning through capability-building, leadership development, and strategic talent acquisition.
- Enhanced productivity, self-sufficiency, and quality of life for our employees by providing the right competencies and access to learning opportunities and wellness programs.
- Development of an empowering and inclusive culture where our employees, customers, and stakeholders are treated fairly and given equal opportunities.
- Support for businesses, projects, or activities that promote and improve social inclusion and gender equality among internal and external stakeholders.
- Positive contribution to communities through employee volunteerism and other initiatives imbuing responsible corporate citizenship.
- Financial inclusion for communities through sustainable products and services.

Governance

- Compliance with all applicable laws, rules, and regulations that govern our business.
- Alignment with local and international best practices and standards such as, but not limited to, FATF International Standards on anti-money laundering and combating the financing of terrorism, UN Sustainable Development Goals, and UN Global Compact.
- Transparency and accountability in all areas of our operations.
- An effective Environmental and Social Risk Management System (ESRMS) across all business functions and operations of the Bank.

OUR SUSTAINABILITY COMMITMENTS

We commit to do the following:

For our employees, we will:

- Provide a safe, respectful, and collaborative work environment that cultivates personal and professional growth.
- Educate them on our Sustainability Policy and encourage and inspire them to contribute positively to their respective communities.
- Provide them access to various skills development and learning programs relevant to their existing functions and target roles for enhanced productivity.
- Provide equal opportunities for candidates to be hired, without biases, based on their skills and competencies.
- Provide equal opportunities for employees to be promoted based on performance, potentials, and aspirations, regardless of gender and background.
- Eliminate biases, whether conscious or unconscious, towards certain groups or individuals and ensure that decisions are rendered objectively and fairly.
- Promote diversity, inclusion, and gender equality in the employment experience and in the workplace.

For our customers and communities, we will:

- Ensure the continuity of our business through strategic succession planning.
- Support businesses and initiatives that foster and enable economic and inclusive growth, environmental protection, social development, and nation-building.
- Raise awareness on sustainability and the Bank's sustainability thrusts through various information dissemination channels.
- Promote financial wellness and create value through tailor-fit and sustainable products and services.
- Provide or make available social inclusion and gender-sensitive financial solutions, as well as support initiatives and activities that promote and improve social inclusion and gender equality.

For our shareholders and regulators, we will:

- Adhere to all applicable laws, rules, and regulations governing our scope of business and areas of operations.
- Align with international best practices and standards such as, but not limited to the FATF International Standards on anti-money laundering and combating the financing of terrorism, UN Sustainable Development Goals, and UN Global Compact.
- Be transparent and accountable in all areas of our operations.
- Integrate sustainability principles in our enterprise risk management system.
- Report the progress and milestones of our Sustainability initiatives to the Board of Directors at least quarterly.
- Review and, if necessary, update the PNB Sustainability Policy annually.

For our vendors / suppliers, outsourced personnel, and third-party service providers, we will:

- Educate and ensure adherence to the Bank's sustainability policy and standards.

For our environment, we will:

- Reduce the environmental impact of our operations through efficient use and management of natural and man-made resources.
- Adapt eco-friendly technologies.
- Support businesses and projects that are compliant with environmental laws and regulations and contribute to the protection and conservation of the environment through sustainable financing and strategic partnerships.
- Partner with our employees, customers, vendors / suppliers, and third-party service providers to push forward the sustainability agenda.

ALIGNING WITH THE UNITED NATIONS' SUSTAINABLE DEVELOPMENT GOALS (SDGS) AND THE UN WOMEN'S EMPOWERMENT PRINCIPLES (WEPS)

In addition to aligning our activities and initiatives with the United Nations' Sustainable Development Goals (UN SDGs), we also committed to align with the UN Women Empowerment Principles (WEPs) to ensure the success of our business while contributing to improve the well-being of our customers, employees, shareholders, vendors / suppliers, third-party service providers, outsourced personnel, and the future generation.

DISCLAIMER: The views expressed in this publication are those of the authors and do not necessarily represent the views of the UN Global Compact, UN Women or the United Nations.

WORKING TOGETHER WITH OUR SUSTAINABILITY CHAMPIONS AND LEADERS

GRI 102-32

Our Chairperson and President/CEO continues to be our staunch Sustainability Champions. Together with our Corporate Governance and Sustainability Committee (a Board-level committee tasked to promote ESG advocacies and exercise corporate governance oversight functions), they continue to provide guidance and direction to the Bank's management team on integrating sustainability principles in our scope of business and areas of operations.

Originally formed in 2020 to put together PNB's Three-Year Sustainability Transition Plan, the Sustainability Technical Working Group (TWG) continues to ensure and monitor the implementation of the Bank's transition plan. The TWG meets regularly to go over sustainability-related issues or concerns of the Bank before presenting or escalating them to the Steering Committee.

The Steering Committee, on the other hand, provides technical assistance, guidance, and direction to the TWG in implementing the Bank's sustainability strategy, activities, and initiatives. The committee also reviews and deliberates on all sustainability-related issues that concern the Bank before these are presented and endorsed to the President/CEO, the Corporate Governance and Sustainability Committee, and Board of Directors for approval or action.

The Bank's Sustainability Project Steering Committee is composed of the heads of the different business and support units while the TWG is composed of assigned representatives of the business and support unit members of the Steering Committee. Other business and support units of the Bank are invited to both the TWG and Steering Committee as resource speakers.

STEERING COMMITTEE	TECHNICAL WORKING GROUP
• Public Affairs Group – Chairperson • Financial Management Sector • Institutional Banking Sector • Retail Banking Sector • Credit Management Group • Global Compliance Group • Risk Management Group	• Corporate Sustainability Unit – Chairperson • Institutional Banking Sector • Retail Banking Sector • Credit Management Group • Global Compliance Group • Risk Management Group

To centralize all CSR and sustainability-related initiatives of the Bank, the Corporate Sustainability Unit (CSU) was established in 2019. Reporting under the Public Affairs Group and as the appointed Chairperson of the Sustainability TWG, the CSU helps the Bank define, develop, and execute PNB's sustainability policy, framework, roadmap, and strategy under the guidance of the Sustainability Steering Committee, the Office of the President, and the Corporate Governance and Sustainability Committee.

The CSU works closely with the different business and support units of the Bank in implementing sustainability activities and initiatives, and monitors the implementation of the PNB Sustainability Three-Year Transition Plan. The unit reports to both the Corporate Governance and Sustainability Committee and Board of Directors every quarter, and whenever there are sustainability-related concerns that need immediate committee or Board approval or resolution.

REPORT COVERAGE AND PARAMETERS

GRI 102-50, 102-54

This Sustainability Report is prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core Option, reflecting our Bank' significant financial, social, and environmental contributions from January 1 to December 31, 2021.

STAKEHOLDER ENGAGEMENT

GRI 102-40, 102-42, 102-43, 102-44

We believe in creating shared value with our stakeholders; thus, we place importance in their opinions, concerns, and expectations as these influences how we do our business and operations. While we aim for growth and stability for both our business and stakeholders, we also aim to contribute positively to the economy, society, and the environment.

Since the start of the pandemic which restricted face-to-face interactions, we have been utilizing online platforms such as Zoom and Microsoft Teams, and even social media applications like Facebook, Twitter, Viber, and WhatsApp in communicating with the different stakeholders of the Bank. For our stakeholders who are not tech-savvy or have no access to these communication platforms, we communicate with them though phone calls, emails, or printed letters sent via postal or courier service.

The table below shows our mode of engagement with our stakeholders in the "New Normal". It also lists down their key concerns and expectations, as well as the Bank's responses to these:

OUR STAKEHOLDERS	MODE OF ENGAGEMENT	KEY CONCERNS AND EXPECTATIONS	OUR RESPONSE
Employees	• Regular Video / Audio Conference Calls via Microsoft Teams / Zoom • Emails • Virtual Meetings / Events / Townhalls • Surveys via SharePoint, Mentimeter, etc	• Work-life balance • Competitive compensation and benefits • Safe and secure work environment • Training and development • Support for work-related needs such as transportation to work, flexible work arrangement, etc. • Career progression • Improvement of infrastructure and facilities • Opportunities for volunteerism and community engagement	• Year-round initiatives and programs to promote employee well-being conducted via digital platforms: in-house and external webinars; employee welfare and wellness (medical and mental teleconsultation hotlines, power classes, etc.); employee recognition; and performance appraisal as driven by our Human Resource Group • Regular checking and maintenance of on-site offices / branches and IT infrastructure (i.e., hardware, software, and systems) • On-site / off-site volunteerism or community outreach opportunities for our employees in partnership with Corporate Sustainability Unit, Human Resource Group and other Bank units. • Development and implementation of Diversity and Inclusion Policy, Whistleblower Policy, and Gender and Equality Policy
Customers	• Regular virtual meetings with relationship managers and branch personnel • Telephone calls • Website updates • Emails • Social Media Updates and Messaging Apps (Facebook, Messenger, Twitter, Instagram, Viber, WhatsApp) • Virtual Events	• Products and services that are responsive to their current financial needs • Fast and efficient customer service • Protection of customer information • Accessibility and convenience of customer touchpoints • Waived fees for certain Bank transactions • Updates and information on the Bank's operating hours, new products and services, promos, etc. • Competent bank personnel who can answer inquiries, complaints, and concerns	• Branch presence across the country and overseas, offering relevant financial solutions • A reliable 24/7 customer service hotline • Enhanced strategic recruitment efforts to attract a highly professionalized, competent workforce. • Clear and timely customer updates or advisories (i.e., schedule of branch operations, new product / service, promos, etc.) • Waiver of fees for certain Bank services (i.e., InstaPay, PESONet, remittance) in support of government and national regulatory policies • Financial Wellness Sessions, Roundtable Discussions, Economic Briefings
Investors / Shareholders	• Letters/ Correspondences • Emails, bulletins • Virtual Annual Stockholders' Meeting • Virtual Investor Briefings • Investor Relations Programs	• Strong financial performance • Shareholder returns • Corporate governance • Transparency and disclosure • Continued business growth • Updates on new opportunities for financial growth • Sustainability / longevity of the company or business • Compliance with globally accepted financial reporting standards and adoption of best practices	• Corporate governance framework in accordance with global standards and best practices • Strong Board and Management oversight • Management Succession Plan • Transparency and accountability • Regular updates / bulletins on the Bank's performance • Financial Wellness Sessions, Roundtable Discussions, Economic Briefings
Regulators	• Periodic examinations • Emails / Correspondences • Virtual Meetings • Webinars	• Conduct of sound business practices and risk management • Sustainability of the company • Compliance to laws, rules, and regulations • Transparency and accountability • Liquidity and capital adequacy to operate as a universal / commercial bank • Timely and accurate submission of financial and regulatory reports	• Timely and accurate submission of regulatory reports • Transparency and accountability • Proactive dialogue • Full compliance / adherence to banking laws, rules and regulations in the country and overseas
Vendors / Suppliers and Third-Party Service Providers	• Emails / Correspondences • Virtual Meetings • Phone Calls	• Timely and accurate payment of products and services commissioned / secured by the Bank • Efficient vendor accreditation process of the Bank • Updates / information on any changes in the procurement / outsourcing policies and processes of the Bank	• Annual review of vendor / supplier performance • Orientation sessions / briefings for vendors / suppliers • Organized biddings, thorough review of documentation submitted, proper awarding and onboarding of winning suppliers / vendors • Review of necessary documentation and facilitation of timely release of payments • Foundation for the creation of a Bank-wide Sustainability Procurement and Supply Chain by organizing webinars for the Corporate Services Division and other concerned business units
Outsourced Personnel	• Phone Calls • Person-to-person meetings / huddles	• Safety and security in the workplace • Emergency support (i.e., financial assistance for those whose work were suspended because of the community quarantine)	• Development of a Bank-wide Sustainability Policy which is inclusive of outsourced personnel • Inclusion of the outsourced personnel in the Bank's safety and health awareness program • CSR / employee volunteerism initiatives for the benefit of outsourced personnel
Communities	• Virtual Financial Literacy/ Financial Wellness sessions • Virtual meetings and events / activities (i.e., donation or turnovers, etc.) • Charitable/ Philanthropic Contributions • Environmental and sustainability-related projects or initiatives • Partnerships with credible NGOs, Foundations, academic institutions, LGUs, or Civil Society Organizations	• Knowledge of basic money management • Projects that support the economic, social, and environmental landscape of the community • Disaster or emergency response	• Networking and coordination for certain CSR or sustainability-related projects and activities • Financial inclusion through financial literacy programs • Partnerships with credible social development organizations, LGUs, academic institutions, and civil society organizations aligned with the CSR and sustainability thrusts of the Bank • Support for charitable and philanthropic causes on education, environment, and social welfare development. • Support for affected communities where the Bank has presence, especially during times of natural and man-made calamities (i.e., relief operations) with assistance from our employees, our subsidiaries, and affiliates.

SUSTAINABILITY REPORT

REPORTING PROCESS

GRI 102-21,102-29,102-31, 102-32, 102-46, 102-47

Since 2020, we have been preparing our own Sustainability Report. The objective of our independent reporting and writing process was for us to develop an appreciation of our existing best practices and to better understand the gaps, challenges, and areas for improvement in our business and operations.

As a member of the Lucio Tan Group (LTG) of Companies, we share relevant data and updates on our sustainability activities and initiatives to the conglomerate to include in their own Sustainability Report. We align our metrics, data gathering method, and schedules with that of the conglomerate for consistency and accuracy.

Below is the process our Bank went through in preparing this Sustainability Report:

ENGAGING THE STAKEHOLDERS

Kicked off the preparation of the 2021 Sustainability Report through a formal email communication with the concerned business and support units of the Bank.

ENGAGING THE STAKEHOLDERS

Assessed and validated the Material Sustainability Topics with the internal key stakeholders of the Bank

ENGAGING THE STAKEHOLDERS

Using the GRI reporting standards, relevant data and information pertaining to the Bank's existing economic, environmental and social initiatives were collected and collated in two (2) phases:

- November 26, 2021: Disclosure of Management Approach on different sustainability topics / themes or DMAs
- January 16, 2022: Data on specific sustainability-related topics or themes from January to December 2020

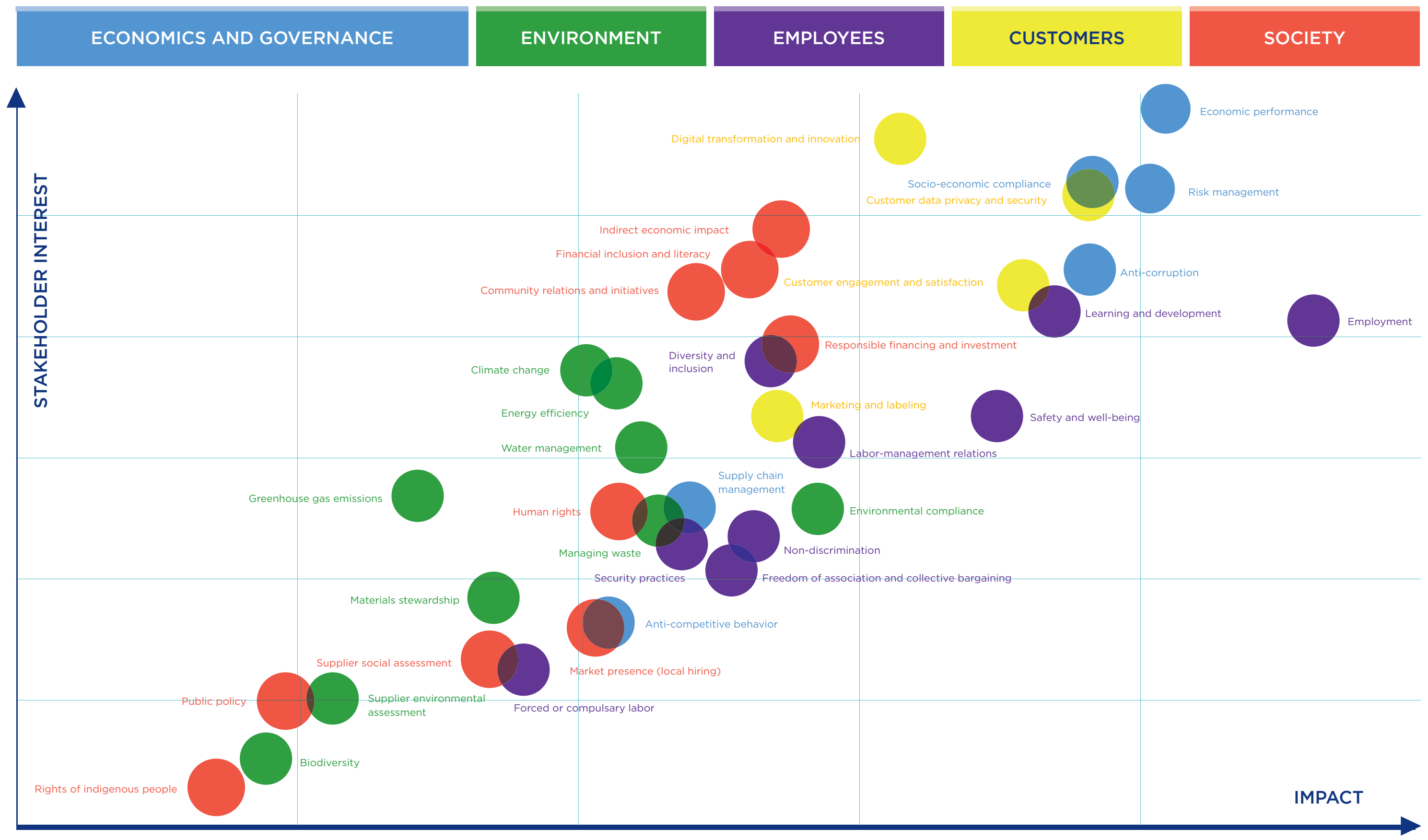
The CSU prepared the report with the data / inputs from the different business units of the Bank.

ENGAGING THE STAKEHOLDERS

Upon completion, the report went through the following levels of review and affirmation of disclosures:

- concerned business and support units of the Bank;
- Sustainbility Technical Working Group and Steering Committee;
- Office of the President; and
- Corporate Governance and Sustainability Committee.

Our key material sustainability topics for 2021 are still the same as in 2020. These sustainability topics remain important and relevant to the Bank and its stakeholders.



KEY MATERIAL ISSUES BY RANK				
1 ECONOMIC PERFORMANCE	2 EMPLOYMENT	3 RISK MANAGEMENT	4 SOCIO-ECONOMIC COMPLIANCE	5 CUSTOMER DATA PRIVACY AND SECURITY
6 ANTI-CORRUPTION	7 DIGITAL TRANSFORMATION AND INNOVATION	8 CUSTOMER ENGAGEMENT AND SATISFACTION	9 LEARNING AND DEVELOPMENT	10 INDIRECT ECONOMIC IMPACT

The Bank's financial performance and stability continues to be the most crucial issue for both our internal and external stakeholders during the pandemic. In addition to the financial performance of the Bank and the accompanying apprehensions on their job security, our employees' concern also centered on their work-life balance as well as on their physical and mental health while working onsite, remotely, or on a hybrid arrangement.

While we continue to work on our digital transformation initiatives to provide relevant financial solutions for customers, we also continue to strengthen our risk management - particularly our data security and privacy measures - to protect our Bank and our stakeholders from the threat of cybercrimes. The Bank also considers adherence to laws, rules, and policies that govern its business and operations in areas where it has presence as part of its good governance.

We will be revisiting these material sustainability topics in 2022 to see if these are still relevant to the Bank and to all our stakeholders, and to align with the scheduled materiality assessment exercise of the LT Group of Companies next year.

CONTACT INFORMATION

GRI 102-53

We value your feedback. For any inquiries or comments, you may contact us through the following:

PNB Office of the Corporate Secretary
9/F PNB Financial Center,
Pres. Diosdado Macapagal Boulevard,
Pasay City
Tel. No.: (+632) 8 526-3131 local 4106
Stockholder Relations Officer:
Atty. Ruth Pamela E. Tanghal
Email: tanghalrpe@pnb.com.ph

PNB Investor Relations Unit
9/F PNB Financial Center,
Pres. Diosdado Macapagal Boulevard,
Pasay City
Tel. No.: (+632) 8 526-3131 local 2120
Investor Relations Officer:
Ms. Emeline C. Centeno
Email: centenoec@pnb.com.ph

PNB Customer Care Hotline:
Tel. No.: (+632) 8 573-8888
Email: customercare@pnb.com.ph

ECONOMIC PERFORMANCE

GRI 103-1, 103-2, 103-3, 201-1
SDG 8, 9

For 2021, the Bank's economic performance continues to rank as the top material issue for both the management and the stakeholders.

As a financial institution, we generate and distribute economic values to various stakeholders. These include salaries and benefits of employees, taxes paid to government, payments to vendors / suppliers and third-party service providers, dividends for shareholders, donations or charitable contributions to social development causes, and support for CSR and sustainability activities and initiatives of the Bank.

ECONOMIC VALUE DISTRIBUTION TABLE

The expenses of the Bank for its charitable contributions and sustainability-related activities and initiatives increased due to its participation in the vaccination program of the conglomerate. There was also an increase in the expenses of the Bank's membership dues as these different associations return to their normal operations.

On the other hand, there was a significant decrease in the expenses of the Bank pertaining to wages and benefits paid to the employees which can be attributed to the number of employee separations during the reporting period.

Economic Impact (In Philippine Peso)	2019 In Millions	% of Total	2020 In Millions	% of Total	2021 In Millions	% of Total
Amount paid to suppliers / vendors	4,358	23.20%	4,623	23.62%	4,350	25.08%
Consolidated membership fees and dues	18	0.10%	13	0.07%	15	0.09%
Consolidated charitable contributions and sustainability-related activities and initiatives	46	0.24%	25	0.13%	29	0.17%
Wages and benefits paid to employees	9,547	50.82%	10,168	51.95%	9,986	57.59%
Taxes paid to government	4,818	25.64%	4,743	24.23%	2,961	17.07%
TOTAL	**18,787**	**100.00%**	**19,572**	**100.00%**	**17,341**	**100.00%**

Source: Financial Management Sector, PNB

Dividend Policy

We continue to adopt a dividend policy where "dividends shall be declared and paid out of the surplus profits of the Bank at such times and in such amounts as the Board of Directors may determine in accordance with the provisions of law and the regulations of the Bangko Sentral Ng Pilipinas (BSP) and the Securities and Exchange Commission (SEC), subject to compliance with such financial regulatory requirements as may be applicable to the Bank".

SOURCING AND SUPPLY CHAIN MANAGEMENT

GRI 102-9, 102-10
SDG 10, 12

We follow a simple procurement process composed of the following: (1) sourcing from accredited vendors / suppliers and third-party service providers, (2) canvassing and bidding, (3) review / assessment of bids, (4) and awarding to vendors / suppliers through issuance of Purchase Orders or Letter of Awards. Our Procurement Committee, which is composed of various members from the Bank's Senior Management Team, meet regularly to review and deliberate on each submitted bids of accredited vendors / suppliers or third-party service providers.

Purchases and services are sourced from Metro Manila-based accredited vendors / suppliers and third-party service providers to maintain standard quality. For provincial and overseas branches and offices, the Procurement Department helps them purchase or source from local vendors / suppliers in the area to minimize transportation costs. Purchasing or sourcing from non-accredited vendors / suppliers or third-party service providers is strongly discouraged; however, exceptions are allowed in cases when the service engagement is considered seasonal / occasional, one-time, or an emergency.

Our Vendor Management Policy requires concerned Bank units to evaluate the service and technical capability of their respective vendors / suppliers or Third-Party Service Providers on an annual basis. To more efficiently assist the different Bank units on this, the Accreditation and Vendor Management Department (AVMD) under Corporate Services Division (CSD) of Administration Group (AG) improved its process of accreditation, risk assessment, and conduct of due diligence of vendors / suppliers and third-party service providers.

Enhancements on the parameters of accreditation criteria were also made to accommodate more applicants for vendor accreditation. Existing vendor-related forms and documents were also updated to reflect ESG criteria such as the business' gender composition of management and manpower complement as well as their compliance with environmental and social laws, policies, and regulations among others.

As of December 2021, the Bank has 1,354 accredited vendors / suppliers and third-party service providers. The list of accredited vendors / suppliers and third-party service providers is regularly updated and disseminated to all PNB offices and units for reference and guidance.

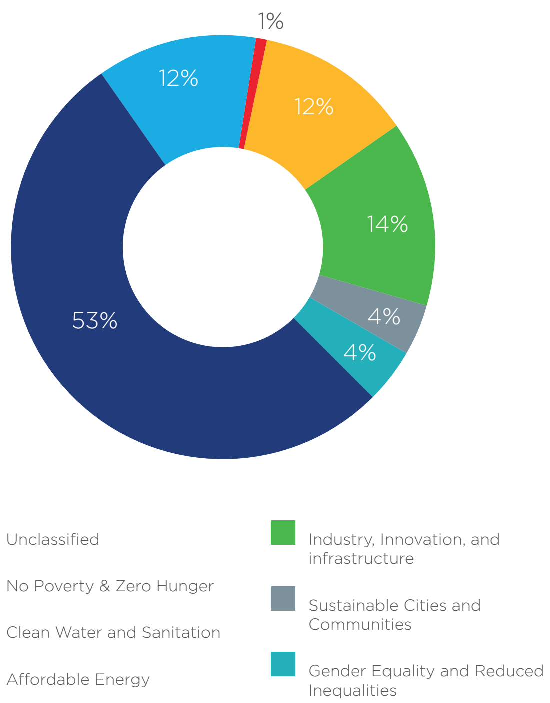
FINANCING GREEN, SOCIAL, AND SUSTAINABLE BUSINESSES AND PROJECTS

GRI 103-1, 103-2, 103-3, 203-1, 203-2
SDGS 1, 2, 3, 5, 6, 7, 8, 9, 10, 11, 12, 13

As part of our commitment to create positive impact on the economy, society, and the environment, we continue to support and finance businesses and projects that contribute to the achievement of the sustainable development goals.

In 2021, a total of Php229.39 billion or 47% of the Bank's total loan portfolio was used to finance sustainable business and projects such as affordable housing (economy condominium and subdivision projects), agricultural production (swine and poultry farming), food manufacturing, energy generation and distribution, renewable energy (hydropower), water distribution and supply, waste water management system, construction of infrastructure that increases climate change resilience, construction and operation of toll roads and bridges, telecommunications infrastructure, responsible packaging, microfinancing especially for women, and construction of green buildings and health facilities that promote nation-building and countryside development.

% of Total Loans



Source: Institutional Banking Sector, PNB

In 2021, the Bank launched the PNB US Equity Sustainability Leaders Feeder Fund which allows Filipino clients to invest in US companies with superior environmental, social, and governance (ESG) characteristics through its target fund, the Legg Mason ClearBridge US Equity Sustainability Leaders Fund. The fund puts great value in ESG and incorporates it in the investment selection process, as opposed to simply considering the potential profitability of securities.

This global feeder fund allows investors to further diversity their investments to include US and other globally-traded shares of stocks. This fund is affordable with a minimum investment of USD1,000.00.

MANAGING THE E&S RISKS AND IMPACT OF OUR SUPPORTED BUSINESSES

GRI 102-15, 103-1, 103-2, 103-3

We continue to assess and manage our environmental and social risks and impacts associated with financing businesses, projects, or industry sectors. In keeping with this commitment, we will continue to refrain from supporting businesses and activities that have adverse environment and social impacts:

- Money laundering, terrorism, criminal, and illegal activities
- Bribery including giving, offering, receiving, or requesting bribes
- Child labor and any form of exploitation of children
- Forced labor
- Adult entertainment, prostitution, human trafficking
- Activities related to nuclear power generation and fuels, hazardous chemicals, and radioactive substance
- Illegal mining
- Illegal gaming
- Violating rights of local communities
- Production or trade of wildlife regulated under the Convention of International Trade in Endangered Species of Wild Fauna and Flora (CITES) and United for Wildlife Financial Taskforce
- Any form of animal cruelty
- Illegal logging or uncontrolled fire – including transactions in which a client engages in illegal logging or uncontrolled use of fire for clearing forest lands, conversion of land for plantation use in primary tropical moist forests
- Land clearance by burning
- Production and movement of weapons and ammunitions for non-law enforcement, non-military use which violates basic humanitarian principles, and this includes anti-personnel mines, cluster munitions and weapons of mass destruction
- Illegal Internet gaming – transactions connected to the participation of another person in a bet or a wager that involves the use of the Internet that is unlawful under law
- Fishing with the use of explosives or cyanide
- Production or activities that impinge on the lands owned or claimed under adjudication by indigenous people, without full documented consent of such peoples
- Finning and/or trading (wholesale or retail) or serving at eateries of shark's fin, or shark-finning, and deriving material revenue from such activities
- Natural resource extraction in UNESCO World Heritage sites – engaging in transactions focused on natural extraction within UNESCO World Heritage sites, unless there is prior consensus between UNESCO and the host country's governmental authorities that activities will not adversely affect the natural or cultural value of the site

We have already implemented the use of the ESG screening checklists and forms as part of our enhanced due diligence starting with Publicly Listed Companies (PLCs), high and medium E&S risk Corporate Banking Group (CBG) accounts, and Project Finance accounts. ESG data from these screening tools is incorporated into our loan clients' risk rating.

To align expectations and ensure compliance with the regulatory requirements, we organized roundtable discussions to educate our loan clients and employees on the Bank's Sustainable Finance Framework and other ESG-related topic or themes.

We also continue to comply with regulatory issuances related to COVID-19 impacted loan clients, assisting them in their recovery by restructuring their loans with reference to industry recovery and pandemic-affected cashflows.

ENVIRONMENTAL IMPACT

We continue to show our commitment to help care for and protect the environment by raising awareness among our employees through digital channels. We also continue to help reduce the Bank's environmental footprint by improving our energy, fuel, and water consumption, managing our wastes properly, reducing our paper consumption by going digital in our processes and transactions, and ensuring that the businesses, projects, and industries that we support are also environmentally compliant.

While some of our employees continue to work onsite, especially those assigned in the branches and with critical support functions, majority of the employees still work remotely or in a hybrid set-up. These type of work arrangements do not only provide flexibility and safety for our employees but also helped to reduce both our employees' and the Bank's environmental footprint as there would be less daily transportation and paper consumption.

POWER, FUEL, AND WATER CONSUMPTION

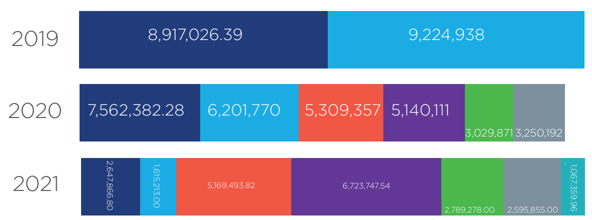
GRI 103-1, 103-2, 103-3, 302-1, 302-4, 303-1, 303-2, 303-5, 305-1, 305-2
SDG 6, 7, 8, 12, 13

Electric, fuel, and water consumption of the Bank, particularly at the PNB Financial Center in Pasay City and the PNB Makati Center, significantly decreased during the reporting period when ownership of these buildings were turned over to PNB Holdings Corporation in January 2021; thus, making PNB a lessee of these buildings by occupying certain areas only. Power and water at PNB Head Office, as well as in domestic and overseas branches and offices, are sourced from third party utility service providers.

The Bank's Administration Group continues to ensure that energy and water resources of the Bank in PNB-occupied areas at the Financial and Makati Centers in Pasay and Makati are efficiently managed, and consumption is reduced through year round activities such as ensuring that all conventional light fixtures are replaced with LED; all defective lamps and bulbs are replaced; bank-owned standby generator sets and service vehicles are regularly maintained; and defective toilet fixtures (faucets, water closets, urinals, and lavatories) are repaired or replaced.

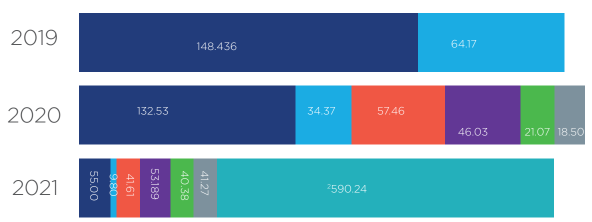
The tables below show the energy, water, and fuel consumption of our Head Offices in Pasay and Makati in 2021. In addition, we have included the energy and water consumption of our domestic and overseas branches and offices. We will continue to work on improving our data collection and reporting of our resource consumption in the coming years.

Power Consumption Table



Source: Administration Group, Branch Banking Group, and International Banking and Remittance Group, PNB

Water Consumption Table

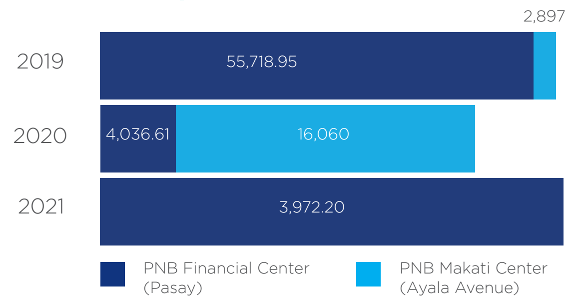


Source: Administration Group, Branch Banking Group, and International Banking and Remittance Group, PNB

Energy and water consumption of our domestic branches in Metro Manila decreased in 2021 compared to 2020 as a result of the integration of 19 branches as part of the Bank's branch rationalization initiative. Power and water consumption increased in Luzon areas as more branches were opened and banking hours returned to normal.

Our branches in the Visayas and Mindanao areas increased their water consumption with the opening of more branches as we gradually return to normal banking operations. Power consumption in these areas, however, decreased due to frequent power outages,

Fuel Consumption Table



Source: Administration Group, PNB

with the longest power outage caused by Typhoon Odette in December 2021 particularly in certain areas in the Visayas region.

Fuel consumption at the PNB Financial Center in Pasay City for the reporting period was only for the weekly testing/maintenance of the generator sets for areas leased by the Bank and the fuel consumed by the Bank's motor pool. Regular maintenance of the generator sets and Bank-owned vehicles were conducted for fuel efficiency and for reduction of carbon emissions.

The illustration below shows our Green House Gas (GHG) Emissions for 2021. GHG emissions of our Head Offices in Pasay City and Makati City has significantly reduced for the year, but the total carbon footprint of the Bank has increased with the inclusion of the data from our domestic and overseas branches and offices. For 2021, only Indirect or Scope 2 of GHG emissions of domestic and overseas branches and offices of the Bank are included in the report.

Greenhouse Gas Emissions Table

TYPE OF GHG EMISSIONS	2019 (in Tonnes CO_2e)	2020 (in Tonnes CO_2e)	2021 (in Tonnes CO_2e)
PNB Financial Center and Makati Center			
[3]Direct (Scope 1) GHG Emissions*	21.86	4,093.90	3,972.08
[4]Indirect (Scope 2) GHG Emissions**	15,548.45	9,812,632.08	1,886,961.08
PNB Domestic Branches			
Direct (Scope 1) GHG Emissions*			0.00
Indirect (Scope 2) GHG Emissions**			11,838.78
PNB Overseas Branches and Offices			
Direct (Scope 1) GHG Emissions*			0.00
Indirect (Scope 2) GHG Emissions**			465,313.80
Total Carbon Footprint	15,570.31	9,816,725.98	2,368,085.74

Source: Administration Group, Branch Banking Group, and International Banking and Remittance Group, PNB

[1]Data available for selected overseas PNB branches and offices only.
[2]Data available for PNB branches and offices in Europe, Singapore and Japan only
[3]Direct (Scope 1) GHG emissions are from sources that are owned or controlled by an organization such as any physical unit or process that releases GHG into the atmosphere. This includes CO2 emissions from fuel consumption. Source: Consolidated Set of GRI Sustainability Reporting Guidelines 2018.
[4]Indirect (Scope 2) GHG emissions are those that result from the generation of purchased or acquired electricity, heating, cooling, and steam consumed by an organization. Source: Consolidated Set of GRI Sustainability Reporting Guidelines 2018.

RESOURCE AND WASTE MANAGEMENT

[5]GRI 103-1, 103-2, 103-3, 306-1, 306-2, 306-3
SDG 3, 6,12

We observe and practice proper waste disposal to reduce our environmental footprint by engaging the services of environmentally compliant and DENR-accredited service providers.

Paper waste continue to be the most common waste generated by the Bank. We shred our paper wastes and sell these to recycling centers. Proceeds from the sale of these paper wastes are then used to support the Bank's waste management initiatives for our Head Offices in Metro Manila. Our branches, on the other hand, use the proceeds from the sale of their paper wastes to help support their own employee volunteerism or community outreach activities.

We encourage our employees to follow the reuse, reduce, and recycle principle in managing solid waste materials. Empty plastic and metal containers and bottles are recycled as pots for plants at the Head Offices and at branches. Other non-recyclable waste materials, as well as used face masks and face shields, are properly segregated and disposed.

Electronic waste is another common solid waste generated by the Bank. We replace old computers if there are defective parts and the service is obsolete, and because of a system migration or upgrade. Instead of throwing away old computers due to defective parts, system migration or upgrade, our Information Technology Group (ITG), which is in charge of all IT-related purchases and disposals, ensures that these old but still serviceable computers as well as computer parts and peripherals are repaired for office use or refurbished for donation to different non-government organizations or public schools. Only electronic items that could no longer be repaired, recycled, or re-used are disposed properly by the Bank.

To help reduce the electronic wastes generated by the Bank, our ITG incorporated sustainability requirements as part of the criteria in the selection of hardware and software systems and service providers. We also replaced old desktop computers, which consume 150-200 watts of power, with more energy-efficient tiny and mini desk-top computers which use 18 watts of power only. In addition, our Bank shifted to issuance of laptops as the standard computer for non-branch personnel for ease of mobility.

[5]Based on GRI 306: Waste 2020 reporting standards published in May 2020, the updated waste -related disclosure on GRI 306: Effluents and Waste.

Moreover, we refurbish and repair old office furniture and equipment such as tables, chairs, steel filing cabinets and wood cabinets so we could use them again. For old office furniture that can no longer be repaired, we bid these out to interested third parties. Proceeds from the sale of these old items are booked as income for the Bank.

The table below lists down the common domestic and non-hazardous waste materials from our PNB headquarters and domestic branches only.

Since the Bank is not fully occupying the entire PNB Financial Center and Makati Center, only waste materials from the areas leased by the Bank in these buildings are included in the report for 2021.

Common Types of Wastes from the PNB Headquarters

Waste Category	Quantity / Volume Collected In 2019 (In Metric Tons)	Quantity / Volume Collected In 2020 (In Metric Tons)	Quantity / Volume Collected In 2021 (In Metric Tons)
Non-Hazardous			
Solid Waste (i.e., paper wastes, construction debris, elevator parts, tree branch cuttings, etc.)	144	232.00	100.00
Hazardous			
Used Oil	1.3	1.62	0.43
Lead Acid Batteries	0.50	0.50	0.00
Busted Fluorescent /LED Lights	0.86	1.49	0.45
Contaminated Rugs	0.024	0.30	0.30
Expired Paints	0.0235	0.00	0.00
Ozone depleting substances	0.1	0.00	0.00
Electronic Wastes	0.08	0.00	0.00

Source: Administration Group, PNB

Common Type of Wastes from the Branches

Waste category	Quantity / volume collected in 2020 (In metric tons)				Quantity / volume collected in 2021 (In metric tons)			
	Metro Manila Branches	Luzon Branches	Visayas Branches	Mindanao Branches	Metro Manila Branches	Luzon Branches	Visayas Branches	Mindanao Branches
Non-Hazardous								
Solid Waste (i.e., paper wastes)	26.70 t	53.12 t	21.92 t	12.14 t	9.67 t	42.37 t	29.54 t	11.68 t
Hazardous								
Used Oil (i.e., from gen sets during power outages and weekly testing)	.38 t	3.66 t	.21 t	1.16 t	.14 t	1.91 t	.288 t	.64 t
Lead Acid Batteries (from gen sets)	2.67 t	5.42 t	.69 t	.41 t	.055 t	2.71 t	1.64 t	1.63 t
Busted Fluorescent /LED Lights	.08 t	.30 t	.04 t	.05 t	.51 t	4.01 t	.20 t	.19 t
Contaminated Rugs	.25 t	.69 t	.12 t	.06 t	.08 t	.50 t	.16 t	.02 t
Expired Paints	.03 t	.01 t	.02 t	0.0 t	.01 t	.001 t	.06 t	0
Ozone depleting substances (i.e., aerosol spray cans for disinfectants, air fresheners, etc.)	.03 t	.03 t	.01 t	.06 t	0	.038 t	.05 t	.04 t
Electronic Wastes (i.e., old defective machines, old/ broken IT-related equipment / peripherals, etc.)	.12 t	.20 t	.18 t	.27 t	.01 t	.206 t	.11 t	.31 t

Source: Branch Banking Group - Retail Banking Sector, PNB

The reduction in the waste materials generated by our Metro Manila or NCR branches in 2021 is attributed to the temporary closures of some branches during the pandemic, while the increase in the wastes generated by the branches in other regions are from the regular maintenance works such as replacement of lighting fixtures, and change oil and batteries for the generator sets.

Our non-hazardous waste materials at the PNB Head Offices and domestic branches are collected on a regular basis by their respective local government units' assigned and DENR-accredited garbage disposal service providers, and these are disposed in DENR-accredited landfills.

Effluent or wastewater discharged by our Head Offices are mainly from the toilets and cafeterias. Our PNB Makati Center directly discharges wastewater to the sewer line of of the Manila Water Company, Inc., which then goes to the water company's centralized treatment plants also located in Makati City. On the other hand, the wastewater from our PNB Financial Center is treated in the Sewage Treatment Plant (STP) located inside the complex in Pasay City - that is now operated and maintained by PNB Holdings Corporation - before it is released to the Manila Bay.

We reduce our paper consumption as we continue to encourage our clients to shift to digital banking, enroll in electronic statement of accounts (e-SOA), open PNB accounts through digital channels, and go paperless for select transactions.

Also, as part of our digitalization plan, we partnered with Adobe Sign to digitize our loan implementation and transaction documents. We are looking at adopting this service enterprise-wide by 2022. With the partnership, the Bank will make it safer and easier for customers to do transactions anytime, anywhere while reducing our own environmental footprint.

Paper Consumption Table

	2019		2020		2021	
Description	Qty.	Total Amount (PhP)	Qty.	Total Amount (PhP)	Qty.	Total Amount (PhP)
Copy Paper Short	43,879 reams	5,599,399.19	35,000 reams	3,990,000	32,753 reams	2,893,621.81
Copy Paper Long	19,317 reams	2,465,042.37	12,000 reams	1,630,560	28,083 reams	2,978,142.94
Deposit Slip	381,428 pads	10,298,556.00	595,800 pads	12,625,002	491,890 pads	9,654,596.31
Withdrawal Slip	41,800 pads	888,250.00	79,000 pads	1,659,000	117,742 pads	2,061,762.05
Signature Card	1,521,800 pcs	517,412.00	1,106,700 pcs.	376,278	984,900 pcs	276,890.40
Customer Information Form - Individual	464,970 pcs	316,179.60	1,134,000 pcs	771,120	606,800 pcs	381,920.84
Customer Information Form - Business	60,000 pcs	60,000.00	55,000 pcs	55,000	79,300 pcs	64,974.00
Cash Transfer Slip	45,100 pads	455,510.00	60,000 pads	606,000	69,557 pads	846,907.65
TOTAL:		**20,600,349.20**		**21,893,840**		**19,158,816**

Source: Corporate Services Division, PNB

THE PROJECT P.L.A.N.E.T. CAMPAIGN AND INTERNAL ESG BULLETINS

SDG 3, 12, 13

In September 2021, the Bank received the Green Leadership Award in the 2021 Asia Responsible Enterprise Awards (AREA) for its Project P.L.A.N.E.T. (Protect, Love, and Nurture the Environment Together).

The Project P.L.A.N.E.T. (Protect, Love, and Nurture the Environment Together) is our Bank's banner environmental and sustainability program that was developed to raise awareness among employees on how they can play a role in upholding sustainability at the workplace and at home.

The third year of the campaign focused on encouraging employees to use washable face masks, use eco-bags for groceries, reuse plastic food containers, forgo use of plastic cutleries in online food deliveries, consider giving eco-friendly gifts during the holidays, and dispose their face masks and face shields responsibly. Employees were also informed on the different national and international observances related to the environment and sustainability such as the Earth Hour and International Water Day, to name a few.

In addition, as part of our commitment to educate our employees on the Bank's sustainability thrusts, we developed and released ESG bulletins via email to all Philnabankers on topics such as the definition of sustainability, sustainable development goals, and PNB's sustainability policy. Our Retail Banking Sector also release weekly email reminders called "It's Earth Day Tuesday!" to all branch employees to raise environmental awareness and provide reminders and tips on how to reduce carbon footprint at work and at home.

SOCIAL PERFORMANCE

Caring for Our People

Our people will always be our primary asset and we believe that our employees can only succeed in conditions that encourage growth and ensure their health and well-being. By respecting their human and labor rights, cultivating an inclusive and collaborative work culture, and providing equal access to training and growth opportunities, we are not just helping Philnabankers to succeed and improve their well-being but we are also helping PNB become stronger and sustainable.

At the forefront of building and developing the Bank's talent pool and promoting an inclusive and collaborative work culture is our Human Resource Group. It has the role and the responsibility of recruiting, developing, and retaining the right talents for overseas and domestic assignments. Our holistic employee programs and activities are geared towards promoting and improving the different aspects of the Philnabankers' health and well-being.

THE PHILNABANKERS AT A GLANCE

GRI 102-7, 102-8, 102-41, 103-1, 103-2, 103-3, 401-1, 405-1

SDG 5, 8

As of December 2021, the Bank had a total of 8,656 full-time and permanent employees. Women employees took up 66% or 5,745 of the total employee population, while male employees comprise 34% or 2,911 the Bank's talent pool. This figure includes the 14 retired employees who were previously re-hired under management contracts.

Forty-six percent (46%) or 4,012 of the total employee population are covered by the Collective Bargaining Agreement (CBA) of the Bank. Three thousand four hundred ninety-five (3,495) or 40% of the total employee population are union members, with more female members (2,339) compared to male members (1,156).

For the reporting period, 2,893 or 33% of employees are working from home or remotely while 5,763 (67%) are working onsite.

By Gender

Source: Human Resource Group, PNB

By Rank

Source: Human Resource Group, PNB

Employee Breakdown Per Gender and Age

Year	Gender	Age	Total
2019	Male	Under 30	855
		31 to 50	1,529
		51 and over	509
	Female	Under 30	1,809
		31 to 50	2,736
		51 and over	1,112
	Total		8,550

Source: Human Resource Group, PNB

Year	Gender	Age	Total
2020	Male	Under 30	827
		31 to 50	1,742
		51 and over	488
	Female	Under 30	1,818
		31 to 50	3,151
		51 and over	1,045
	Total		9,071

Source: Human Resource Group, PNB

Year	Gender	Age	Total
2021	Male	Under 30	698
		31 to 50	1,702
		51 and over	511
	Female	Under 30	1,533
		31 to 50	3,116
		51 and over	1,096
	Total		8,656

Source: Human Resource Group, PNB

Gender Breakdown per Rank

	2019			2020			2021		
Rank	Female	Male	Total	Female	Male	Total	Female	Male	Total
President		1	1		1	1		1	1
Executive Vice President	1	6	7	1	4	5	1	3	4
First Senior Vice President	3	2	5	4	1	5	5	6	11
Senior Vice President	15	14	29	13	8	21	12	5	17
First Vice President	26	21	47	18	18	36	14	20	34
Vice President	32	28	60	32	28	60	30	24	54
Senior Asst Vice President	75	50	125	80	53	133	91	55	146
Assistant Vice President	122	72	194	122	70	192	120	69	189
Senior Manager	179	114	293	184	147	331	202	151	353
Manager 2	238	145	383	285	156	441	291	168	459
Manager 1	502	248	750	539	278	817	566	269	835
Assistant Manager 2	854	326	1180	929	363	1292	919	359	1278
Assistant Manager 1	849	395	1244	916	441	1357	841	422	1263
Senior Specialist	207	154	361	225	159	384	200	144	344
Specialist	216	140	356	244	152	396	233	132	365
Senior Assistant	395	213	608	428	224	652	412	219	631
Assistant	839	403	1242	880	411	1291	832	381	1213
Senior Clerk	1104	559	1663	1114	541	1655	976	482	1458
Junior Clerk	0	2	2	0	2	2	0	1	1
TOTAL:	**5,657**	**2,893**	**8,550**	**6,014**	**3,057**	**9,071**	**5,745**	**2,911**	**8,656**

Source: Human Resource Group, PNB

Gender Breakdown per Group

	2019			2020			2021		
Rank	Female	Male	Total	Female	Male	Total	Female	Male	Total
Corporate Secretarys Office	13	4	17	14	4	18	4	17	21
Credit Management Group	113	153	266	160	175	335	167	148	315
Enterprise Information Security Group	7	12	19	8	11	19	10	9	19
Enterprise Services Sector	163	157	320	175	176	351	174	172	346
Financial Management Sector	109	53	162	82	41	123	43	94	137
Global Banking And Markets Sector	36	23	59	30	21	51	18	36	54
Global Compliance Group	30	24	54	34	21	55	21	35	56
Human Resource Group	239	126	365	57	23	80	20	56	76
Information Technology Group	142	228	370	150	247	397	244	144	388
Institutional Banking Sector	239	105	344	245	109	354	97	242	339
Internal Audit Group	91	54	145	87	49	136	55	88	143
Marketing And Brand Management Sector	25	17	42	25	18	43	17	22	39
Office Of The Corporate Treasurer	18	3	21	21	3	24	2	16	18
Office Of The President	2	4	6	2	3	5	4	2	6
Operations Group	496	292	788	546	331	877	300	518	818
Public Affairs Group	6	2	8	5	2	7	8	3	11
Retail Banking Sector	3798	1580	5378	4123	1707	5830	1636	3955	5591
Risk Management Group	32	16	48	44	19	63	25	48	73
Strategy Sector	16	6	22	15	7	22			
Trainees (Botp, Jedi, Mtp)				108	58	166	40	47	87
Trust Banking Group	60	24	84	58	23	81	19	65	84
Wealth Management Group	22	10	32	25	9	34	12	23	35
Grand Total	**5,657**	**2,893**	**8,550**	**6,014**	**3,057**	**9,071**	**5,747**	**2,911**	**8,656**

Source: Human Resource Group, PNB

For 2021, 4,818 or 55.7% of the total employee population are within the 31- to 50-year-old age range, with more women within the said age range at 64.7% (3,116) compared to men at 35.3% (1,702).

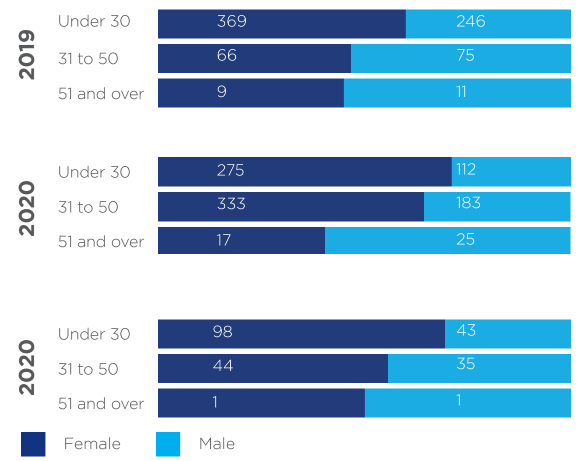
Four thousand six hundred forty-four (4,644) or 53.6% of our total employee population are officers, 456 of which hold key management positions from the rank of AVP up to President. From this figure, 273 or 60% are women leaders from the rank of AVP up to EVP while men leaders comprise 40% (183) from the rank of AVP to President.

The Retail Banking Sector, to which the Branch Banking Group belongs, followed by the Operations Group, Information Technology Group, Institutional Banking Sector, and Enterprise Services Sector continue to have the highest number of employees for three consecutive years. The Information Technology Group, Enterprise Services Sector, and Credit Management Group have the highest number of female employees.

In support of the Bank's business strategy towards growth and sustainability, we streamlined and transformed our business and operations. In 2021, our Transformation Office led the Bank's branch rationalization initiative and movements of certain business and support units within the organization. The said office also reviewed the Bank's efforts towards resource optimization, especially in the use of technology.

Hiring of new employees, particularly for senior officer positions, go through a strict review process and are subject to Corporate Governance Committee and Board approvals. In 2021, we have 222 new hires, comprising 3% of the total employee population. Our hiring rate decreased by 7% from 945 in 2020, which includes the number of employees from PNB Savings integrated to PNB, to 222 external hires in 2021. There were more women new hires in 2021 at 64% (143) compared to male new hires at 36% (79). In addition, majority of the new hires are from ages 30 years old and below (64% or 141), with most of them within the rank and file level (114 or 81%) and hailing from the Luzon region (69%).

Breakdown of New Hires per Age, Gender and Rank



Source: Human Resource Group, PNB

Lateral transfers of employees from one unit or assignment to another were allowed by the management whenever there were vacancies. Internal applicants went through a series of career discussions and were sometimes asked to take exams to assess job fit. For 2021, there were a total of 4,271 employee lateral transfers within the organization.

Moreover, the Bank, at its sole discretion, may engage the services of individuals with specialized skills / expertise under a management contract / consultancy arrangement, outsourced personnel, and even project hires to fulfill specific and defined requirements such as help propel the Bank's business, its expansion, and other diversification programs. We also have on-the-job (OJT) trainees from reputable colleges and universities in Metro Manila to acquaint the students to real-life corporate environment. These students who underwent on-the-job training were also our source of candidates for the Bank's future manpower requirements.

For 2021, the Bank's turnover rate is 7.24% (642, excluding end of contracts or EOC), an increase of 2.26% from 2020. More women (425 or 65%) and employees under 30 years of age (247 or 37%) have separated from the Bank. In terms of geographical location, more employees from the Luzon region (81%) left the Bank, followed by the employees from the Mindanao region (10%) during the reporting period.

REMUNERATION AND BENEFITS PACKAGE

GRI 103-1, 103-2, 103-3, 401-2, 401-3
SDG 5, 8, 10

We are committed to care, develop, and nurture our employees through our Human Resource Group's holistic benefits and rewards program called "COMPLETE", which stands for Compensation and Benefits, Monetary Allowance, Perks and Privileges, Life-Work Effectiveness, Employee Rewards and Recognition, Training and Development, and Engagement.

We provide competitive salaries and law-mandated benefits to our employees that include sick, emergency, and vacation leaves. Other leaves that we provide to eligible employees include birthday leave, emergency leave, solo parent leave, paternity and maternity leaves, bereavement leave, special leave for female employees, and special leaves for victims of violence under the Anti-Violence Against Women and Children Act (VAWC) of 2004.

In addition, we also provide a comprehensive health care plan, group life insurance coverage, retirement plan, guaranteed bonuses, free uniforms or uniform allowance, holiday pay, monthly rice subsidy, loyalty awards, and financial death allowance to all employees. Eligible employees can also avail of car plans, housing loans, and even personal loans. They can also extend their health care plan to their dependents and even apply for scholarship for their children dependents through Tan Yan Kee Foundation, the CSR arm of the Lucio Tan Group of Companies.

For 2021, there were a total of 148 employees who took parental leaves, 95.3% of which are female. As of December 2021, 144 or 97.3% of the employees were retained a year after returning from their parental leave.

2019			
	FEMALE	MALE	TOTAL
No. of qualified employees who took parental leave	156	8	164
No. of qualified employees who took parental leave and returned after the leave expired	152	8	160
No. of qualified employees who took parental leave and returned and were still employed one year after returning	152	8	160

Source: Human Resource Group, PNB

2020			
	FEMALE	MALE	TOTAL
No. of qualified employees who took parental leave	130	6	136
No. of qualified employees who took parental leave and returned after the leave expired	128	6	134
No. of qualified employees who took parental leave and returned and were still employed one year after returning	128	6	134

Source: Human Resource Group, PNB

2020			
	FEMALE	MALE	TOTAL
No. of qualified employees who took parental leave	141	7	148
No. of qualified employees who took parental leave and returned after the leave expired	141	7	148
No. of qualified employees who took parental leave and returned and were still employed one year after returning	137	7	144

Source: Human Resource Group, PNB

As an affirmation of our commitment towards gender equality, diversity and inclusion, the Bank exercises fairness and non-discrimination in designing its remuneration and rewards package. We ensure that our employees' salary and benefits package are based on their role in the company, competency level, work performance, previous work experience, certifications, and employment tenure, among others. Our employees' gender orientation, personal preferences, and background are not determining factors of work assignment, salary, benefits package, training and development, and even promotion.

Our Bank regularly reviews and improves its remuneration and benefits package for employees by aligning it with existing labor laws, current banking industry practices, and with the ongoing Collective Bargaining Agreements (CBA) to ensure that we remain competitive. Any change or improvement in the remuneration and rewards package of the employees are presented to the Corporate Governance and Sustainability Committee and the Board of Directors for review and approval.

EMPLOYEE LEARNING AND DEVELOPMENT

GRI 103-1, 103-2, 103-3, 404-1, 404-2, 404-3
SDG 4, 5, 8, 10

By providing access to learning opportunities to our employees, we will help improve productivity, self-sufficiency, and their future quality of life. This is also a good investment in making the Bank sustainable.

Our Human Resource Group's Institute for Banking Excellence (IBE) ensures that capacity- building activities are aligned with the strategic objectives, mission, goals, and values of the Bank. Our training activities and programs are crafted based on the learning and development needs of our employees, and these are the following:

- New Hires Orientation
- Foundation and regulatory training (i.e., data privacy and security, anti-money laundering, etc.).
- Behavioral, supervisorial, management, and leadership training
- Sales and service training (i.e., branch-tellering, detecting counterfeit money, internal control consciousness, info-tech awareness, etc.)
- Technical / specialized training (i.e., business writing, presentation skills, use of MS Office, etc.)
- External training on specialized topics / themes (i.e., sustainability, corporate social responsibility, Lean Six Sigma, basic first aid, disaster response, etc.)

Aside from the usual soft skills and technical trainings, we also provide trainings on self-management, communication, and developing empathy, resilience, coping with stress, and adapting in a remote / hybrid work arrangement to help our employees cope and thrive amid the difficulties brought about by the pandemic. Other training topics provided to employees were on diversity and inclusion, whistleblower policy, product orientation, digital fluency, and financial literacy.

We also have three key leadership programs for our new hires and homegrown talents. The Junior Executive Development Institute (JEDI) is the leadership program for high-potential new hires. The Management Training Program (MTP) is the leadership program for homegrown rank-and-file employees with the potential to assume officer responsibilities. The Branch Operations Training Program (BOTP) is the leadership program for branch staff-level employees to help them transition into the branch officer role or function. To date, the Bank has a total of 538 JEDI graduates, 627 MTP graduates, and 1,466 BOTP graduates.

We have feedback mechanisms in place to assess the effectiveness of our capacity-building activities, and these include the use of feedback forms, post-training exams, self-assessment questionnaires, and formal/informal feedback from the trainees' immediate superiors on how the learning has impacted the trainees' ability and attitude at work. We also review and enhance our learning and development programs regularly based on regulatory requirements and recommendations of the participants, experts in the field, and the management.

Training Hours by Gender

	2019			2020			2021		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
No. of Employees	5,657	2,893	**8,550**	6,014	3,057	**9,071**	5,745	2,911	**8,656**
No. of Training Hours	384,740	209,081	**593,821**	152,265.5	86,928	**239,193**	140,141.33	90,580.45	**230,721.78**
Average No. of Training Hours Per Employee			**69.45**			**26.37**			**26.65**
Average No. of Training Hours Per Gender	68.01	72.27		25.32	28.43		24.39	311.11	

Source: Human Resource Group-Institute of Banking Excellence, PNB

Training Hours by Rank

	2019			2020			2021		
	Officers	Rank And File	Total	Officers	Rank And File	Total	Officers	Rank And File	Total
No. of Employees	4,318	4,232	**8,550**	4,691	4,380	**9,071**	4,644	4,012	**8,656**
No. of Training Hours	243,977	349,844	**593,821**	67,263	171,930.5	**239,193.5**	90,730.25	139,991.53	**230,721.78**
Average No. of Training Hours	56.50	82.67	**69.45**	14.34	39.25	**26.37**	19.54	34.89	**26.65**

Source: Human Resource Group-Institute of Banking Excellence, PNB

For 2021, a total of 7,476 or 86 % of the total employee population underwent 230,721.78 training hours, with an average of 26.65 training hours per employee. Of the total number of trained employees, more women (5,045 or 67%) attended in-house and external trainings than men (2,431 or 33%). Employees in the rank-and-file also received more trainings for the reporting period.

Learning during the 'new normal' has become more convenient, even more exciting, and truly empowering for our employees. In July 2021, we launched the LinkedIn Learning Program to make available thousands of learning courses within this online platform on different topics or themes to our employees - anytime, anywhere. As of December 2021, we have activated 8,314 employees on the LinkedIn Online Learning platform with 1,013 course completions.

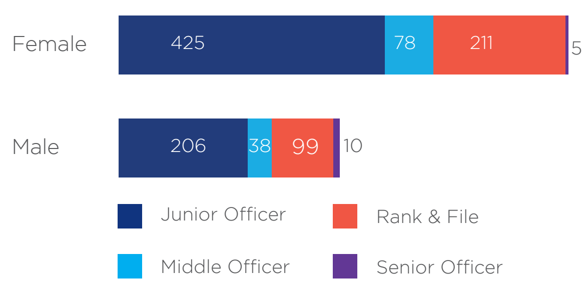
We also leveraged on this learning management system by integrating regulatory training topics for our employees such as the Anti-Money Laundering (AML) Home Study Program of our Global Compliance Group. We plan to optimize this learning platform by allowing other Bank units to use this as a channel for their respective training programs for employees.

As of December 2021, a total 1,072 employees[5] were promoted, with more women promoted (719 or 67%) than men (353 or 33%).

Photo was taken before the COVID-19 pandemic.

[5]Figure does not include employees who were either resigned or terminated.

Promotion by Rank and Gender



Source: Human Resource Group, PNB

PRIORITIZING EMPLOYEE SAFETY AND SECURITY

GRI 103-1, 103-2, 103-3, 403-1, 403-2, 403-4, 403-5, 403-6, 403-9, 403-10
SDG 3, 8

Our employees' safety is important to us. We commit to provide a safe and secure working environment for all our employees[5]. Workplace safety and security are part of our Bank's risk management practices.

Our Occupational Safety, Health and Family Welfare (OSHFW) Committee composed of representatives from both the management and employees, with the latter represented by labor union employees, meets regularly to discuss and manage reported work-related hazards. The committee monitors and evaluates its existing activities and initiatives by ensuring that these are aligned to the current general government labor requirements.

Among the committee's initiatives include the conduct of OSH / safety awareness program, dissemination of safety advisories through different channels on current natural and / or man-made calamity situations, disaster / emergency response training for PNB employee floor marshals, regular fire and earthquake drills at head offices, first aid training, deployment of emergency responders, and conducts of safety inspection / assessment of branches.

Employees appointed by the Bank as safety officers at PNB offices and branches are also regularly trained on Basic Occupational Safety and Health Program, Safety Program Audit, Loss Control Management, Standard First Aid and Basic Life Support, and Disaster Preparedness. The attendance rate of the safety officers in 2021 declined due to COVID-19 concerns. Despite the pandemic, the Bank was able to comply with the requirements of the Department of Labor and Employment (DOLE).

Moreover, we continue to monitor the health of our employees, implement hybrid work arrangements to prevent virus infection, release COVID-19 advisories and reminders, and enforce health protocols for employees working onsite and at home. We also ensure that our employees got vaccinated against COVID-19 for protection.

Work-related incidents are reported to the (OSHFW) Committee and are covered by the Bank's Guidelines for Notification and Keeping of Records of Accidents or Illnesses at the Workplace.

As of December 2021, there were no reported work-related illness and injuries, or fatalities among employees or any of the outsourced personnel of the Bank.

MANAGING LABOR RELATIONS

GRI 103-1, 103-2, 103-3, 102-41
SDG 8, 10, 16

Our Bank continues to enjoy the industrial peace that is borne from the cooperation and collaboration, anchored on mutual trust and respect, between the top management and the labor union.

We hold Labor Council Management Meetings so the union and the management can discuss employee concerns, clarify HR policies, and collaborate on initiatives. We also have a grievance mechanism in place to address or resolve any misunderstanding, dispute, or controversy between the Bank and any covered employee and / or arising from the interpretation and implementation of any provision of the existing Collective Bargaining Agreement (CBA) between the employee union and the Bank, and / or between the Bank and any covered employee.

The Bank's labor union continues to negotiate for better work terms and conditions for employees through collective bargaining and negotiations. The provisions of the 2020-2022 CBA are still being implemented and closely monitored. As part of the initiative of the management, representatives of the labor union were invited to attend labor education seminars for employees to assist in clarifying and providing guidance on the policies of the Bank, and to discuss the responsibilities of the union members as Philnabankers.

The past two years have been especially difficult for both the employees and the Bank because of the pandemic. However, we were all able to rise and surpass the challenges by communicating with each to each other, and by working together towards a compromise or a resolution.

LAWFUL AND ETHICAL BEHAVIOR

GRI 103-1, 103-2, 103-3, 102-17, 205-2, 205-3
SDG 16

Our Bank subscribes to the highest standards of corporate governance. We are committed to uphold the public's trust by ensuring that our employees conduct themselves lawfully and ethically. At the forefront of all these is the PNB Board of Directors who continue to inform and shape the Bank's business and operations through continuing adoption of the policies and display of ethical practices.

Policies are important as they serve as the blueprint of how the management and employees are expected to perform and behave. To ensure that all employees conduct themselves ethically, we have developed and disseminated policies and guidelines on the following: Code of Conduct, Corporate Governance, Selling of PNB Securities, Soliciting and / or Receiving Gifts, Personal Investment, Whistleblowing, Office Decorum, and Anti-Bribery / Anti-Corruption policies. These policies are continuously strengthened, cascaded, and reinforced in all communication and training programs until these are embedded and institutionalized as part of the practices and culture of the organization. Moreover, these policies are regularly revisited and updated to ensure their relevance to current work situations.

New employees are required to read and understand the policies prior to their onboarding. They are also oriented on these policies during the New Hires Orientation. All employees can easily access these policies and guidelines through the Bank's intranet facility, and through the PNB website for some policies.

Employees who violate the policies are sanctioned in accordance with the Bank's Code of Conduct. We have an Ethical Standards Committee (ESC) which functions as the Disciplining Authority of the Bank. This committee is composed of senior bank officers from various groups and is tasked to convene and investigate serious administrative offenses committed by the employees. It deliberates on issues, particularly on the administrative and financial accountability of the Bank's employees and recommends policies that will properly address the Bank's concerns, interest, and security. We also have a Committee on Decorum and Investigation (CoDI) which is the Bank's Disciplining Authority that has an exclusive jurisdiction over sexual harassment cases.

To encourage "speak up" culture within the organization, we continue to disseminate the Whistleblower's Policy through webinars and internal email advisories for our employees. This policy puts in place a mechanism for reporting erring behavior that violates the Bank's policies and code of conduct. Any report is handled with the highest level of confidentiality and the reporting employee is ensured protection from retaliation, reprisal, threat, bullying, or intimidation.

Aside from ensuring that our employees behave in an ethical manner, we also make sure that they are made aware of banking laws, rules, and regulations, as well as policies and procedures that are relevant to their respective areas of responsibility through regular conduct of basic compliance refresher trainings and release of email advisories or reminders.

As of December 2021, there were no reported incidents of bribery and corruption among employees, outsourced personnel, or with the Bank's suppliers / vendor and third-party service providers.

COMMITMENT TO WORKPLACE GENDER EQUALITY AND INCLUSION

GRI 405-1, 406-1

We commit to provide our employees a safe and secure work environment, as well as uphold an inclusive and gender-balanced workforce. To demonstrate this commitment, we adopted and implemented relevant policies on diversity and inclusion, gender equality, anti-sexual harassment, and whistleblowing.

Specifically, the principle of diversity and inclusion, as well as gender equality, are being observed across all people programs of the Bank such as recruitment, promotion, career development, training, pay administration, as well as in any employee engagement activities of the Bank.

Moreover, we further enhanced our Anti-Sexual Harassment Policy and Whistleblower Policy to ensure the protection of our employees of all gender by expanding the definition of what constitutes the act of harassment; adding anti-retaliation provisions, extending the coverage beyond our own employees to our external stakeholders such as outsourced personnel, vendors / suppliers, and even interns; and establishing whistleblowing channels.

We took our commitment to support gender equality and inclusion to the next level by renewing our membership with the Philippine Business Coalition for Women (PBCWE) and signing the UN Women Empowerment Principles (UN WEP) organized by the UN Women Asia and the Pacific and Women Business Council Philippines last March 31, 2021. Launched in 2010 by UN Women and UN Global Compact, the Women Empowerment Principles or WEPs is a roadmap to business sustainability and growth. It is a framework of seven principles that provide guidance for companies to promote transformative change towards gender equality and women empowerment in the workplace, marketplace, and community. These principles will guide companies in evaluating and assessing their policies, projects, and practices, and in identifying areas for improvement.[6]

Our Bank has also been gaining the attention of some of the country's leading women advocacy groups as evidenced by invitations for some of our women leaders to serve as resource persons and contributors for webinars, consultation meetings, studies, and book publications on workplace gender equality and inclusion. On November 22, 2021, our Bank, along with other representatives from Vietnam, Indonesia, and Myanmar,

shared stories, programs, and experiences on how gender equality is advancing in their respective workplace. The program formed part of the 2021 ADB Asia and the Pacific Virtual Gender Forum. This development came on the heels of the Bank's recent recognition from Asiamoney as 'Leader for Women' in 2020 and 2021 and from LinkedIn as best company for professionals to grow their career for 2021.

[6] United Nations Entity for Gender Equality and the Empowerment of Women. (2021).Equality Means Business: WEPs Brochure

Last October 2021, we have also been honored by a joint program of the European Union and UN Women as Champion for Transparency and Reporting in the UN Women 2021 Philippines Women's Empowerment Principles (WEPs) Awards for including gender data and indicators in our reporting which reflects the level of support and commitment of our Bank to gender equality and inclusion.

We hope to go further and improve our gender equality and inclusion policies and practices, as well as align with global standards such as the Sustainable Development Goals on Gender Equality and the UN Women Empowerment Principles. We hope to integrate gender equality and inclusion principles in our business and operations by using gender lens in financing projects and businesses of clients; inviting more women-owned or managed businesses to become accredited service providers; developing sustainable and gender-responsive products and services; and introducing employee volunteerism activities to support corporate social responsibility.

CULTIVATING RECOGNITION IN PNB

PNB believes that recognizing our employees' contribution and efforts will help inspire them to continue doing their best for the Bank and to serve as role models to all Philnabankers.

The Bank's Service Excellence Awards is a program where we recognize and reward individuals and teams for their exemplary achievement in the following areas: transformation, revenue generation, commitment to corporate social responsibility and sustainability, customer service and ideation / innovation. In 2021, 73 individuals and teams were awarded during the Pulong ng Bayan.

In addition to the bankwide recognition program, our Human Resource Group also acknowledges individuals and teams through the email campaign, Living Our Values Everyday (L.O.V.E.) Bulletin, which showcases the PNB core values as brought to life by employees.

Another program is Celebrate LOVE @ Work which is a month-long Valentine's celebration with activities aimed at building relationships, creating memories, reconnecting with clients and colleagues, helping employees in need, and promoting PNB products and services.

Our Retail Banking Sector also holds its annual awards and recognition ceremony to celebrate great achievements and honor top-performing employees. Due to the pandemic and the resulting work-from-home orders, the awards and recognition ceremony in 2021 was held virtually. The event was attended by Philnabankers from different parts of the country and from overseas. A total of 263 awards were given to 251 groups and 12 individuals.

PROMOTING WELLNESS AND WORK-LIFE BALANCE

GRI 403-6
SDG 2, 3, 8, 12

We value the overall well-being of our employees. Despite limitations brought by the pandemic, we continued to develop and implement activities through different platforms to help our employees improve their physical and mental health, develop camaraderie among themselves, strengthen their social and organizational commitment, and promote work-life fit.

- ***Health and Wellness***

The Human Resource Group organized health programs to continue caring for employees and their qualified dependents.

"Health First Bulletins" are disseminated on a regular basis to raise awareness among our employees on various health-related topics. For this year, the bulletins covered Dengue Awareness, Nutrition, Reminders on a Healthy Spine and several materials on COVID awareness and protection.

Power classes on yoga, pilates, and jump rope were virtually held every Wednesday from March to June 2021 while fun runs and cycling activities were held during the Bank's 105th anniversary in July 2021.

In partnership with the Bank's healthcare provider, we made available 24/7 access to medical professionals to address employees' physical and mental health concerns. Our employees and their dependents could freely teleconsult with accredited ValuCare primary care doctors, psychologists and/or psychiatrists. We also provided in-house mental health support through our Human Resource Group's mental health hotline manned by a Certified Psychosocial Support Facilitator.

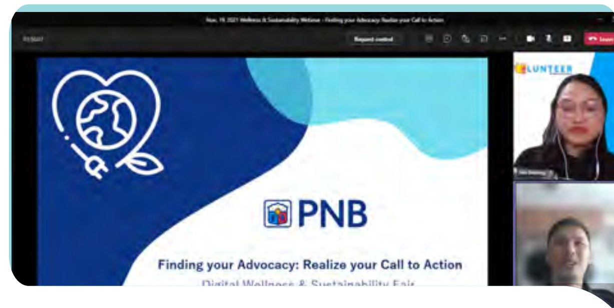
For 2021, the Bank had 90 mental-health related webinars attended by 2,230 employees. In addition, a mental health webinar for the senior leaders of the organization was conducted to help them better manage their direct reports' wellness. The webinar also tackled how to communicate with empathy and compassion in the workplace.

Offered for the first time was the two-hour Mother's Day special webinar for Philnabankers. The webinar discussed how motherhood has changed over time, the different signs and symptoms of prenatal and post-partum disorders, and ways how new mothers can cope with the struggles of motherhood. The webinar also covered how fathers can best support their partners.

- ***Fresh Produce for Philnabankers and Outsourced Personnel***

To help promote healthy eating among our employees and outsourced personnel, we partnered with Tan Yan Kee Foundation, Inc. to provide to provide access to fresh, organically grown, and affordable vegetables and fruits from the foundation's farm in Nueva Ecija.

Philnabankers can order fresh produce from the foundation every week through the Corporate Sustainability Unit, and these are delivered to PNB Makati Center and Financial Center for free or straight to their respective homes for a minimal delivery fee. Our outsourced personnel, on the other hand, can buy fresh vegetables and fruits at a very low price straight from the Tan Yan Kee Foundation staff who deliver to the same venues every week.



- ***Digital Wellness and Sustainability Fair***

The second Digital Wellness & Sustainability Fair of the Bank was held via MS Teams last November 15-19, 2021, with the theme, "Prioritizing Well-Being In and Out of the Office". Resource persons were invited to talk on different topics to help employees learn more about self-care in the 'New Normal'. Some of the topics discussed were building better relationships at work during quarantine, developing a growth mindset, meditation, smart investing, and finding life purpose or advocacies to support.

The Bank also helped small businesses and entrepreneurs by inviting them to join the event's online catalogue to promote and sell natural beauty products, personal and home care products, organic drinks, plants, and ergonomic work-from-home tools.

- ***The PNB Bayanihan Spirit***

The spirit of "bayanihan" and volunteerism continues to burn bright among the Philnabankers. The challenges brought by the pandemic did not stop our employees from helping their fellow Philnabankers, other people, and their own communities.

As of December 2021, there were a total of 1,137 Philnabankers from 38 areas of operations - domestic and overseas - who rendered an estimated 2,855 volunteer manhours in their respective communities. They organized or joined community outreach or employee volunteerism activities such as packing and distributing relief goods; tree planting; coastal clean ups; bloodletting; editing / promoting books for students; visiting children's centers; gift-giving; feeding program; and donating oximeter and hygiene kits for medical front-liners, among others.

Other Philnabankers also participated in different fundraising activities organized by the Bank or other organizations to provide financial assistance to Typhoons Ulysses and Odette victims, PNB outsourced personnel who were affected by the pandemic, and fire victims in their communities.

An estimated 32,604 individuals and groups benefitted from these CSR and volunteerism activities of Philnabankers.

- ***Connecting with Our Employees through Different Platforms***

During the pandemic, we continue to reach out and communicate with our employees through different channels to check on their conditions; listen to their recommendations and suggestions on how to improve our business and operations; and push messaging on the Bank's business objectives, strategy, and targets.

In July 2021, our Human Resource Group conducted a bankwide Employee Engagement Survey. The survey was conducted to help improve the Bank's overall organizational capability by leveraging on perceived strong points of PNB and addressing perceived weak points based on inputs from employees. Specifically, the survey aimed to (1) measure and understand the level of engagement, satisfaction, and organizational commitment of the Philnabankers; (2) identify factors that significantly affect employee engagement; (3) determine the level and factors that affect turnover rate; (4) identify reasons for resignations; (5) determine employees' willingness to work-from-home; and (6) identify possible CSR and sustainability programs. A total of 6,619 employees or 75% of the total employee population participated in the survey.

We continued to hold Senior Management Team Meetings every month where the President and CEO, the group and sector heads, and their respective one-downs came together virtually via MS Teams. The goal of the monthly meeting is for the President and CEO to give key message on the challenges and opportunities we see in the horizon and how we are improving our profitability / efficiency as we continue to execute the PNB Strategy. Our President and CEO also shares some of the points coming from discussions with the Board of Directors meeting. Our Chief Financial Officer reports on the Bank's recent performance. Likewise, our PNB Economist discusses the macro-view of the economy.

Our Public Affairs Group also continues to run the PNB Engage on SharePoint which is the Bank's official internal communications channel that features the following: messages and updates from the CEO; Philnabanker communities; HR stories on the core values, internal job vacancies, and other HR-related matters; corporate sustainability initiatives; technology features; downloadable electronic greeting cards; company brief, awards, and press releases; and links to PNB's official Facebook, Instagram and YouTube accounts.

For 2021, a total of 13 Kamustahan sessions with CEO were held. These are virtual, informal meetings of our President and CEO with the different business and support units of the Bank. This activity aims to get first-hand feedback from the employees on how they are adapting to the new developments (e.g. new COVID surge, etc.) and to learn about the challenges and opportunities that they see on the ground.

Last October 2021, our Public Affairs Group launched the Mensahe Ng Pangulo which is a weekly audio-visual message of the President and CEO to all Philnabankers. This platform allows our employees – branch front-liners especially – to be constantly aligned to our Bank strategy and to other important messages that drive our success, as well as to help create a positive and more collaborative workplace. The Mensahe Ng Pangulo is released weekly through MS Teams, Viber, and WhatsApp, and posted on PNB Engage. Business and support unit heads share and discuss the content with their teams during huddles.

RESPONSIBLE CITIZENSHIP AND CARING FOR OUR COMMUNITIES

GRI 103-1, 103-2, 103-3, 203-1, 203-2, 413-1
SDG 1, 2, 3, 4, 8, 10, 12, 15, 17

Through the Corporate Sustainability Unit, PNB continues to develop and implement significant activities and initiatives in communities where we have business presence. Aligned with our belief that sustainability should start from within and cognizant of our corporate social responsibility, we try to find balance in supporting both our internal and external stakeholders.

- ***Waived Fees for Bank Remittance and Fund Transfer for Filipinos***

Our Bank extended the waiver of fees for InstaPay, PESONet and PNB-to-PNB fund transfer transactions from 2020 to March 2021, in support of the directive from the BSP and the national government to help Filipinos during this period of economic hardships due to the pandemic.

In addition, we launched the Xchanged USA Libre Padala 2021 Promo which ran from February 9 to March 31, 2021 for the benefit of overseas Filipinos. Remittance fees for Xchanged USA remittance transactions that were for credit to PNB Peso Deposit Accounts were waived by the Bank. The Xchanged USA App remittance service was offered by Xchanged, LLC, an authorized agent of PNB Global Remit.

- ***Financial Literacy and Wellness Sessions***

Through the business groups, we conducted virtual sessions on financial literacy and wellness, as well as roundtable discussions on different sustainable finance-related topics. Employees, as well as current and prospective clients, learned about green finance and sustainable finance framework. These sessions were done in partnership with different government agencies and other private institutions such as SSS, International Finance Corporation (IFC), and conglomerates who are leading ESG initiatives.

In 2021, an estimated 56,499 participants from target groups such as borrowers / lenders, OFWs, OFW dependents, police officers, professionals / blue-collar workers, investors, and entrepreneurs attended the learning sessions, webinars, and roundtable discussions via MS Teams, Zoom Meetings, and Facebook Live.

- ***Food Distribution in Marikina***

Together with our employees from the North Metro Manila 5 Area Office and Marikina branches, we helped distribute food packs and bottled water to 4,000 families in five identified barangays in Marikina City that were affected by Typhoon Ulysses last January 12, 2021. This activity was in partnership with Tan Yan Kee Foundation and Macro Asia Catering Services.

- ***PNB Bigay Tulong Campaigns***

We launched PNB Bigay Tulong for Outsourced Personnel Campaign 2, an employee donation campaign, to generate contributions from Philnabankers and help provide a one-time group accident insurance coverage for PNB's outsourced personnel. It generated a total of over P500,000 from the generous contributions made through over-the-counter deposits, online fund transfer, InstaPay and Peso Net, use of credit cards, and conversion of rewards points to cash. More than 2,000 outsourced personnel from different parts of the country were provided group accident insurance coverage for one year by Allied Bankers Insurance Corporation (ABIC).

When Typhoon Odette struck in December 2021, many of our branches and employees in the Visayas area were affected. To help them, our Human Resource Group, Institutional Banking Sector, and Public Affairs Group launched an internal fundraising campaign. Total donation received amounted to over P600,000, which will benefit over 65 severely affected employees.

While several of our branches were damaged by the typhoon, operational branches such as PNB Cebu IT Park assisted around 500 clients and non-clients who withdrew money from PNB ATMs. Some of our branches also offered help by allowing people to charge their phones and share with those in need.

- ***Donation of Decommissioned Computers for San Miguel National High School***

Through the initiative of our Information Technology Group (ITG), we donated 40 decommissioned but refurbished desktop computers and a laptop to the San Miguel

National High School in San Miguel, Bulacan. These computers will help make online learning more accessible to the students, especially during this time of pandemic.

- ***PNB CommuniTree: Together as One for the Environment***

In celebration of PNB's 105th Anniversary, our employees were enjoined to plant trees in their own backyards / communities. A total of 800 forest and fruit-bearing seedlings / saplings were planted by 315 individual and group employee-volunteers from June 22 to July 17, 2021. Due to the pandemic and to safeguard the safety of the employees, participants were encouraged to plant the trees in their own backyards.

- ***Supporting Health Causes in Our Communities***

We provided monetary support for the two-webinar series of Natasha Goulbourn Foundation or NGF Mindstrong with the title "Resilience Through Hope" dedicated to overseas Filipinos and their families on September 10 and October 10, 2021 via Zoom. The first webinar focused on suicide awareness and prevention, while the second one centered on ways to help improve the mental health of overseas Filipinos and their loved ones.

In honor of the services of medical front-liners, and to thank the Dagupan LGU for accommodating PNB Employees for their vaccination, the NOL 7 Area Office and branches led the distribution of N95 masks and refreshments to an estimated 100 medical personnel assigned in the Dagupan City Vaccination Center on September 9, 2021.

Our donation of two ambulance units to Philippine Red Cross had 276 runs for the reporting period, providing assistance to 93 individuals in Gingoog City, Misamis Oriental and in Metro Manila. One of the donated ambulance of the Bank has also assisted in the vaccination program of our affiliate, Tan Yan Kee Foundation, Inc, in Carranglan, Nueva Ecija.

SOCIO-ECONOMIC AND ENVIRONMENTAL COMPLIANCE

GRI 103-1, 103-2, 103-3, 307-1, 419- 1
SDG 16

Our commitment to contribute to the improvement of the social, economic, and environmental aspects of our business and operations goes beyond regulatory compliance.

We ensure that all our domestic and overseas offices and branches have the necessary business, labor, and environmental permits. We keep our people updated on all applicable laws, rules, regulations, and policies that govern our business and operations through the regular release of environmental, social, and governance (ESG) bulletins via email and trainings.

We have mechanisms in place to monitor our compliance with socio-economic and environmental laws, rules, regulations, and policies. Our Corporate Governance and Sustainability Committee reviews the Bank's sustainability performance using various benchmarks, including economic, social, and environmental performance indicators. In addition, the Sustainability Project Steering Committee and Technical Working Group (TWG) review and deliberate on all sustainability-related activities and initiatives, as well as endorse and recommend actions to the Office of the President and the Corporate Governance and Sustainability Committee.

At the management level, our Corporate Sustainability Unit (CSU) under the Public Affairs Group, spearheads various activities and initiatives aimed to effect meaningful social, environmental, and economic change.

Our CSU works closely with the different units of the Bank such as the Human Resource Group, Administration Group, Risk Management Group, Global Compliance Group, and other relevant parties that play important roles in the effective implementation of the Bank's sustainability agenda.

Any incident of non-compliance with applicable environmental, economic, and social-related laws, regulations, and policies in communities where we have presence, either within the country or overseas, are being addressed by the Bank through appropriate channels and are closely monitored.

CUSTOMER EXPERIENCE

GRI 103-1, 103-2, 103-3, 102-43

We aim to provide the best customer experience to our clients through our branches and contact centers. We provide them various channels for their inquiries, requests, and complaints such as our 24/7 customer care hotline, email, Facetime, Skype, and Facebook private messaging.

Our Consumer Protection Policy ensures that any reported complaint is recorded, monitored, and addressed in a timely manner. In accordance with the BSP requirement on reporting complaints, a consolidated complaints report is submitted monthly to PNB's Management and Risk Oversight Committee and quarterly to the BSP.

As part of ensuring good service quality, we gather and work on the qualitative feedback from our customers at point of call through our "After Call Survey for 8573-8888."

MARKETING AND LABELING

GRI 102-14, 103-1, 103-2, 103-3, 417-1, 417-2, 417-3
SDG 12

Our Marketing and Brand Management Sector supports the Bank by defining and enhancing branding guidelines. All advertising and promotional collaterals of the different business units strictly adhere to the Bank's guidelines and are compliant with all regulatory requirements, such as those required by the BSP, SEC, PDIC, BancNet, Department of Trade and Industry, Ad Standards Council (ASC), and Insurance Commission, among others. We also ensure that our campaigns and marketing collaterals are targeted towards the right demographics.

We have a Social Media Framework in place to help us manage our reputational risk across platforms. We use channels such as Facebook, Instagram, Twitter, YouTube, and LinkedIn to share information and updates to our customers. It also serves as a channel for our customers to send in their complaints and concerns.

One of our biggest projects in 2021 was the Digital App Campaign wherein we used celebrity endorsers. We worked with the business units and our commissioned agency to create campaigns and promos to drive awareness and usage of the PNB Digital App. We also embarked on the website revamp to ensure that customer interface is optimal. We were also able to secure an approval for a Zoom license for the Bank's external online or virtual events and activities

For the reporting period, there were no reported incidents of non-compliance in the marketing and labeling efforts of the Bank. There were also no reported incidents of non-compliance with regulations and / or voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship. There were also no physical marketing collaterals produced such as billboards, posters, banners, or tarpaulins.

DIGITAL TRANSFORMATION AND INNOVATION

GRI 102-14, 103-1, 103-2, 103-3
SDG 9

Our Bank adheres to the BSP Policy on Electronic Banking and Financial Services and related regulations such as Guidelines on Electronic Payments, Operations on Payment Systems, and Consumer Protection. We are also aligned with the BSP Digital Payment Transformation Roadmap, which operates under the National Retail Payment System (NRPS).

We also participate in the InstaPay and PESONet interbank fund transfer ecosystem and is also on track to engage in the other NRPS services including Person to Merchant and Person to Business payment streams. Another BSP framework that our Bank participates in is the Open Finance Framework where financial institutions can share data with the consent of their customers to optimize services in the areas of Product and Service Information, Account On-boarding, and Account and Transaction Information.

As of December 2021, we have a total of 1,586 automated teller machines (ATMs), 165 cash accept machines (CAMs), and 6,603 point-of-sales (POS) terminals for the 24-hour banking convenience of our customers. We increased the number of our ATMs and CAMs to make it easy and fast for our customers to access their funds. We reduced the number of our POS terminals as the pandemic impacted the businesses of our clients.

	2019	2020	2021
ATMs	1,577	1,578	1,586
CAMs	81	144	165
POS Terminals	100	7,120	6,603

Source: Digital Innovations Group, PNB

We continue to automate our Bank forms, shift our customers to e-SOA, and migrate our existing customers to the Bank's digital channels. As of December 2021, we have increased the number of our enrolled digital users by 8 percent from the same period last year.

Digital Banking (Mobile and Internet)	2019	2020	2021[7]	% Inc./Dec. (CY2021 vs. CY2020)
Enrolled Users	528,146	749,564	805,906	8%
New Enrollments	188,813	221,418	56,342	-75%

Source: Digital Innovations Group, PNB

We launched a new mobile banking platform called "PNB Digital" in February 2021 with the goal of improving user experience. Our PNB Digital App's initial roll-out offers features most used by mobile banking app users. These include viewing of account balances and transaction history, fund transfer between PNB accounts and other local banks with an option to transfer via an account QR Code, and bills payment to common utilities and credit cards. These most frequently used features are presented through an intuitive and updated user interface.

Our drive to undergo digital transformation and the need to ensure that the security controls are in place in the system made cyber security management a major business imperative for us. As such, we have taken great measures to strengthen the security features of our Digital App with the introduction of PNB Mobile Key for both log in and transactions.

In addition, our Bank plans to leverage on the inherent security advantages of our digital mobile app to address recent exposure to phishing incidents involving the Bank's internet banking system. As a result of this initiative, core payments and transfer functions (e.g., InstaPay, PESONet, bills payment and intrabank fund transfers) will only be made available on the mobile app while the internet banking facility will be rebranded as an account inquiry, investment, and acquisition portal for UITF customers and applications for credit card products.

As there was a rise in incidents of fraud cases experienced by the financial community, particularly the banks, we also stepped up our security controls by sending SMS and electronic mail notifications to our customers for over-the-counter debit transactions amounting to Php10,000.00 and above, enhancing our web-faced facilities, lowering the authority limits of our frontliners, rotating our branch personnel on a periodic basis, and further enhancing our risk management process for high-risk accounts with balances of more than Php5M on top of the periodic review of accounts. Specifically, at the branch level, we conduct enhanced due diligence by requiring additional information during customer onboarding.

Moreover, we continue to raise awareness and educate our customers to make them cyber-secure through release of email advisories and through our different social media platforms.

For 2021, our Bank has not been cited for any violation of the policies and regulations that govern our digital products and services.

[7] *2021 figures consider user base clean-up activity done in October 2021*

CUSTOMER DATA PRIVACY AND SECURITY

GRI 103-1, 103-2, 103-3, 418-1

SDG 16

We respect and value the right to data privacy and protection of our data subjects (e.g., customers, employees), and take all the necessary actions to safeguard their information. We ensure that their personal data are processed in adherence to the general principles of transparency, legitimate purpose, and proportionality.

As part of our Bank's efforts in maintaining transparent processing of personal data, we ensure that all our data subjects are informed about how our Bank processes and protect their personal data. We ensure that the PNB Data Privacy Statement is accessible to the public through our official website.

Our Enterprise Data Privacy Policy and Enterprise Information Security Policy reinforce our commitment to data privacy and security by implementing appropriate organizational, physical, and technical security measures in relation to the processing of personal data. We ensure strict compliance with both local and international laws and regulations as well as global standards, including the compliance checklist of the National Privacy Commission (NPC), among others. To ensure continuous compliance of our overseas branches with applicable data privacy legislations, our Data Privacy and Technology Risk Management Division (DPTRMD) assisted our overseas branches in preparing their data privacy manuals that will supplement the PNB Enterprise Data Privacy Policy.

Our Data Protection Officer (DPO), with the assistance of DPTRMD, works with our Customer Experience Division (CED) to efficiently resolve any data privacy-related concerns directly coming from our data subjects. The DPO and DPTRMD are consistently coordinating with the Enterprise Information Security Group (EISG) to ensure that the Bank's information security is maintained and monitored.

Our Bank employees are bound by a confidentiality agreement. Our DPTRMD regularly sends out data privacy advisories and conduct data privacy awareness training for our employees, including third-party service providers, to ensure that all those who process personal data understand their responsibilities. They also continuously monitor updates and trends on data privacy and security through NPC issuances and participation in various seminars and conferences conducted by professional associations such as Bankers Association of the Philippines and International Association of Privacy Professionals to ensure the continuing suitability, adequacy, and effectiveness of the Bank's data privacy practices.

Our goals and targets for ensuring privacy and protection of customers are aligned with our three-year strategic plan for DPTRMD which is based on the Bank's Data Privacy Management System in accordance with the compliance checklist issued by the NPC and with data privacy principles.

Our Bank's mobile and online banking facilities have security features such as the use of log-in credentials, one-time-pin (OTP), Touch ID, and SMS and email alerts, among others. In addition, our Cards Banking and Solutions Group also sends out SMS and email alerts to our customers whenever significant amounts are used on their credit cards or debit cards.

Moreover, we continue to promote customer privacy and security awareness by sending preventive information and security tips to customers about phishing and online scams via e-mail, SMS, and by posting the same on our official PNB website and social media channels.

MEMBERSHIP IN ASSOCIATIONS

GRI 102-13

- ACI Philippines
- Association of Certified Fraud Examiners
- Association of Certified Public Accountants in Commerce
- Association of AML Officers (AMLO)
- Association of Bank Compliance Officers (ABCOMP)
- Agusan Chamber
- Asian Bankers Institute
- Asian Bankers Association
- Bankers Institute of the Philippines
- Bankers Association of the Philippines
- Bank Marketing Association of the Philippines
- Bank Security Management Association
- British Chamber of Commerce in the Philippines
- Business for Sustainable Development (BSD)
- Credit Management Association of the Philippines
- Credit Card Association of the Philippines
- Executives Finance Management Association
- Federation of the Philippine Industries, Inc.
- Financial Executive Institute of the Philippines
- Financial Technology of the Philippines
- Good Governance Advocates and Practitioners of the Philippines (GGAPP)
- Information Systems, Audit and Control Association
- Institute of Corporate Directors
- Institute of Internal Auditors of the Philippines
- Integrated Bar of the Philippines
- International Association for Business Communicators (IABC)
- Japanese Chamber
- Korean Chamber
- Mabuhay Miles
- Makati Commercial Estate Association, Inc.
- Management Association of the Philippines
- Money Market Association of the Philippines, Inc.
- People Management Association of the Philippines
- Philippine Association of National Advertisers, Inc.
- Philippine Chamber of Commerce and Industries, Inc.
- Philippine Business Coalition for Women Empowerment
- Philippine Payments Management, Inc.
- Public Relations Society of the Philippines (PRSP)
- Rotary Club
- Tax Management Association of the Philippines
- The Financial Markets Association, Inc.
- Trust Officers Association of the Philippines
- Women's Business World

GLOBAL REPORTING INITIATIVE (GRI) CONTENT INDEX FOR "IN ACCORDANCE"

-Core Option

GRI 102-55

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GLOBAL REPORTING INITIATIVE (GRI) CONTENT INDEX FOR "IN ACCORDANCE"

-Core Option

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102-35	Remuneration policies	63, 80-81, 106-107	
102-36	Process for determining remuneration	63, 80-81, 106-107	
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102-40	List of stakeholder groups	91-93	
102-41	Collective Bargaining Agreements	103, 109	
102-42	Identifying and selecting stakeholders	91-93	
102-43	Approach to stakeholder engagement	91-93	
102-44	Key topics and concerns raised	91-93	
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102-46	Defining report content and topic boundaries	95	
102-47	List of material topics	95	
102-48	Restatements of information	Total of 2020 GHG Emissions of PNB Financial and Makati Centers is 9,816,725.98 (Direct Scope Emissions- 4,093.90; Indirect Scope Emissions- 9,812,632.08). Total new hires for 2020 is 945 (under 30 years old-387; 31 to 50 years old-516; 51 years old and over-42)	
102-49	Changes in reporting	For 2021, we have included ESG-related data / info from our PNB branches and offices overseas. As part of our compliance to the reporting requirements of BSP Circular 1085 (Sustainable Finance Framework), we included our progress in implementing our Bank's Three-Year Sustainability Transition Plan.	
102-50	Reporting period	January 1 to December, 2021	
102-51	Date of most recent report	2020	
102-52	Reporting cycle	Annual	
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102-54	Claims of reporting in accordance with the GRI standards	91	
102-55	GRI Content Index	121-125	
102-56	External Assurance	This report is not externally assured	

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	103-2	The management approach and its components	96-97
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GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	96
	201-2	Financial implications and other risks and opportunities due to climate change	96-99
	201-3	Defined benefit plan obligations and other retirement plans	63, 80-81
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	103-2	The management approach and its components	97-98
	103-3	Evaluation of the management approach	97-98
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	103-2	The management approach and its components	98-99
	103-3	Evaluation of the management approach	98-99
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	103-2	The management approach and its components	99-100
	103-3	Evaluation of the management approach	99-100
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	103-2	The management approach and its components	99-100
	103-3	Evaluation of the management approach	99-100
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	103-2	The management approach and its components	100
	103-3	Evaluation of the management approach	100
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	305-2	Indirect (Scope 2) GHG Emissions	100
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	103-2	The management approach and its components	101-102
	103-3	Evaluation of the management approach	101-102
GRI 306: Waste 2020	306-1	Waste generation and significant waste-related impacts	101-102
	306-2	Management of significant waste-related impacts	101-102
	306-3	Waste generated	101

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-Core Option

GRI 102-55

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GRI 103: Management Approach 2016	103-1	Explanation of material topic and its boundary	103-105
	103-2	The management approach and its components	103-105
	103-3	Evaluation of the management approach	103-105
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	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	106-107
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	403-5	Worker training on occupational health and safety	108-109
	403-6	Promotion of worker health	108-109, 112
	403-9	Work-related injuries	109
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	103-2	The management approach and its components	107-108
	103-3	Evaluation of the management approach	107-108
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	404-3	Percentage of employees receiving regular performance and career development	108
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	103-3	Evaluation of the management approach	77, 109-110
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	103-3	Evaluation of the management approach	117
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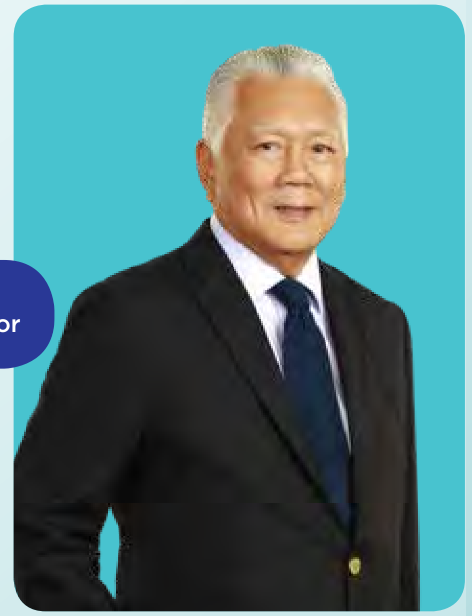
BOARD OF DIRECTORS AND BOARD ADVISORS

LEONILO G. CORONEL
Vice Chairman/Non-Executive Director



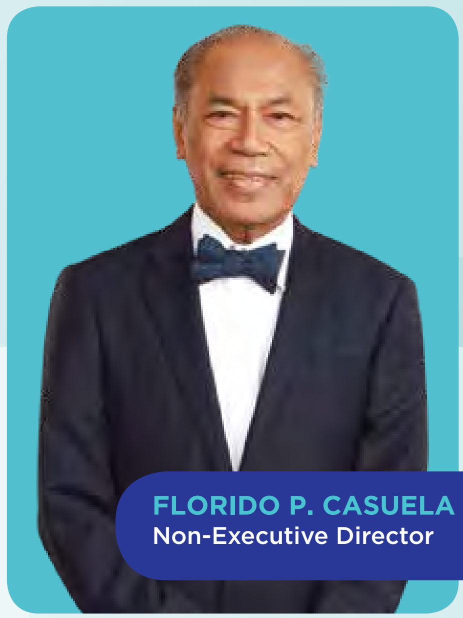
FEDERICO C. PASCUAL
Chairman/Independent Director

ESTELITO P. MENDOZA
Non-Executive Director

ISABELITA M. PAPA
Independent Director

JOSE ARNULFO A. VELOSO
President and Chief Executive Officer/Executive Director

SHEILA T. PASCUAL
Non-Executive Director



FLORIDO P. CASUELA
Non-Executive Director

EDGAR A. CUA
Independent Director

WILFRIDO E. SANCHEZ
Independent Director

BOARD OF DIRECTORS AND BOARD ADVISORS

CARMEN K. TAN
Non-Executive Director

LUCIO C. TAN
Non-Executive Director

LUCIO C. TAN III
Non-Executive Director

MICHAEL G. TAN
Non-Executive Director

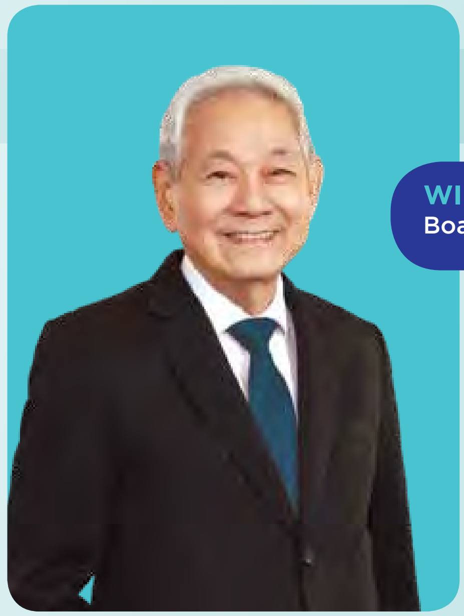
VIVIENNE K. TAN
Non-Executive Director

DOMINGO H. YAP
Independent Director

BOARD OF DIRECTORS AND BOARD ADVISORS

FELIX ENRICO R. ALFILER
Board Advisor

CHRISTOPHER J. NELSON
Board Advisor



WILLIAM T. LIM
Board Advisor

FLORENCIA G. TARRIELA
Board Advisor

CHESTER Y. LUY
Board Advisor

RUTH PAMELA E. TANGHAL
Corporate Secretary

BOARD OF DIRECTORS

FEDERICO C. PASCUAL
Chairman/Independent Director

AGE	NATIONALITY	NO. OF YEARS SERVED AS A DIRECTOR
79	Filipino	8

EDUCATION	DATE OF FIRST APPOINTMENT
• Bachelor of Arts, Ateneo de Manila University • Bachelor of Laws (Member, Law Honors Society), University of the Philippines • Master of Laws, Columbia University	May 27, 2014 (as Independent Director) April 27, 2021 (as Chairman of the Board)

DIRECTORSHIP IN OTHER LISTED COMPANIES
None

OTHER CURRENT POSITIONS

- Independent Director of Allianz PNB Life Insurance, Inc., PNB-Mizuho Leasing and Finance Corporation, PNB-Mizuho Equipment Rentals Corporation, PNB International Investments Corporation and PNB Capital and Investment Corporation
- Chairman of Bataan Peninsula Educational Institution, Inc.
- President/Director of Tala Properties, Inc. and Woldingham Realty, Inc.
- Director of Apo Reef World Resort, Sarco Land Resources Ventures Corporation, SCTEX Development and Franchisers Corporation, and Hermosa Golden Rainbow Corporation
- Partner of the University of Nueva Caceres Bataan Branch

OTHER PREVIOUS POSITIONS

- Chairman/Independent Director of PNB General Insurers Co., Inc.
- Independent Director of PNB Holdings Corporation and PNB Savings Bank
- President and General Manager of Government Service Insurance System
- President and CEO of Allied Banking Corporation and PNOC Alternative Fuels Corporation
- Director of Global Energy Growth System
- Various positions with PNB for 20 years, including Acting President, CEO and Vice Chairman
- President and Director of Philippine Chamber of Commerce and Industry
- Chairman of National Reinsurance Corporation
- Co-Chairman of the Industry Development Council of the Department of Trade and Industry
- Treasurer of BAP-Credit Guarantee
- Director of San Miguel Corporation, Philippine Stock Exchange, Manila Hotel Corporation, Cultural Center of the Philippines, CITEM, Bankers Association of the Philippines, Philippine National Construction Corporation, Allied Cap Resources HK, Oceanic Bank SF, USA, AIDSISA Sugar Mill, PDCP Bank, Equitable PCIB, Bankard, Philippine International Trading Corporation, and Philippine National Oil Corporation
- Chairman and President of Alabang Country Club

LEONILO G. CORONEL
Vice Chairman/Non-Executive Director

AGE	NATIONALITY	NO. OF YEARS SERVED AS A DIRECTOR
75	Filipino	9

EDUCATION	DATE OF FIRST APPOINTMENT
• Bachelor of Arts, Major in Economics, Ateneo de Manila University • Advance Management Program, University of Hawaii	May 28, 2013 (as Director) April 27, 2021 (as Vice Chairman)

DIRECTORSHIP IN OTHER LISTED COMPANIES
None

OTHER CURRENT POSITIONS

- Independent Director of Citicore Real Estate Investment Trust
- Independent Director of DBP-Daiwa Capital Markets Phil.
- Director of Software Ventures International
- Director of Toyota Pasong Tamo, Toyota Global City, and Toyota Angeles
- Director of M2 Car Accessories Corp.

OTHER PREVIOUS POSITIONS

- Chairman of PNB-IBJL Leasing and Finance Corporation and PNB-IBJL Equipment Rentals Corporation
- Independent Director of Megawide Construction Corporation
- Executive Director of the Bankers Association of the Philippines and RBB Micro Finance Foundation
- Director/Treasurer of Philippine Depository and Trust Corporation
- Director of the Philippine Clearing House Corporation, the Philippine Dealing System and the Capital Markets Development Council
- Managing Director of BAP-Credit Bureau
- President of Cebu Bankers Association
- Consultant of Land Bank of the Philippines, Arthur Young, USAID, Bankers Association of the Philippines, and Economic Development Corporation
- Country Corporate Officer of Citibank Sri Lanka
- Worked with Citibank, Manila for 20 years, occupying various positions

AWARDS/CITATIONS

- Fellow of the Australian Institute of Company Directors in 2002
- Fellow of the Institute of Corporate Directors

JOSE ARNULFO A. VELOSO
President and Chief Executive Officer/Executive Director

AGE	NATIONALITY	NO. OF YEARS SERVED AS A DIRECTOR
56	Filipino	3

EDUCATION	DATE OF FIRST APPOINTMENT
• Bachelor of Science in Commerce – Marketing Management, De La Salle University	November 16, 2018

DIRECTORSHIP IN OTHER LISTED COMPANIES
None

OTHER CURRENT POSITIONS

- Director of Allianz PNB Life Insurance, Inc.
- Director of Phil. Payments Management, Inc.
- Director of Philippine Dealing System and Holdings Corporation
- Director of Philippine Depository & Trust Corp.
- Director of Philippine Dealing and Exchange Corp.
- Director of Philippine Securities Settlement Corp.
- Chairman of Rafael Buenaventura Foundation
- Council Member/Director of ASEAN Bankers Association
- President of Bankers Association of the Philippines
- Member of CIBI Foundation, Inc.
- Member of Management Association of the Philippines

OTHER PREVIOUS POSITIONS

- Chairman and Director of HSBC Insurance Brokers (Philippines), Inc. and HSBC Savings Bank (Philippines), Inc.
- Director of PNB Global Remittance & Financial Co. (HK) Ltd.
- Director and Chairperson of the Open Market Committee of the Bankers Association of the Philippines
- Director of BancNet, Inc.
- Director of the Philippine Dealing and Exchange Corporation
- Director of the Philippine Securities Settlement Corporation
- Director of the British Chamber of Commerce Philippines
- President and Chief Executive Officer of HSBC Philippines
- President of the Money Market Association of the Philippines
- Managing Director, Treasurer, and Head of Global Banking and Markets of HSBC Global Markets
- Treasurer and Head of Global Markets of HSBC Treasury
- Head of Domestic Treasury of PCI Bank/ PCI-Capital
- Fixed Income Portfolio Head of Citibank
- Fixed Income Trader of Asia Trust
- Supervisor of Urban Bank
- Chairman of the Council of Trustees of the British School Manila
- Member of Assocacion Cambiste Internationale and CIBI Foundation, Inc.
- Member of the Asian Bankers Association
- Director of European Chamber of Commerce of the Philippines

FLORIDO P. CASUELA
Non-Executive Director

AGE	NATIONALITY	NO. OF YEARS SERVED AS A DIRECTOR
80	Filipino	14

EDUCATION	DATE OF FIRST APPOINTMENT
• Bachelor of Science in Business Administration, Major in Accounting, University of the Philippines • Masters in Business Administration, University of the Philippines • Advanced Management Program for Overseas Bankers, Philadelphia National Bank in conjunction with Wharton School of the University of Pennsylvania • Study Tour (Micro Finance Program and Cooperatives), under the Auspices of the United States Agency for International Development • Certified Public Accountant, Economist, Commercial Attaché	May 30, 2006

DIRECTORSHIP IN OTHER LISTED COMPANIES
None

OTHER CURRENT POSITIONS

- Chairman of PNB Securities, Inc.
- Chairman of Casuela Equity Ventures, Inc.
- Director of PNB International Investments Corporation, PNB RCI Holdings Co., Ltd., and Surigao Micro Credit Corporation
- Director of PNB International Investments Corporation, PNB RCI Holdings Co., Ltd., and Surigao Micro Credit Corporation

OTHER PREVIOUS POSITIONS

- Vice Chairman of Allied Integrated Holdings, Inc. (formerly PNB Savings Bank)
- President of Land Bank of the Philippines, Maybank Philippines, Inc., and Surigao Micro Credit Corporation
- Vice-Chairman of Land Bank of the Philippines and Maybank Philippines, Inc.
- Director of PNB Life Insurance, Inc.
- Director of Meralco
- Trustee of Land Bank of the Philippines Countryside Development Foundation, Inc
- Director of Sagittarius Mines, Inc.
- Senior Adviser in the Bangko Sentral ng Pilipinas
- Senior Executive Vice President of United Overseas Bank (Westmont Bank)
- Executive Vice President of PDCP (Producers Bank)
- Senior Vice President of Philippine National Bank
- Special Assistant to the Chairman of the National Power Corporation
- First Vice President of Bank of Commerce
- Vice President of Metropolitan Bank & Trust Co.
- Staff Officer in the BSP
- Audit Staff of Joaquin Cunanan, CPAs (Isla Lipana & Co.)

AWARDS/CITATIONS

- One of the 10 awardees of the 2001 Distinguished Alumni Award of the UP College of Business Administration
- Most Outstanding Surigaonon in the field of Banking and Finance, awarded by the Rotary Club – Surigao Chapter

BOARD OF DIRECTORS

EDGAR A. CUA
Independent Director

AGE	NATIONALITY	NO. OF YEARS SERVED AS A DIRECTOR
66	Filipino	6

EDUCATION	DATE OF FIRST APPOINTMENT
• Bachelor of Arts in Economics (Honors Program), Ateneo de Manila University • Masters of Arts in Economics, University of Southern California • Masters of Planning Urban and Regional Environment, University of Southern California • Advanced Chinese, Beijing Language and Culture University • Sustainable Development Training Program, Cambridge University	May 31, 2016

DIRECTORSHIP IN OTHER LISTED COMPANIES

None

OTHER CURRENT POSITIONS

- Chairman/Independent Director of Allied Integrated Holdings, Inc. (formerly PNB Savings Bank)
- Independent Director of PNB Capital and Investment Corporation, Allied Commercial Bank, Xiamen, and PNB-Mizuho Leasing and Finance Corp.
- Director of Davao Unicar Corporation

OTHER PREVIOUS POSITIONS

- Held various managerial and staff positions at the Asian Development Bank (ADB) during a 30-year professional career
- Retired in 2015 as Senior Advisor, East Asia Department of the Asian Development Bank (ADB), based in ADB's Resident Mission in Beijing, People's Republic of China (PRC). Other managerial positions in ADB included Deputy Director General, East Asia Department, Country Director, ADB Resident Mission in Indonesia and Deputy Country Director, ADB Resident Mission in PRC.
- Staff Consultant, SGV & Co.

ESTELITO P. MENDOZA
Non-Executive Director

AGE	NATIONALITY	NO. OF YEARS SERVED AS A DIRECTOR
91	Filipino	12

EDUCATION	DATE OF FIRST APPOINTMENT
• Bachelor of Laws (cum laude), University of the Philippines • Master of Laws, Harvard University	January 1, 2009

DIRECTORSHIP IN OTHER LISTED COMPANIES

- Director of San Miguel Corporation and Petron Corporation

OTHER CURRENT POSITIONS

- Chairman of Prestige Travel, Inc.
- Practicing lawyer for more than 60 years

OTHER PREVIOUS POSITIONS

- Professional Lecturer of law at the University of the Philippines
- Undersecretary of Justice, Solicitor General and Minister of Justice
- Member of the Batasang Pambansa and Provincial Governor of Pampanga
- Chairman of the Sixth (Legal) Committee, 31st Session of the UN General Assembly and the Special Committee on the Charter of the United Nations and the Strengthening of the Role of the Organization.

AWARDS/CITATIONS

- Doctor of Laws degree (honoris causa) by Central Colleges of the Philippines, Hanyang University (Seoul, Korea), University of Manila, Angeles University Foundation and the University of the East
- Doctor of Humane Letters degree by the Misamis University
- Recipient of a Presidential Medal of Merit as Special Counsel on Marine and Ocean Concerns
- University of the Philippines Alumni Association's 1975 "Professional Award in Law" and 2013 "Lifetime Distinguished Achievement Award"

ISABELITA M. PAPA
Independent Director

AGE	NATIONALITY	NO. OF YEARS SERVED AS A DIRECTOR
73	Filipino	1

EDUCATION	DATE OF FIRST APPOINTMENT
• Bachelor of Science in Commerce – Banking & Finance, University of Santo Tomas	August 5, 2021

DIRECTORSHIP IN OTHER LISTED COMPANIES

None

OTHER CURRENT POSITIONS

- Consultant of Bankers Association of the Philippines
- Co-Chairperson for the Task Force of the ISO 20022 Migration Project
- Resource Person for Corporate Governance of the Bankers Institute of the Philippines

OTHER PREVIOUS POSITIONS

- Executive Vice President for Operations and Information Technology of Asia United Bank
- Director of Rural Bank of Angeles and Cavite United Rural Bank
- Senior Vice President/Country Manager of Bank of America N.A.
- Executive Vice President for Operations of United Overseas Bank Phils.
- Senior Vice President for Operations of Solidbank Corporation and The International Corporate Bank
- Assistant Vice President for International Division of Family Bank & Trust Co.
- Unit Head/Account Officer of Citibank N.A.
- Chairperson of SWIFT Users Group, Philippines
- Chairperson, Subcommittee on Payments and Funds Transfer of the Bankers Association of the Philippines
- President / Resource Person for Corporate Governance of Bankers Institute of the Philippines
- Member of Catholic Mass Media Awards Committee

SHEILA T. PASCUAL
Non-Executive Director

AGE	NATIONALITY	NO. OF YEARS SERVED AS A DIRECTOR
59	Filipino	2

EDUCATION	DATE OF FIRST APPOINTMENT
• Bachelor of Science in Business Management, Ateneo de Manila University	November 22, 2019

DIRECTORSHIP IN OTHER LISTED COMPANIES

- Director of PAL Holdings, Inc.

OTHER CURRENT POSITIONS

- Director of Allied Commercial Bank, Buona Sorte Holdings Inc., Saturn Holdings, Inc., Tangent Holdings Corporation, Trustmark Holdings Corporation and Zuma Holdings and Management Corporation
- Business Development Manager of Allied Banking Corporation Hong Kong

OTHER PREVIOUS POSITIONS

- Marketing Development Officer of Asia Brewery Incorporated

WILFRIDO E. SANCHEZ
Independent Director

AGE	NATIONALITY	NO. OF YEARS SERVED AS A DIRECTOR
84	Filipino	1

EDUCATION	DATE OF FIRST APPOINTMENT
• Bachelor of Arts, Ateneo de Manila University • Bachelor of Laws, Ateneo De Manila University • Masters of Law, Yale Law School	April 27, 2021

DIRECTORSHIP IN OTHER LISTED COMPANIES

- Independent Director of LT Group, Inc.

OTHER CURRENT POSITIONS

- Tax Counsel of Quiason Makalintal Barot Torres Ibarra Sison & Damaso Law Offices
- Independent Director of Eton Properties Philippines, Inc., Tanduay Distillers, Inc. and Asia Brewery, Inc.,
- Director of EEI Corporation, House of Investments, Inc., Kawasaki Motor Corporation, Magellan Capital Holdings Corporation, EMCOR, Inc., K-Servico, Inc., J-DEL Investments and Management Corp., WODEL, Inc., KS Prime Financial Corp., Asiabest Group International Inc., and Trimotors Technology Corp.
- Trustee of JVR Foundation, Inc., Gokongwei Brothers Foundation, and Asian Institute of Management

OTHER PREVIOUS POSITIONS

- Vice Chairman/Director of Antonelli Realty Holdings, Inc.
- Trustee of NYK-TDG Friendship Foundation, Inc.
- Independent Director of Transnational Diversified Corp.
- Director of Universal Robina Corp., Transnational Plans, Inc., Center for Leadership & Change, Inc., Adventure International Tours, Inc., Transnational Financial Services, Inc., Amon Trading Corp., Rizal Commercial Banking Corporation and Joint Research and Development Corporation

BOARD OF DIRECTORS

CARMEN K. TAN
Non-Executive Director

AGE	NATIONALITY	NO. OF YEARS SERVED AS A DIRECTOR
80	Filipino	6
DATE OF FIRST APPOINTMENT		
May 31, 2016		
DIRECTORSHIP IN OTHER LISTED COMPANIES		
• Vice Chairman of LT Group, Inc. • Director of MacroAsia Corporation and PAL Holdings, Inc.		

OTHER CURRENT POSITIONS
- Director of Philippine Airlines, Inc., Air Philippines Corporation, Asia Brewery, Inc., Buona Sorte Holdings, Inc., Cosmic Holdings Corporation, The Charter House, Inc., Dominium Realty and Construction Corporation, Eton City, Inc., Foremost Farms, Inc., Fortune Tobacco Corporation, Himmel Industries, Inc., Lucky Travel Corporation, Manufacturing Services & Trade Corp., Progressive Farms, Inc., PMFTC, Inc., Shareholdings Inc., Sipalay Trading Corp., Tanduay Distillers, Inc., Tangent Holdings Corporation, Trustmark Holdings Corp., Zuma Holdings and Management Corp., Grandspan Development Corp., Basic Holdings Corp., Saturn Holdings, Inc., Paramount Land Equities, Inc., Interbev Philippines, Inc., Waterich Resources Corp., and REM Development Corp.
- Vice Chairman of Alliedbankers Insurance Corporation

MAJOR AFFILIATIONS
- Director of Tan Yan Kee Foundation
- Member of Tzu Chi Foundation

LUCIO C. TAN
Non-Executive Director

AGE	NATIONALITY	NO. OF YEARS SERVED AS A DIRECTOR
87	Filipino	22
EDUCATION		DATE OF FIRST APPOINTMENT
• Bachelor of Science in Chemical Engineering, Far Eastern University • Doctor of Philosophy, Major in Commerce, University of Santo Tomas		December 8, 1999
DIRECTORSHIP IN OTHER LISTED COMPANIES		
• Chairman and CEO of LT Group, Inc., PAL Holdings, Inc., and MacroAsia Corporation		

OTHER CURRENT POSITIONS
- Chairman and CEO of Philippine Airlines, Inc., Lucky Travel Corporation, and Tangent Holdings Corporation
- Chairman of Allied Commercial Bank, Allied Banking Corporation (HK) Ltd., Allianz PNB Life Insurance, Eton Properties Philippines, Inc., Fortune Tobacco Corporation, PNB Holdings Corporation, Asia Brewery, Inc., Tanduay Distillers, Inc., and Alliedbankers Insurance Corporation
- President of Basic Holdings Corporation, Himmel Industries, Inc., and Grandspan Development Corporation
- Chairman Emeritus of the Federation of Filipino-Chinese Chambers of Commerce and Industry, Inc.
- Founder and Vice Chairman of the Foundation for Upgrading the Standard of Education, Inc.
- Founded the Tan Yan Kee Foundation, Inc., of which he is the Chairman and President

OTHER PREVIOUS POSITIONS
- Chairman of Allied Banking Corporation, PNB Life Insurance, Inc. and Allied Leasing and Finance Corporation

AWARDS/CITATIONS
- Honorary degrees from various universities
- Lifetime Achievement Awardee by the Dr. Jose P. Rizal Awards for Excellence
- Adopted to the Ancient Order of the Chamorri and designated Ambassador-at-Large of the U.S. Island-territory of Guam
- Diploma of Merit by the Socialist Republic of Vietnam
- Outstanding Manilan for the year 2000
- UST Medal of Excellence in 1999
- Most Distinguished Bicolano Business Icon in 2005
- 2003 Most Outstanding Member Award by the Philippine Chamber of Commerce and Industry (PCCI)
- Award of Distinction by the Cebu Chamber of Commerce and Industry
- Award for Exemplary Civilian Service of the Philippine Medical Association
- Honorary Mayor and Adopted Son of Bacolod City; Adopted Son of Cauayan City, Isabela and Entrepreneurial Son of Zamboanga
- Distinguished Fellow during the 25th Conference of the ASEAN Federation of Engineering Association
- 2008 Achievement Award for service to the chemistry profession during the 10th Eurasia Conference on Chemical Sciences

LUCIO C. TAN III
Non-Executive Director

AGE	NATIONALITY	NO. OF YEARS SERVED AS A DIRECTOR
28	Filipino	1
EDUCATION		DATE OF FIRST APPOINTMENT
• Bachelor of Science in Electrical Engineering, Stanford University • Master of Science, Major in Computer Science, Stanford University		April 27, 2021
DIRECTORSHIP IN OTHER LISTED COMPANIES		
• Director of LT Group, Inc. • Director of PAL Holdings, Inc. • Director of MacroAsia Corporation		

OTHER CURRENT POSITIONS
- Director of PNB Holdings Corporation, Philippine Airlines, Inc., Air Philippines Corporation, Lufthansa Technik Philippines, MacroAsia Airport Services Corp., MacroAsia Catering Services Inc., MacroAsia SATS Food Industries, MacroAsia SATS Inflight Services Corp., Prior Holdings Corporation, Belton Communities, Inc., Eton City, Inc., First Homes, Inc., ALI Eton Property Development Corp., Allied Club, Inc., PMFTC, Inc., and Fortune Landequities and Resources, Inc.
- Vice Chairman and President of Sabre Travel Network (Philippines) Inc.
- President and Chief Operating Officer of Tanduay Distillers, Inc.
- Vice President of Dunmore Development Corp.
- Member of Stanford Tau Beta Pi Engineering Honor Society

OTHER PREVIOUS POSITIONS
- Director of Victorias Milling Company, Inc.

AWARDS/CITATIONS
- Stanford University Frederick E. Terman Award (2015), award given to engineering seniors who are at the top 5% of their class
- Stanford University Tau Beta Pi Engineering Honor Society (2013), honor given to engineering juniors/seniors who are at the top 1/8 of their class
- Stanford University President's Award for Academic Excellence Freshmen Year (2012), award given to freshmen who are at the top 3% of their class
- Young Presidents' Organization (Local and International Chapters)

MICHAEL G. TAN
Non-Executive Director

AGE	NATIONALITY	NO. OF YEARS SERVED AS A DIRECTOR
55	Filipino	9
EDUCATION		DATE OF FIRST APPOINTMENT
• Bachelor of Applied Science in Civil Engineering, Major in Structural Engineering, University of British Columbia, Canada		February 9, 2013
DIRECTORSHIP IN OTHER LISTED COMPANIES		
• Director, President, and Chief Operating Officer of LT Group, Inc. • Director of Victorias Milling Company, Inc. and MacroAsia Corporation		

OTHER CURRENT POSITIONS
- Director, President, and Chief Operating Officer of Asia Brewery, Inc.
- Director of Absolut Distillers, Inc., Tanduay Distillers, Inc., Tanduay Brands International, Inc., Eton Properties Philippines, Inc., Shareholdings, Inc., PMFTC, Inc., Maranaw Hotel (Century Park Hotel), Pan Asia Securities, Inc., ALI-Eton Development Corporation, Asia's Emerging Dragon Corporation, Paramount Land Equities, Inc., Saturn Holdings, Inc., Tangent Holdings Corporation, Allied Commercial Bank, PNB Global Remittance and Financial Company (HK) Ltd, Allied Banking Corp. (Hong Kong) Limited, and Trustmark Holdings Corporation
- Trustee of Philippine Airlines Foundation, Inc.
- Member of ASEAN Business Advisory Council (ASEAN BAC)
- Vice President of Federation of Filipino Chinese Chambers of Commerce and Industry, Inc. (FFCCCII)

OTHER PREVIOUS POSITIONS
- Chairman of PNB Holdings Corporation
- Director of Philippine Airlines, Inc., Bulawan Mining Corporation, PNB Management and Development Corporation, Alliedbankers Insurance Corporation, PNB Forex, Inc., PNB Savings Bank, Air Philippines Corp., and Sabre Travel Network (Philippines), Inc., and Lucky Travel Corporation
- Director and Treasurer of Zuma Holdings and Management Corporation
- Director and Treasurer of PAL Holdings, Inc.
- Director of Allied Banking Corporation from January 30, 2008 until the ABC's merger with PNB on February 9, 2013
- Honorary Advisor of the sixth edition of the Belt and Road Summit held on September 2021 in Hong Kong

AWARDS/CITATIONS
- 2021 Stargate People Asia "People of the Year"
- 2021 4th Mansmith Masters Awards

BOARD OF DIRECTORS

VIVIENNE K. TAN
Non-Executive Director

AGE	NATIONALITY	NO. OF YEARS SERVED AS A DIRECTOR
53	Filipino	4

EDUCATION	DATE OF FIRST APPOINTMENT
• Bachelor of Science - Double Degree in Mathematics and Computer Science, University of San Francisco, U.S.A. • Diploma in Fashion Design and Manufacturing Management, Fashion Institute of Design and Merchandising, Los Angeles, U.S.A.	December 15, 2017

DIRECTORSHIP IN OTHER LISTED COMPANIES
• Director of LT Group, Inc. and MacroAsia Corporation

OTHER CURRENT POSITIONS

- Director of Eton Properties Philippines, Inc.
- Executive Director of Dynamic Holdings Limited
- Trustee of University of the East, University of the East Ramon Magsaysay Memorial Medical Center and College of Saint Benilde
- Founding Chairperson of the Entrepreneurs School of Asia (ESA)
- Founding Trustee of the Philippine Center for Entrepreneurship (Go Negosyo)

OTHER PREVIOUS POSITIONS

- Board Advisor of LT Group, Inc.
- Director of PAL Holdings, Inc.
- Director/Executive Vice President/Treasurer/Chief Administrative Officer of Philippine Airlines, Inc.
- Executive Vice President, Commercial Group and Manager, Corporate Development, of Philippine Airlines, Inc.
- Director of Bulawan Mining Corporation and PNB Management and Development Corporation
- Founder and President of Thames International Business School
- Owner of Vaju, Inc. (Los Angels, U.S.A.)
- Systems Analyst/Programmer of Fallon Bixby & Cheng Law Office (San Francisco, U.S.A.)
- Proponent/Partner of various NGO/social work projects like Gawad Kalinga's GK-Batya sa Bagong Simula, livelihood programs thru Teenpreneur Challenge spearheaded by ESA, Conserve and Protect Foundation's artificial reef project in Calatagan, Batangas, Quezon City, Sikap-Buhay Project's training and mentorship program for micro-entrepreneurs, and as Chairman of Ten Inspirational Entrepreneur Students Award

AWARDS/CITATIONS

- Recipient of the Ten Outstanding Young Men (TOYM) Award for Business Education and Entrepreneurship (2006), UNESCO Excellence in Education and Social Entrepreneurship Award (2007), Leading Women of the World Award (2007), and "People of the Year", People Asia Award (2008)

DOMINGO H. YAP
Independent Director

AGE	NATIONALITY	NO. OF YEARS SERVED AS A DIRECTOR
88	Filipino	2

EDUCATION	DATE OF FIRST APPOINTMENT
• Bachelor of Science in Business Administration, Major in Business Management, San Sebastian College Recoletos	August 23, 2019

DIRECTORSHIP IN OTHER LISTED COMPANIES
None

OTHER CURRENT POSITIONS

- President of H-Chem Industries, Inc., DHY Realty and Development Inc., Colorado Chemical Sales Corporation, Universal Paint & Coating Philippines, Inc., and AllianceLand Development Corporation

OTHER PREVIOUS POSITIONS

- President of the Federation of Filipino-Chinese Chamber of Commerce and Industries, Inc.
- Governor of Y's Men Club Philippines
- President of Y's Men Club Downtown of Manila
- President of Rotary Club of Pasay City

BOARD ADVISORS

FELIX ENRICO R. ALFILER
Board Advisor

AGE	NATIONALITY	CURRENT POSITION IN THE BANK
72	Filipino	Board Advisor

EDUCATION	DATE OF FIRST APPOINTMENT
• Bachelor of Science and Masters in Statistics, University of the Philippines	January 1, 2012 (as Independent Director April 27, 2021 (as Board Advisor)

DIRECTORSHIP IN OTHER LISTED COMPANIES
None

OTHER CURRENT POSITIONS

- Chairman/Independent Director of PNB RCI Holdings Co., Ltd. and PNB International Investments Corp.
- Chairman/Independent Director of Summit General Insurance Corporation

OTHER PREVIOUS POSITIONS

- Chairman/Independent Director of PNB General Insurers Co., Inc.
- Independent Director of Philippine National Bank, PNB-IBJL Leasing and Finance Corporation and PNB Savings Bank
- Senior Advisor to the World Bank Group Executive Board in Washington, D.C.
- Special Assistant to the Philippine Secretary of Finance for International Operations and Privatization
- Director of the BSP
- Assistant to the Governor of the Central Bank of the Philippines
- Senior Advisor to the Executive Director at the International Monetary Fund
- Associate Director at the Central Bank
- Head of the Technical Group of the CB Open Market Committee
- Monetary Policy Expert in the Economics Sub-Committee of the 1985-1986 Philippine Debt Negotiating Team which negotiated with over 400 private international creditors for the rescheduling of the Philippines' medium- and long-term foreign debts
- Advisor at Lazaro Bernardo Tiu and Associates, Inc.
- President of Pilgrims (Asia Pacific) Advisors, Ltd.
- President of the Cement Manufacturers Association of the Philippines (CeMAP)
- Board Member of the Federation of Philippine Industries (FPI)
- Vice President of the Philippine Product Safety and Quality Foundation, Inc.
- Convenor for Fair Trade Alliance

WILLIAM T. LIM
Board Advisor

AGE	NATIONALITY	CURRENT POSITION IN THE BANK
81	Filipino	Board Advisor

EDUCATION	DATE OF FIRST APPOINTMENT
• Bachelor of Science in Chemistry, Adamson University	January 25, 2013

DIRECTORSHIP IN OTHER LISTED COMPANIES
None

OTHER CURRENT POSITIONS

- President of Jas Lordan, Inc.
- Director of PNB Securities, Inc., PNB Holdings Corporation, Allied Integrated Holdings, Inc. (formerly PNB Savings Bank), Allied Commercial Bank - Xiamen, BH Fashion Retailers, Inc., Concept Clothing, Co., Inc., and Genbancor Condominium Corporation
- Advisor to the Chairman of the Board of Directors of Allianz PNB Life Insurance, Inc.

OTHER PREVIOUS POSITIONS

- Board Advisor of PNB Savings Bank
- Director of PNB Life Insurance, Inc.
- Consultant of Allied Banking Corporation
- Director of Corporate Apparel, Inc.
- Director of Concept Clothing
- Director of Freeman Management and Development Corporation
- Worked with Equitable Banking Corporation for 30 years, occupying various positions, including as VP & Head of the Foreign Department

BOARD ADVISORS

CHESTER Y. LUY
Board Advisor

AGE	NATIONALITY	CURRENT POSITION IN THE BANK
52	Filipino	Board Advisor

EDUCATION	DATE OF FIRST APPOINTMENT
• Bachelor of Science in Business Administration (Magna Cum Laude), University of the Philippines • Masters in Management degree, J.L. Kellogg Graduate School of Management at Northwestern University • Chartered Financial Analyst (CFA)	May 11, 2020

OTHER CURRENT POSITIONS

- Director of Tanduay Distillers, Inc.
- Director of PNB Europe Plc and PNB Global Remittance and Financial Corporation (Hong Kong)

OTHER PREVIOUS POSITIONS

- Director of PNB-Mizuho Leasing and Finance Corporation
- EVP and Head of Strategy Sector and Wealth Management Group
- Senior Executive Vice President, Treasurer and Head for the Financial Advisory and Markets Group (comprised of the Treasury and the Wealth Management Group) of Rizal Commercial Banking Corporation
- Served in leadership roles as Managing Director across a variety of businesses including Investment Banking, Corporate Finance, Credit Risk Analysis, Investment Management, and Wealth Management with several international banks and was based in New York, Singapore and Manila. Worked with JPMorgan, Bank of America Merrill Lynch, Barclays Capital, HSBC, Julius Baer, Bank of Singapore and RCBC
- Member of the Singapore Institute of Directors
- Served on the Board of a Singapore-based Real Estate and Hospitality Entity

AWARDS/CITATIONS

- Men Who Matter Award (2017) by People Asia Magazine Survey
- Top Senior Analyst in the U.S by Institutional Investor Magazine Polls for several years
- Most Outstanding Business Administration Student for the Class of 1990 of University of the Philippines

CHRISTOPHER J. NELSON
Board Advisor

AGE	NATIONALITY	CURRENT POSITION IN THE BANK
62	British	Board Advisor

EDUCATION	DATE OF FIRST APPOINTMENT
• Bachelor of Arts and Masters of Arts in History, Emmanuel College, Cambridge University, U.K. • Diploma in Marketing, Institute of Marketing, Cranfield, U.K.	March 21, 2013 (Director) May 27, 2014 (Board Advisor) May 26, 2015 (Director) April 27, 2021 (Board Advisor)

DIRECTORSHIP IN OTHER LISTED COMPANIES

None

OTHER CURRENT POSITIONS

- Chairman of PNB Europe Plc
- Director of the Philippine Band of Mercy and the Federation of Philippine Industries
- Chairman/Trustee of the British Chamber of Commerce
- Trustee of the American Chamber Foundation Philippines, Inc., and Dualtech Training Center
- Member of the Society of Fellows of the Institute of Corporate Directors
- Trustee of Dualtech Training Foundation as of March 2017

OTHER PREVIOUS POSITIONS

- Director of Philippine National Bank
- Director of PNB Holdings Corporation
- Trustee of Tan Yan Kee Foundation
- Director of the American Chamber of Commerce of the Philippines, Inc.
- President of Philip Morris Philippines Manufacturing, Inc., a position he held for 10 years
- Various management positions with Philip Morris International for 25 years including Area Director for Saudi Arabia, Kuwait, Gulf Cooperation Council, Yemen, and Horn of Africa
- Trustee of Bellagio 3 Condominium Association, Inc.

FLORENCIA G. TARRIELA
Board Advisor

AGE	NATIONALITY	CURRENT POSITION IN THE BANK
74	Filipino	Board Advisor

EDUCATION	DATE OF FIRST APPOINTMENT
• Bachelor of Science in Business Administration, Major in Economics, University of the Philippines • Masters in Economics, University of California, Los Angeles, where she topped the Masters Comprehensive Examination	May 29, 2001 (as Director) May 24, 2005 (as Chairman of the Board) May 30, 2006 (as Independent Director) April 27, 2021 (as Board Advisor)

DIRECTORSHIP IN OTHER LISTED COMPANIES

- Independent Director of LT Group, Inc

OTHER CURRENT POSITIONS

- Director of PNB Capital and Investment Corporation
- Independent Director of PNB International Investments Corp.
- Director of Eton Properties Philippines, Inc.
- Columnist for "Business Options" of the Manila Bulletin and "FINEX Folio" of Business World
- Director/Vice President of Tarriela Management Company and Director/Vice President/ Assistant Treasurer of Gozon Development Corporation
- Life Sustaining Member of the Bankers Institute of the Philippines
- Trustee of Tulay sa Pag-unlad, Inc. (TSPI) Development Corporation, TSPI MBAI, Philippine Bible Society
- Director of Financial Executive Institute of the Philippines (FINEX)

OTHER PREVIOUS POSITIONS

- Chairman/Independent Director of Philippine National Bank, PNB Capital and Investment Corporation, PNB-Mizuho Leasing and Finance Corporation, and PNB-Mizuho Equipment Rentals Corporation
- Independent Director of PNB Life Insurance, Inc.
- Director of Bankers Association of the Philippines
- Undersecretary of Finance
- Alternate Monetary Board Member of the BSP, Land Bank of the Philippines and the Philippine Deposit Insurance Corporation
- Deputy Country Head, Managing Partner and first Filipina Vice President of Citibank N. A.
- Country Financial Controller of Citibank NA Philippines for 10 years
- President of Bank Administration Institute of the Philippines

AWARDS/CITATIONS

- 2014 Most Outstanding Citibank Philippines Alumni awardee for community involvement
- 2018 Go Negosyo Woman Intrapreneur Awardee

CORPORATE SECRETARY

RUTH PAMELA E. TANGHAL
Corporate Secretary

AGE	NATIONALITY	CURRENT POSITION IN THE BANK
53	Filipino	Corporate Secretary

EDUCATION	DATE OF FIRST APPOINTMENT
• Bachelor of Science in Mathematics, Notre Dame University, Cotabato City • Bachelor of Laws (Cum Laude), Notre Dame University, Cotabato City	September 25, 2020

DIRECTORSHIP IN OTHER LISTED COMPANIES

None

OTHER CURRENT POSITIONS

- Corporate Secretary of Allied Integrated Holdings, Inc. (formerly PNB Savings Bank)
- Corporate Secretary of Genbancor Condominium Corporation
- Corporate Secretary of PNB Foundation, Inc.
- Director of E.C. Tanghal & Co., Inc.

OTHER PREVIOUS POSITIONS

- Assistant Corporate Secretary of PNB
- Documentation Lawyer of PNB Legal Group

MANAGEMENT COMMITTEE


JOSE ARNULFO A. VELOSO


CENON C. AUDENCIAL, JR.


ROBERTO D. BALTAZAR


ISAGANI A. CORTES


AIDA M. PADILLA


MANUEL C. BAHENA, JR.


MARIE FE LIZA S. JAYME


MA. ADELIA A. JOSON


JOSE GERMAN M. LICUP


MARIA PAZ D. LIM


NOEL C. MALABAG


ROLAND V. OSCURO

Not in photo: EVP Nelson C. Reyes (+), Chief Financial Officer and Head of Financial Management Sector until May 27, 2021
VP Juliet S. Dytoc appointed as Officer-In-Charge of Risk Management Group last February 1, 2022


NANETTE O. VERGARA


PAOLO EUGENIO J. BALTAO


CLARO P. FERNANDEZ


MICHAEL M. MORALLOS


DAMASEN PAUL C. CID


AIDELL AMOR R. GREGORIO


JOY JASMIN R. SANTOS


JULIET S. DYTOC


LEIA MICHELLE V. REGALA-TEODORO


ANALISA I. SAN PEDRO


SOCORRO D. CORPUS

MANAGEMENT COMMITTEE

JOSE ARNULFO A. VELOSO

56, Filipino. "Wick" is the President and CEO of Philippine National Bank. He is concurrently a Director of Allianz PNB Life Insurance, Inc., the Philippine Depository and Trust Corp., the Philippine Dealing System Holdings Corp., the Philippine Dealing and Exchange Corp., the Philippine Securities Settlement Corp., and the Philippine Payments Management, Inc. Wick is the incumbent President of the Bankers Association of the Philippines and the Chairman of the Rafael B. Buenaventura Foundation. In addition to these, he is a member of the ASEAN Bankers Association, the CIBI Foundation, Inc. and the Management Association of the Philippines.

Wick has over 30 years of banking and capital markets experience, garnering various industry recognitions throughout his career.

In 2020, PNB was recognized by The Asian Banker as "Best Managed Bank" and Wick as the "Best CEO Response to COVID-19 in the Philippines" during its annual Leadership Achievement Awards.

In 2021, PNB was named "Best Bank for Investment Research in the Philippines" by Asiamoney on its annual Private Banking Awards. Likewise, several PNB branches were recognized by the BSP as "Outstanding Regional Partners" in the 2021 BSP Stakeholders Appreciation Ceremony – in recognition of the Bank's continuing support for the initiatives of the national government. The Bank was also honored by a joint program of the European Union and UN Women as "Champion for Transparency and Reporting" in the UN Women 2021 Philippines Women's Empowerment Principles (WEPs) Awards. The Bank was cited for its commitment to transparency and reporting that reflects gender data and indicators.

Prior to his employment in PNB, he was President and CEO of HSBC Philippines, the first Filipino CEO in HSBC's 144 years of operations in the country. Wick obtained his Bachelor of Science degree in Commerce, Major in Marketing Management from the De La Salle University.

CENON C. AUDENCIAL, JR.

63, Filipino. "Jun" is Executive Vice President and Head of Institutional Banking Sector. Before joining the Bank in 2009, he headed the Institutional and Corporate Bank of ANZ, prior to which he was a Senior Relationship Manager of Corporate Banking and Unit Head of Global Relationship Banking for Citibank N.A. He previously served as a Vice President and Unit Head of Standard Chartered Bank's Relationship Management Group and was a Relationship Manager in Citytrust Banking Corporation. Before his 25-year stint as a Relationship Manager, he was a Credit Analyst for Saudi French Bank and AEA Development Corporation. Jun obtained his Bachelor of Arts degree in Economics from the Ateneo de Manila University.

ROBERTO D. BALTAZAR

58, Filipino. "Dondi" is Executive Vice President and Head of Global Banking and Markets Sector. He has over 30 years of banking experience in the financial markets and corporate banking sector and previously headed the Global Markets, Debt Capital Markets, and Securities Services of HSBC Philippines where the said bank was recognized consistently as one of the Top Debt Capital Market houses, Securities Services Operations and leading Foreign Exchange and Bond Trading houses during his tenure. He was also the President of the ACI The Financial Markets Association in 2013. He was an active member of the Bankers Association of the Philippines' Open Market Committee, specifically the foreign exchange sub-committee. Dondi obtained his Bachelor of Arts degree in Economics from the Ateneo de Manila University. He holds a Master's degree in Business Administration from the University of North Carolina at Chapel Hill, USA.

ISAGANI A. CORTES

54, Filipino. "Gani" is Executive Vice President and Chief Compliance Officer of PNB effective April 8, 2019. Before joining the Bank, he was the Senior Vice President and Deputy Head of the Regulatory Affairs Group of RCBC, responsible for Compliance, AML, Corporate Governance, Data Privacy, and Tax Transparency. Prior to RCBC, he spent a total of 14 years in HSBC Philippines where his last position was as Senior Vice President and Country Head of Financial Crime Compliance. From 2014 to 2018, he was the subject matter expert in and risk steward of financial crime risk in HSBC Philippines. He also worked for EastWest Bank as its Chief Compliance Officer and ABN AMRO Philippines, handling Legal, Remedial Management, and Acquired Assets. Gani obtained his Bachelor of Arts degree in English from the University of the East and his Bachelor of Laws degree from the University of the Philippines.

AIDA M. PADILLA

72, Filipino. "Aida" is Executive Vice President and Head of the Enterprise Services Sector. She is the chief strategist for modification of distressed and problem loans, administrator of all Bank-owned real estate properties and building facilities, and head of the Security Services of PNB. Aida is also a member of various management committees and attends Board Committee meetings as an observer. A seasoned professional, she honed her branch banking experience at Philippine Banking Corporation and the Global Bank where she rose to become Vice President for Marketing of its Corporate Banking Group. Aida obtained her Bachelor of Science degree in Commerce, Major in Accounting from St. Theresa's College.

MANUEL C. BAHENA, JR.

60, Filipino. "Manny" is First Senior Vice President and Chief Legal Counsel. He joined PNB in 2003 and was appointed as Head of Documentation and Research Division of Legal Group in 2009. Prior to his employment in the Bank, he was the Corporate Secretary and Vice President of the Legal Department of Multinational Investment Bancorporation. He has also served as corporate secretary and legal counsel to various corporations such as Corporate Partnership for Management in Business, Inc., Orioxy Investment Corporation, Philippine Islands Corporation for Tourism and Development, Cencorp, Inc., and Central Bancorporation General Merchants, Inc. Manny obtained his Bachelor of Science degree in Business Administration from the Lyceum of the Philippines and his Bachelor of Laws degree from Arellano University.

MARIE FE LIZA S. JAYME

59, Filipino. "Mafe" is First Senior Vice President and Head of Operations Group and has supervision over centralized operations of corporate, commercial and retail loans, trade services, overseas offices, treasury services, cash and clearing, and business systems and support. She joined PNB in 2007 as Head of Cash Product Management Division, establishing the Bank's cash management services. She began her career in banking in 1990 occupying various responsibilities in key areas such as account management, cash and trade sales, marketing and product management, and transaction banking. Mafe oversees PNB's COVID-19 Command Center which operationalized at the onset of the pandemic in March 2020. Prior to banking, she held senior staff positions at the Office of the Secretary of Finance, the Department of Trade and Industry, and the former Office of the Prime Minister. Mafe graduated with a Bachelor of Arts degree, Major in Communication Arts and Business Administration from the Assumption College. She completed academic units for the Master's degree in Business Administration from the Ateneo de Manila University.

MANAGEMENT COMMITTEE

MA. ADELIA A. JOSON

68, Filipino. "Daday" is First Senior Vice President and Head of the Retail Banking Sector. Daday is a seasoned banker for over 40 years. She started her stint as a research analyst in the Economic Research Department of Commercial Bank and Trust Company in 1974, joined the Officers Training Program in 1978, and was promoted to Branch Cashier of Comtrust, Taft Ave. Branch thereafter. She joined Allied Banking Corporation as Cashier of Roosevelt Branch in 1980. She has developed a high proficiency in all facets of branch banking. She has held various positions in PNB as Branch Head, Area Head, and Region Head prior to her designation as the Head of Branch Banking Group in 2014. In 2017, she was assigned to head the Sector's Sales and Support Group. She was designated as the officer-in-charge of Retail Banking Sector in February 2020 before she was officially appointed as head in November 2020. Daday obtained her degree in A.B. Economics at La Salle College.

JOSE GERMAN M. LICUP

56, Filipino. "Gerry" is First Senior Vice President and Chief of Staff to the President and CEO. Gerry is a seasoned lawyer and compliance professional, with more than 29 years of experience advising in litigation, banking, securities and corporate law, international financial transactions, debt capital markets, financial derivatives, and regulatory compliance and financial crime risk management. His work experience includes attachments to HSBC offices in the U.S., Singapore, and Australia. As Chief of Staff, he provides leadership to cross-functional teams in PNB to successfully achieve the delivery of key projects of the President and CEO, and is responsible for coordinating the President and CEO's key priorities to ensure that all concerns of the Bank's stakeholders are adequately and seasonably identified and addressed. Prior to joining PNB, he was the Country General Counsel of HSBC Philippines. He is currently an Advisor to the Board of the Association of Bank Compliance Officers (ABCOMP). Gerry obtained his Bachelor of Arts and Bachelor of Laws degrees from the University of the Philippines.

MARIA PAZ D. LIM

60, Filipino. "Girlie" is First Senior Vice President and Corporate Treasurer. She is also concurrently the Treasurer of PNB Capital and Investment Corporation and PNB Foundation, Inc. She joined the Bank on June 23, 1981, rose from the ranks occupying various positions covering areas such as branch banking, economics and research, budget, and corporate disbursing. Girlie obtained her Bachelor of Science degree in Business Administration, Major in Finance and Marketing from the University of the Philippines. She holds a Master's degree in Business Administration from the Ateneo de Manila University.

NOEL C. MALABAG

50, Filipino. "Noel" is First Senior Vice President and Head of Global Markets Group. Before joining the Bank, he was the Treasurer of Philippine Veterans Bank, where he spearheaded innovations not only in trading and balance sheet management, but also in and across risk management, compliance, controls, and governance. He likewise spent 19 years in HSBC Philippines, where he honed his expertise on interest rates, foreign exchange, derivatives, and liquidity management. As a respected member of the banking industry with over 27 years of experience, he has been a key resource for reforms and policy-making in the country's financial markets through various industry associations, including the Bankers Association of the Philippines - Open Market Committee, Money Market Association of the Philippines and ACI Philippines. Noel obtained his Bachelor of Science degree, Major in Marketing Management from the De La Salle University.

ROLAND V. OSCURO

58, Filipino. "Roland" is First Senior Vice President and in concurrent capacity, the Chief Information Security Officer and Head of Enterprise Information Security Group. Before joining PNB, he held positions in various corporations such as Multi Media Telephony, Inc., Ediserve Corporation, Sterling Tobacco Corporation, Zero Datasoft, Metal Industry Research and Development Center, and Pacific Office Machines, Inc. Roland obtained his Bachelor of Science degree in Electronics and Communications Engineering (ECE) from the Mapua Institute of Technology and completed academic units for the Master's degree in Business Administration from the Ateneo de Manila University. He is an ECE Board passer and an ISACA Certified Information Security Manager (CISM).

NANETTE O. VERGARA

61, Filipino. "Nanette" is First Senior Vice President and Chief Credit Officer. Prior to joining PNB, she was Vice President and Head of Credit Risk Management at United Overseas Bank Philippines. She also held various credit-related positions in Bank of Commerce, the Credit Information Bureau, Inc., Union Bank of the Philippines, and Solidbank Corporation. Nanette graduated *cum laude* with a Bachelor of Science degree in Statistics from the University of the Philippines.

PAOLO EUGENIO J. BALTAO

50, Filipino. "Paolo" is Senior Vice President and Special Assistant to the President on the Digital Bank Initiative. With three decades of experience in product management and business development, Paolo champions the digital banking revolution. Prior to PNB, Paolo had stints as Senior Vice President of Union Bank of the Philippines establishing EON as the first neo banking platform in the Philippines, and as President of G-Xchange, Inc., a subsidiary of Globe Telecom which operates and manages GCash. Paolo holds a Bachelor of Science degree in Management Engineering from the Ateneo De Manila University.

CLARO P. FERNANDEZ

59, Filipino. "Claro" is Senior Vice President and Head of Public Affairs Group. He is a communications professional with over 30 years of experience in media, banking, and the government sectors. He was previously connected with PNB from 1997 to 2001 as Vice President of the Corporate Affairs Office and then, Information Technology Group where he was part of the Bank's integrated banking solutions project and the Y2K. In government, he was Press Undersecretary and Deputy Communications Director for the Office of the President from 2002 to 2005; and Executive Director of the Investor Relations Office at the Bangko Sentral Ng Pilipinas from 2009 to 2013. Prior to returning to PNB in 2019, he was Head of Communications in HSBC Philippines. Claro holds a Bachelor of Arts degree in Mass Communications, Major in Journalism from the University of the Philippines.

MANAGEMENT COMMITTEE

MICHAEL M. MORALLOS

53, Filipino. "Mike" is Senior Vice President and Head of Information Technology Group. Prior to his employment with PNB, he was First Senior Vice President and Head of Technology Platform at the Siam Commercial Bank, the largest bank in Thailand. He was also a Senior FIS Systematics Consultant and brings with him over 27 years of work experience. Mike obtained his Bachelor of Arts degree, Major in Philosophy and Political Science from the University of the Philippines. He completed the Senior Executive Program at Wharton, advanced computer studies at the National Computer Institute of the Philippines, Fidelity Information Services, and IBM.

DAMASEN PAUL C. CID

54, Filipino. "Dama" is First Vice President and Head of the Digital Innovations Group. He is a Digital Banking and Information Technology professional with over 30 years of experience in the strategic management, development, and implementation of technology and digital assets. He joined the bank in 2015 as Vice President and Head of Electronic Channels. Prior to joining PNB, he was a Vice President and Head of eBusiness Platforms in Citibank Philippines from 2003 to 2015. He started his career as an IT professional with Software Ventures International, where he was a Division Head for Applications Development and Support. Dama holds a BS Computer Science degree from the Ateneo de Manila University.

AIDELL AMOR R. GREGORIO

39, Filipino. "Aidell" is First Vice President, Acting Chief Financial Officer and Officer-in-Charge of Financial Management Sector, and in concurrent capacity, the Head of Accounting and Controllership Group. Aidell joined PNB in August 2019 as the Bank's Controller. Prior to his employment with PNB, he rose from the ranks from an Audit Associate to Audit Senior Director in SyCip Gorres Velayo (SGV) & Co. He was engaged in audits of financial statements of banks and other financial institutions for over 14 years. Aidell graduated with a Bachelor of Science degree in Accountancy from the University of Santo Tomas. He is a Certified Public Accountant.

JOY JASMIN R. SANTOS

48, Filipino. "Jiah" is First Vice President and Chief Trust Officer. She was previously Division Head of Corporate Trust from 2013 to 2018 and Division Head of Business Development in Trust Banking Group from 2010 to 2012. Before joining PNB, she was the International Business Development Head for Asia in Globe Telecom. She also held various positions in Citibank Savings, Inc., Keppel Bank, American Express Bank, and BPI. Jiah graduated *cum laude* with a Bachelor of Arts degree, Major in Economics from the Ateneo de Manila University. She earned her Master's degree in Business Administration from the Australian National University in Canberra, Australia. In 2015, she completed, with distinction, a one-year course on Trust Operations and Investment Management given by the Trust Institute Foundation of the Philippines. Jiah is a member of the Board of Directors of the Trust Officers Association of the Philippines (TOAP) and the Director in Charge for Fiduciary Products Development.

JULIET S. DYTOC

51, Filipino. "Juliet" is Vice President and Officer-in-Charge of the Risk Management Group. Juliet has over 25 years of experience in the banking and finance industry in the areas of risk management, account management, and product development. She joined PNB in 2010 under the Trust Banking Group as Trust Risk Division Head. In this capacity, Juliet institutionalized the Trust Risk Management framework that covered a comprehensive range of risk areas including credit, market, operational, strategic, regulatory, liquidity, and reputational risk, among others. In September 2020, Juliet was appointed as head of the Market and ALM Division to manage the Bank's market, liquidity, and interest rate risk exposures. She was designated as the officer-in-charge of Risk Management Group in February 2022. Before joining PNB, Juliet held various positions in PCIBank, PCIB Securities, Equitable PCI Bank, Standard Chartered Bank, Metrobank, and Sterling Bank of Asia. Juliet graduated *cum laude* with a Bachelor of Arts degree in European Languages and obtained her Master's degree in Business Administration from the University of the Philippines. In 2000, she completed a one-year course on Trust Operations and Investment Management given by the Trust Institute Foundation of the Philippines (TIFP), placing fourth out of 80 participants. She was also certified by the Securities and Exchange Commission (SEC) as a Fixed Income Salesman. Juliet is a Chartered Financial Analyst (CFA®) Charterholder and an active member of the CFA Society of the Philippines.

LEIA MICHELLE V. REGALA-TEODORO

55, Filipino. "Leia" is Senior Assistant Vice-President and Officer-in-Charge for the Marketing Services and Intelligence Analytics & Performance Group. She has over 30 years of experience in marketing communications, events management, and advertising. This has enabled her to develop in-depth expertise in the fields of brand management, retail marketing, digital and social media management, corporate communications, and in the development of creative marketing collaterals. She joined PNB in 2015 as division head of Corporate Communications. In 2016, she headed the Marketing Services Division and launched the award-winning "You First" campaign. In 2019, she was moved to the Public Affairs Group to handle the Events, Media, and Government Relations Division. In 2021, she was returned to the Marketing and Brand Management Sector as Officer-in-Charge for the Marketing Services and Intelligence Analytics and Performance Group. Leia holds a Bachelor of Science degree in Economics from the University of the Philippines.

ANALISA I. SAN PEDRO

44, Filipino. "Ana" is Senior Assistant Vice President and Officer-in-Charge of the Internal Audit Group. Ana joined the Bank in 2002 as Management Specialist and rose from the ranks to the position of Senior Assistant Vice President. She is an active member of the Institute of Internal Auditors (IIA) - Philippines and the Association of Certified Anti-Money Laundering Specialists (ACAMS). She was designated as the Officer-in-Charge of Internal Audit Group in November 2021. Ana holds a Bachelor of Science degree in Accountancy from the Polytechnic University of the Philippines. She is a Certified Public Accountant (CPA) and a Certified Treasury Professional (CTP).

SOCORRO D. CORPUS

70, Filipino. "Cora" is the Officer-in-Charge of Human Resources Group of Philippine National Bank. Cora retired from the Bank five years ago as First Senior Vice President after serving the institution for 40 years. She is a graduate of Assumption College with Bachelor of Arts degree, Major in Psychology and an Associate in Commercial Science Degree. She started her career with China Banking Corporation in 1973 prior to joining the Allied Banking Corporation in 1977. Her professional affiliations include the following: Founding member and a Board Member of the Organization Development Professional Network, previous president and member of the Bankers' Council for People Management, member of the Personnel Management Association of the Philippines and she was a regular Bank representative to the Banking Industry Tripartite Council.

THE BANK'S SUBSIDIARIES AND AFFILIATE

CHRISTINE GRACE A. BANDOL
PNB-Mizuho Leasing and Finance Corporation

YOLANDA M. ALBANO
Allied Integrated Holdings, Inc.

ALEXANDER GRENZ
Allianz PNB Life Insurance, Inc.

MANUEL ANTONIO G. LISBONA
PNB Securities, Inc.

GERRY B. VALENCIANO
PNB Capital and Investment Corporation

ALLIANZ PNB LIFE INSURANCE, INC.

In December 2015, global insurance firm Allianz SE entered into an agreement with PNB to acquire 51% as well as management control of PNB Life in a 15-year exclusive distribution partnership. The joint venture company operates under the name "Allianz PNB Life Insurance, Inc. (Allianz PNB Life)".

The Allianz Group is a worldwide financial services provider with services predominantly in the insurance and asset management business. It ranked first worldwide among insurance brands in 2019, 2020 and 2021 based on the Interbrand global rankings. It has 92 million retail and corporate clients in 77 countries. Allianz SE, the parent company, is headquartered in Munich, Germany. On the other hand, PNB Life, which began its operations in 2001, is considered one of the major life insurers in the Philippines. The combined entity, Allianz PNB Life, is the leading provider of Variable Life products, complemented by a full line of Life protection offerings for individuals and institutions. It is also one of the world's top sustainable insurers, having been ranked #1 on the Dow Jones Sustainability Index for three straight years (2017-2019), and reclaiming that top position in 2021.

PNB Branches remain to be the main distribution channel of Allianz PNB Life, with over 400 financial advisors and 1,500 active Life Changer™ agents nationwide. Allianz PNB Life also has a distributorship arrangement with HSBC Insurance Brokers Philippines, making its insurance products available to HSBC bank clients as well.

ALLIED BANKING CORPORATION (HONG KONG) LIMITED

Allied Banking Corporation (Hong Kong) Limited (ABCHKL) is a majority-owned (51%) subsidiary of PNB as a result of the merger of PNB and Allied Banking Corporation (ABC). ABCHKL is a private limited company incorporated in Hong Kong in 1978. It is a restricted-licensed bank under the Hong Kong Banking Ordinance. ABCHKL provides a full range of commercial banking services such as deposit taking, lending and trade financing, documentary credits, participation in loan syndications and other risks, money market and foreign exchange operations. ABCHKL has a wholly-owned subsidiary, ACR Nominees Limited, which is a private limited company incorporated in Hong Kong that provides non-banking general services to its customers. It is a Trust or Company Service Provider ("TCSP") licensee in Hong Kong.

ALLIED COMMERCIAL BANK

Allied Commercial Bank (ACB) is a majority-owned (99.04%) subsidiary of PNB and was formerly known as Xiamen Commercial Bank. ACB maintains its head office in Xiamen, Fujian, China and has a branch in Chongqing which was established in 2003.

Since its establishment in 1993, until 2017, ACB was allowed to deal only in foreign currency-denominated products and services. In 2017, local currency or CNY denominated products and services were allowed except to local residents. In 2020, ACB has obtained a banking license that allows offering services to all market segments with all traditional banking products, denominated in local or foreign currencies.

ACB is a full-service commercial bank specializing in international trade finance and loans to micro, small and medium-sized industries/ enterprises. ACB also offers varied and competitive deposit products. The recent installation of its enterprise internet banking system adds convenience to its corporate depositors. ACB continues to innovate to deliver financial products and services the banking public needs and deserves.

ALLIED INTEGRATED HOLDINGS, INC.

Allied Integrated Holdings Inc. (AIHI) is a wholly-owned subsidiary of PNB. It was formerly PNB Savings Bank, which had been converted into a holding company on October 28, 2020 after PNB acquired its assets and assumed its liabilities on March 1, 2020 and after its thrift bank license was surrendered to the BSP on March 5, 2020. The SEC duly approved on February 23, 2021 its conversion into holding company, the change in its corporate name to Allied Integrated Holdings, Inc. (AIHI), as well as the shortening of its corporate life up to December 31, 2022, as embodied in its Amended Articles of Incorporation.

PNB CAPITAL AND INVESTMENT CORPORATION

PNB Capital and Investment Corporation (PNB Capital) is the wholly-owned investment house subsidiary of PNB with a non-quasi banking license. PNB Capital is a leading player in the country providing a full range of investment banking services such as: loan syndications, retail bond offerings, private placement of shares, public offering of shares, securitization, and financial advisory including liability management, corporate restructuring, pre-IPO preparation, and mergers and acquisitions advisory.

PNB Capital has arranged some of the largest loan syndications in the country. It is also active in Philippine capital markets, having raised large amounts of capital from retail bonds and public offering of shares for its clients.

PNB GENERAL INSURERS CO., INC.

PNB General Insurers Co., Inc. (PNB Gen) was incorporated in the Philippines on December 29, 1965. PNB has 66% direct ownership in the company while PNB Holdings Corporation, a 100% owned subsidiary of PNB, owns the remaining 34%. The Company is engaged in fire, marine, motor car, personal accident, fidelity and surety, aviation, and all other kinds of non-life insurance business.

With the approval of the sale of PNB Gen to Alliedbankers Insurance Corporation (ABIC), PNB and ABIC signed the Deed of Absolute Sale on April 30, 2021. Subsequently, the Securities and Exchange Commission (SEC) approved last September 14, 2021 the change in name of PNB Gen to Summit General Insurance Corporation due to the change in ownership.

PNB GLOBAL REMITTANCE AND FINANCIAL COMPANY (HK) LIMITED

PNB Global Remittance and Financial Company (HK) Limited (PNB Global HK), a wholly owned subsidiary of PNB, was established in Hong Kong on July 20, 1976. The Company is engaged in providing remittance services bound to the Philippines. It also grants consumer loans to Filipinos and foreign nationals working in Hong Kong who are interested to purchase real estate properties located in the Philippines.

PNB Global HK's Main Office is in Wanchai District while its six branches are strategically situated in Shatin, Yuen Long, Tsuen Wan, North Point, and two in Worldwide House in Central District of Hong Kong.

PNB HOLDINGS CORPORATION

PNB Holdings Corporation (PHC) is a holding company established on May 20, 1920. On January 13, 2021, the SEC approved the increase in PHC's authorized capital stock by Php50.5 billion and the amendment of its articles of incorporation to include real estate activities as part of its secondary purpose. With the approval, PNB Parent Bank acquired an additional 466.77 million shares of PHC with a par value of Php100 per share amounting to Php46.67 billion in exchange for certain prime properties of the Parent Bank. On April 23, 2021, the Parent Bank subsequently declared as property dividends, 239.35 million PHC shares that it owned, effectively reducing its ownership in PHC from 100% to 49%. The Certificate of Filing the Notice of Property Dividend Declaration was issued by the SEC last December 24, 2021.

PNB-MIZUHO LEASING AND FINANCE CORPORATION

PNB-Mizuho Leasing and Finance Corporation (PNB-Mizuho), formerly PNB-IBJL Leasing and Finance Corporation, is a joint venture between Philippine National Bank, one of the country's largest privately-owned commercial bank, and Mizuho Leasing and Finance Corporation, a member of the Mizuho Financial Group, the third largest financial services company in Japan.

As a result of Mizuho Bank Ltd.'s increased shareholding in IBJL Leasing Company, Ltd in March 2019, IBJL Leasing became an equity method affiliate of Mizuho Bank. To reflect this development IBJL Leasing Company, Ltd changed its name to Mizuho Leasing Company, Ltd effective October 1, 2019. Consequently, the corporate names of the following subsidiaries of PNB were changed in March 2020 as reflected in their Amended Articles of Incorporation duly approved by the Securities and Exchange Commission: a) From PNB-IBJL Leasing and Finance Corporation to PNB-Mizuho Leasing and Finance Corporation; and b) From PNB-IBJL Equipment Rentals Corporation to PNB-Mizuho Equipment Rentals Corporation.

PNB-Mizuho is operating as a financing company that provides clients with finance lease, operating lease (through wholly owned subsidiary, PNB-Mizuho Equipment Rentals Corporation), and term loan for productive capital expenditures secured by Chattel Mortgage. Its subsidiary, PNB-Mizuho Equipment Rentals Corporation, was incorporated in the Philippines in July 2008 as a rental company engaged in the business of renting all kinds of real and personal properties.

PNB INTERNATIONAL INVESTMENTS CORPORATION

PNB International Investments Corporation (PNB IIC) is a non-bank holding company and the parent company of PNB Remittance Centers, Incorporated (PNB RCI). PNB RCI has a network of 16 branches engaged in money transmission in six states of the United States of America.

PNB RCI owns PNB RCI Holding Company, Ltd., the parent company for PNB Remittance Company Canada (PNB RCC). PNB RCC has six branches and one sub-branch servicing the remittance requirements of Filipinos in Canada.

PHILIPPINE NATIONAL BANK (EUROPE) PLC

Philippine National Bank (Europe) PLC, ("PNBE") is a wholly owned subsidiary of PNB It started in 1976 as Philippine National Bank (PNB) London Branch and was incorporated in 1994 and granted a deposit taking license by the Bank of England in 1997. In 2014, PNBE merged with Allied Bank Philippines (UK) Plc, in line with the merger of their parent banks in the Philippines a year earlier with PNBE as the surviving entity.

PNBE is an authorized institution under the Financial Services Act 2012 and is regulated by the Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA).

Following the conclusion of the Brexit transition period in 2020, PNBE continues to provide services to Filipinos in the region through its UK office as well as its web and phone remittance platforms.

PNB SECURITIES, INC.

PNB Securities, Inc. is a wholly-owned stock brokerage subsidiary which engages in the brokerage and dealership of the various equity and equity-related securities listed in the Philippine Stock Exchange, including the distribution of Initial Public Offerings in collaboration with PNB Capital & Investment Corporation. PNB Securities, Inc. performs other related services such as tender offer agency and price stabilization agency as well as processing of dividend and pre-emptive rights entitlements in behalf of its clients. PNB Securities, Inc. also offers stock market research products to inform and assist clients in making decisions with their investments in the equities market.

MARKET PRICE OF AND DIVIDENDS ON PNB COMMON EQUITY

Market Price of and Dividends on Registrant's Common Equity and Related Stockholders Matters:

1. Market Information

All issued PNB common shares are listed and traded in the Philippine Stock Exchange, Inc. The high and low sales prices of PNB shares for each quarter for the last two (2) fiscal years are:

	2020		2021	
	High	Low	High	Low
Jan – Mar	36.70	18.50	29.50	22.55
Apr – Jun	25.60	18.80	31.80	19.96
Jul – Sep	25.20	19.52	23.10	19.82
Oct – Dec	32.50	23.10	22.50	19.00

2. Holders

There are 36,286 shareholders as of December 31, 2021. The top twenty (20) holders of common shares, the number of shares held, and the percentage to total shares outstanding held by each are as follows:

Name of Stockholder	Nationality	No. of Shares	Percentage of Ownership	Voting Status
1. PCD Nominee Corporation (Filipino)	Filipino	210,269,129	13.7812277560	*
2. Key Landmark Investments, Ltd.	Filipino	133,277,924	8.7351549618	*
3. True Success Profits Limited	Filipino	82,017,184	5.3754799765	*
4. Caravan Holdings Corporation	Filipino	82,017,184	5.3754799765	*
5. Solar Holdings Corporation	Filipino	82,017,184	5.3754799765	*
6. Prima Equities & Investments Corp.	Filipino	71,765,036	4.7035449794	*
7. Leadway Holdings, Inc.	Filipino	65,310,444	4.2805052168	*
8. Infinity Equities, Inc.	Filipino	61,512,888	4.0316099824	*
9. Pioneer Holdings Equities, Inc.	Filipino	34,254,212	2.2450518506	*
10. PCD Nominee Corporation (Non-Filipino)	Non-Filipino	33,003,921	2.1631066543	*
11. Multiple Star Holdings Corp.	Filipino	30,798,151	2.0185385055	*
12. Donfar Management Limited	Filipino	30,747,898	2.0152448787	*
13. Uttermost Success, Limited	Filipino	30,233,288	1.9815168766	*
14. Mavelstone International Limited	Filipino	29,575,168	1.9383831001	*
15. Pan Asia Securities Corporation	Filipino	29,510,390	1.9341374918	*
16. Kenrock Holdings Corp.	Filipino	26,018,279	1.7052613973	*
17. Fil-Care Holdings, Inc.	Filipino	25,450,962	1.6680789310	*
18. Fairlink Holdings Corp.	Filipino	25,207,795	1.6521415472	*
19. Purple Crystal Holdings, Inc.	Filipino	24,404,724	1.5995075519	*
20. Kentron Holdings & Equities Corp.	Filipino	24,361,225	1.5966565883	*

* Pursuant to Article IV, Section 4.9 of the Bank's By-Laws, every stockholder shall be entitled to one (1) vote for each share of common stock in his name in the books of the Bank. The right to vote or direct the voting of the Bank's shares held by the foregoing stockholders is lodged in their respective Boards of Directors.

3. Dividends

The Bank's ability to pay dividends is contingent on its ability to set aside unrestricted retained earnings for dividend distribution. In addition, the Bank's declaration of dividends, including computation of unrestricted retained earnings, is subject to compliance with certain rules and regulations prescribed by the *Bangko Sentral ng Pilipinas* as provided under the Manual of Regulations for Banks and subject to compliance with such financial regulatory requirements as may be applicable to the Bank at the time of such declaration.

PNB has adopted the following general policy on the declaration of dividends:

> *"Dividends shall be declared and paid out of the surplus profits of the Bank at such times and in such amounts as the Board of Directors may determine in accordance with the provisions of law and the regulations of the Bangko Sentral ng Pilipinas and the Securities and Exchange Commission, subject to compliance with such financial regulatory requirements as may be applicable to the Bank."*

On April 23, 2021, the Board of Directors approved and confirmed the property dividend declaration of up to 239,353,710 common shares of PNB Holdings Corporation (PHC), with a par value of ₱100 per share, to all stockholders of record as of May 18, 2021 (Record Date), subject to regulatory and other necessary approvals.

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

On December 27, 2021, the Bank received the Certificate of Filing the Notice of Property Dividend Declaration issued by the Securities and Exchange Commission on December 24, 2021.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Philippine National Bank (the Bank) is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2021, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative to do so.

The Board of Directors is responsible for overseeing the Bank's financial reporting process.

The Board of Directors reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stockholders.

Sycip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Bank in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

FEDERICO C. PASCUAL
Chairman of the Board

JOSE ARNULFO A. VELOSO
President and Chief Executive Officer

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

MAR 14 2022

SUBSCRIBED AND SWORN to before me this ___ day of March 2022 affiants exhibiting to me their Passport Identification No.

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Book No. W
Series of 2022

ATTY. HENRY D. ADASA

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Philippine National Bank
PNB Financial Center
President Diosdado Macapagal Boulevard
Pasay City

Report on the Consolidated and Parent Company Financial Statements

Opinion

We have audited the consolidated financial statements of Philippine National Bank and its Subsidiaries (the Group) and the parent company financial statements of Philippine National Bank (the Parent Company), which comprise the consolidated and parent company statements of financial position as at December 31, 2021 and 2020 and the consolidated and parent company statements of income, consolidated and parent company statements of comprehensive income, consolidated and parent company statements of changes in equity and consolidated and parent company statements of cash flows for each of the three years in the period ended December 31, 2021, and notes to the consolidated and parent company financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated and parent company financial statements present fairly, in all material respects, the financial position of the Group and the Parent Company as at December 31, 2021 and 2020, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2021 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Parent Company Financial Statements* section of our report. We are independent of the Group and the Parent Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (the Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated and parent company financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and parent company financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and parent company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities detailed in the *Auditor's Responsibilities for the Audit of the Consolidated and Parent Company Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and parent company financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and parent company financial statements.

Applicable to the audit of the consolidated and parent company financial statements

Adequacy of Allowance for Credit Losses on Loans and Receivables
The Group and the Parent Company's application of the expected credit losses (ECL) model in calculating the allowance for credit losses on loans and receivables is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include: segmenting the Group's and the Parent Company's credit risk exposures; determining the method to estimate ECL; defining default; identifying exposures with significant deterioration in credit quality; determining assumptions to be used in the ECL model such as the counterparty credit risk rating, the expected life of the financial asset, expected recoveries from defaulted accounts, and impact of any financial support and credit enhancements extended by any party; and incorporating forward-looking information, including the impact of the coronavirus pandemic, in calculating ECL.

Allowance for credit losses on loans and receivables as of December 31, 2021 amounted to ₱39.3 billion and ₱39.2 billion for the Group and the Parent Company, respectively. Provision for credit losses in 2021 amounted to ₱11.0 billion and ₱11.3 billion for the Group and the Parent Company, respectively.

The disclosures related to the allowance for credit losses on loans and receivables are included in Note 16 of the financial statements.

Audit response
We obtained an understanding of the board approved methodologies and models used for the Group's and the Parent Company's different credit exposures and assessed whether these considered the requirements of PFRS 9, Financial Instruments, to reflect an unbiased and probability-weighted outcome, and to consider time value of money and the best available forward-looking information.

We (a) assessed the Group's and the Parent Company's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) tested the definition of default and significant increase in credit risk criteria against historical analysis of accounts, credit risk management policies and practices in place, and management's assessment of the impact of the coronavirus pandemic on the counterparties; (c) tested the Group's and the Parent Company's application of internal credit risk rating system, including the impact of the coronavirus pandemic on the borrowers, by reviewing the ratings of sample credit exposures; (d) assessed whether expected life is different from the contractual life by testing the maturity dates reflected in the Group's and the Parent Company's records and considering management's assumptions regarding future collections, advances, extensions, renewals and modifications; (e) tested loss given default by inspecting historical recoveries and related costs, write-offs and collateral valuations, and the effects of any financial support and credit enhancements provided by any party; (f) tested exposure at default considering outstanding commitments and repayment scheme; (g) evaluated the forward-looking information used for overlay through corroboration of publicly available information and our understanding of the Group's and the Parent Company's lending portfolios and broader industry knowledge, including the impact of the coronavirus pandemic; and (h) tested the effective interest rate used in discounting the expected loss.

Further, we compared the data used in the ECL models by reconciling data from source system reports to the data warehouse and from the data warehouse to the loss allowance analysis/models and financial reporting systems. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets of debt financial assets with similar risk characteristics, we traced or re-performed the disaggregation from source systems to the loss allowance analysis. We also assessed the assumptions used where there are missing or insufficient data.

We recalculated impairment provisions on a sample basis. We involved our internal specialist in the performance of the above procedures.

We reviewed the completeness of the disclosures made in the financial statements.

Recognition of Deferred Tax Assets
As of December 31, 2021, the deferred tax assets of the Group and the Parent Company amounted to ₱6.2 billion and ₱6.3 billion, respectively. The recognition of deferred tax assets is significant to our audit because the assessment process is complex and judgmental and is based on assumptions that are affected by expected future market or economic conditions and the expected performance of the Group and the Parent Company. The estimation uncertainty on the Group's and the Parent Company's expected performance has increased as a result of uncertainties brought about by the coronavirus pandemic.

The disclosures in relation to deferred income taxes are included in Note 30 to the financial statements.

Audit Response
We evaluated the management's assessment on the availability of future taxable income in reference to financial forecast and tax strategies. We evaluated management's forecast by comparing the loan portfolio and deposit growth rates to the historical performance of the Group and the Parent Company and the industry, including future market circumstances and taking into consideration the impact associated with the coronavirus pandemic. We also assessed the timing of the reversal of future taxable and deductible temporary differences.

Impairment Testing of Goodwill
As of December 31, 2021, the goodwill of the Group and the Parent Company amounted to ₱11.2 billion and ₱11.4 billion, respectively, as a result of the acquisition of Allied Banking Corporation in 2013. Under PFRS, the Group and the Parent Company are required to test the amount of goodwill for impairment annually. Goodwill has been allocated to three cash generating units (CGUs) namely Retail Banking, Corporate Banking, and Global Banking and Market. The Group and the Parent Company performed the impairment testing using the value in use calculation. The annual impairment test is significant to our audit because it involves significant judgment and is based on assumptions which are subject to higher level of estimation uncertainty due to the current economic conditions which have been impacted by the coronavirus pandemic, specifically estimates of loan and deposit growth rates, interest margin, discount rates, and long-term growth rate.

The disclosures related to goodwill impairment are included in Note 14 to the financial statements.

Audit response
We involved our internal specialist in evaluating the methodology and the assumptions used by the Group and the Parent Company. We compared the key assumptions used, such as loan and deposit growth rates, interest margin and long-term growth rate to the historical performance of the CGUs and to economic and industry forecasts, taking into consideration the impact associated with coronavirus pandemic. We tested the parameters used in the derivation of the discount rate against market data. We also reviewed the disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amount of goodwill.

Assessment of the Loss of Control over PNB Holdings Corporation and Subsequent Classification and Accounting for the Retained Interest
On April 23, 2021, the Board of Directors of the Parent Company approved and confirmed the property dividend declaration of the Parent Company's 51.0% ownership interest in PNB Holdings Corporation (PHC) to all shareholders on record as of May 18, 2021. The Securities and Exchange Commission (SEC) approved the property dividend declaration on December 24, 2021.

As a result of this transaction, the Group and the Parent Company lost control over PHC, resulting in deconsolidation of the assets and liabilities of PHC and derecognition of the carrying value of investment in PHC at the Group and Parent Company level, respectively, and recognized its retained interest as a financial asset at fair value through other comprehensive income (FVOCI). The Group and the Parent Company recognized a gain of ₱33.5 billion from the loss of control and remeasurement of the retained interest in PHC. The Group classified the results of PHC as discontinued operations in the consolidated statements of income and consolidated statements of cash flows.

The assessment over the loss of control over PHC and subsequent classification and accounting treatment of the retained interest in PHC is significant to our audit given the size and complexity of the transaction and the significant judgment involved, specifically on the assessment of loss of control, absence of significant influence on retained interest and valuation of the shares of PHC.

The disclosures in relation to loss of control over PHC are included in Notes 12 and 36 to the financial statements. The disclosures in relation to the valuation of the retained interest in PHC are included in Notes 3, 5 and 9 to the financial statements.

Audit response

We obtained an understanding of the transaction and inspected the analysis prepared by management on the accounting treatment of the transaction, including the assessment on the classification of its retained interest. We reviewed the relevant agreements between PHC and the Parent Company to assess whether elements of control under PFRS 10, *Consolidated Financial Statements*, are no longer met and whether the Parent Company does not demonstrate significant influence over PHC. We checked whether regulatory approvals of the regulators have been obtained.

We obtained an understanding of and evaluated the valuation techniques and assumptions used in the valuation of the PHC shares. We considered the competence, capabilities, and objectivity of the specialists engaged by the Parent Company in relation to the valuation of PHC shares. We compared the key assumptions used in the valuation, such as the fair value of PHC's investment properties and the discount for lack of marketability, against external appraisal reports, market and industry data.

We agreed the carrying value of PHC prior to loss of control to accounting records and evaluated if the deconsolidation is in accordance with PFRS 10, *Consolidated Financial Statements*. We reperformed the calculation of gain on loss of control and gain on remeasurement of retained interest. We assessed whether the classification of PHC as a discontinued operation is appropriate and that the presentation in the financial statements as a discontinued operation is in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*.

We reviewed the completeness of the disclosures with respect to this transaction and the disclosures about those assumptions to which the outcome of the valuation is most sensitive, specifically, those that have the most significant effect on the determination of the fair value of the PHC shares.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021, but does not include the consolidated and parent company financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement) SEC Form 17-A and Annual Report for the year ended December 31, 2021 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated and parent company financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and parent company financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated and Parent Company Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated and parent company financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and parent company financial statements, management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group and the Parent Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and the Parent Company's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibilities for the Audit of the Consolidated and Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and parent company financial statements, including the disclosures, and whether the consolidated and parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and the Parent Company to express an opinion on the consolidated and parent company financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010 and Bangko Sentral ng Pilipinas Circular No. 1074

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 40 and the Bangko Sentral ng Pilipinas Circular No. 1074 in Note 41 to the financial statements are presented for purposes of filing with the Bureau of Internal Revenue and Bangko Sentral ng Pilipinas, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of Philippine National Bank. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Vicky Lee Salas.

SYCIP GORRES VELAYO & CO.

Vicky Lee Salas
Partner
CPA Certificate No. 86838
Tax Identification No. 129-434-735
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 86838-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-053-2020, November 27, 2020, valid until November 26, 2023
PTR No. 8854312, January 3, 2022, Makati City

March 14, 2022

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION

(In Thousands)

	Consolidated		Parent Company	
	December 31		December 31	
	2021	2020	**2021**	2020
ASSETS				
Cash and Other Cash Items	**₱27,552,773**	₱25,135,724	**₱27,454,459**	₱25,038,434
Due from Bangko Sentral ng Pilipinas (Notes 7 and 17)	**161,001,912**	202,129,356	**161,001,912**	202,129,356
Due from Other Banks (Note 33)	**27,222,083**	19,733,300	**19,324,000**	12,131,726
Interbank Loans Receivable (Notes 8 and 33)	**32,106,088**	39,700,981	**30,295,755**	37,858,670
Securities Held Under Agreements to Resell (Notes 8 and 35)	**15,796,673**	15,819,273	**15,796,673**	15,819,273
Financial Assets at Fair Value Through Profit or Loss (FVTPL) (Note 9)	**11,167,657**	23,825,708	**11,010,278**	21,947,640
Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI) (Note 9)	**167,987,290**	133,715,352	**167,546,350**	133,263,758
Investment Securities at Amortized Cost (Note 9)	**89,455,843**	95,235,993	**89,327,894**	95,115,642
Loans and Receivables (Notes 10 and 33)	**606,953,751**	599,994,748	**592,498,761**	586,901,861
Property and Equipment (Note 11)	**13,472,320**	19,878,715	**11,812,991**	18,406,981
Investments in Subsidiaries and an Associate (Note 12)	**2,468,107**	2,310,410	**27,275,451**	27,105,550
Investment Properties (Note 13)	**10,735,896**	14,445,756	**10,178,327**	13,921,798
Deferred Tax Assets (Note 30)	**6,405,505**	9,036,908	**6,271,578**	8,522,411
Intangible Assets (Note 14)	**2,429,434**	2,512,013	**2,328,957**	2,438,660
Goodwill (Note 14)	**11,221,410**	13,375,407	**11,361,768**	13,515,765
Assets of Disposal Group Classified as Held for Sale (Note 36)	–	7,945,945	–	1,136,418
Other Assets (Note 15)	**4,807,920**	6,338,210	**4,525,498**	4,947,734
TOTAL ASSETS	**₱1,190,784,662**	₱1,231,133,799	**₱1,188,010,652**	₱1,220,201,677
LIABILITIES AND EQUITY				
LIABILITIES				
Deposit Liabilities (Notes 17 and 33)				
Demand	**₱216,367,830**	₱199,770,048	**₱216,040,593**	₱200,113,465
Savings	**498,581,535**	425,611,765	**497,172,862**	424,637,944
Time	**151,729,554**	236,694,042	**158,066,350**	240,584,601
Long Term Negotiable Certificates	**28,245,390**	28,212,034	**28,245,390**	28,212,034
	894,924,309	890,287,889	**899,525,195**	893,548,044
Financial Liabilities at FVTPL (Notes 18, 23 and 35)	**891,531**	701,239	**891,346**	700,802
Bills and Acceptances Payable (Notes 19, 33 and 35)	**52,953,797**	87,159,450	**51,113,018**	84,817,360
Lease Liabilities (Note 29)	**3,765,391**	1,366,016	**3,698,410**	1,370,206
Accrued Taxes, Interest and Other Expenses (Note 20)	**7,765,650**	6,449,026	**7,504,381**	6,075,016
Bonds Payable (Note 21)	**53,383,421**	64,056,335	**53,383,421**	64,056,335
Income Tax Payable	**157,735**	903,044	**89,328**	842,038
Liabilities of Disposal Group Classified as Held for Sale (Note 36)	–	6,353,964	–	–
Other Liabilities (Note 22)	**15,719,872**	17,873,828	**13,512,851**	15,546,894
	1,029,561,706	1,075,150,791	**1,029,717,950**	1,066,956,695
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY				
Capital Stock (Note 25)	**61,030,594**	61,030,594	**61,030,594**	61,030,594
Capital Paid in Excess of Par Value (Note 25)	**32,116,560**	32,116,560	**32,106,560**	32,106,560
Surplus Reserves (Notes 10, 25 and 32)	**5,147,440**	5,032,097	**5,147,440**	5,032,097
Surplus (Note 25)	**61,998,232**	54,498,066	**62,169,393**	54,843,588
Net Unrealized Gains (Losses) on Financial Assets at FVOCI (Note 9)	**(703,737)**	3,054,403	**(703,737)**	3,054,403
Remeasurement Losses on Retirement Plan (Note 28)	**(2,725,067)**	(3,009,452)	**(2,725,067)**	(3,009,452)
Accumulated Translation Adjustment (Note 25)	**1,503,396**	717,872	**1,503,396**	717,872
Other Equity Reserves (Notes 12 and 25)	**248,830**	277,855	**390,517**	419,542
Share in Aggregate Losses on Life Insurance Policies (Note 12)	**(626,394)**	(1,038,838)	**(626,394)**	(1,038,838)
Reserves of a Disposal Group Classified as Held for Sale (Notes 12 and 36)	–	88,616	–	88,616
Other Equity Adjustment	**13,959**	13,959	–	–
	158,003,813	152,781,732	**158,292,702**	153,244,982
NON-CONTROLLING INTERESTS (Note 12)	**3,219,143**	3,201,276	–	–
	161,222,956	155,983,008	**158,292,702**	153,244,982
TOTAL LIABILITIES AND EQUITY	**₱1,190,784,662**	₱1,231,133,799	**₱1,188,010,652**	₱1,220,201,677

Please refer to Notes to Financial Statements presented in a separate document and can be downloaded on our official website www.pnb.com.ph.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

STATEMENTS OF INCOME

(In Thousands, except Earnings per Share)

	Consolidated			Parent Company		
	Years Ended December 31					
	2021	2020 (As Restated - Note 36)	2019 (As Restated - Note 36)	**2021**	2020	2019
INTEREST INCOME ON						
Loans and receivables (Notes 10, 27 and 33)	**₱34,157,780**	₱37,352,374	₱39,852,726	**₱33,449,961**	₱37,067,285	₱35,164,556
Investment securities at amortized cost and FVOCI (Note 9)	**6,280,699**	6,496,272	8,737,077	**6,279,719**	6,448,100	8,549,063
Deposits with banks and others (Notes 7, 12 and 33)	**1,248,155**	2,192,045	635,086	**1,219,996**	1,173,981	432,874
Financial assets at FVTPL (Note 9)	**632,492**	665,751	619,979	**565,447**	542,512	619,979
Interbank loans receivable and securities held under agreements to resell (Note 8)	**83,251**	244,007	668,211	**31,048**	186,211	568,061
	42,402,377	46,950,449	50,513,079	**41,546,171**	45,418,089	45,334,533
INTEREST EXPENSE ON						
Deposit liabilities (Notes 17 and 33)	**4,813,766**	7,379,018	14,024,899	**4,885,785**	7,227,056	12,201,776
Bonds payable (Note 21)	**2,231,863**	2,904,528	1,945,497	**2,231,863**	2,904,528	1,945,497
Bills payable and other borrowings (Notes 19, 29 and 33)	**511,921**	846,440	2,184,918	**425,080**	637,478	1,740,622
	7,557,550	11,129,986	18,155,314	**7,542,728**	10,769,062	15,887,895
NET INTEREST INCOME	**34,844,827**	35,820,463	32,357,765	**34,003,443**	34,649,027	29,446,638
Service fees and commission income (Notes 26 and 33)	**6,340,326**	4,684,572	5,169,040	**5,310,729**	4,134,519	3,677,689
Service fees and commission expense	**1,051,376**	983,186	988,104	**846,165**	858,182	800,376
NET SERVICE FEES AND COMMISSION INCOME	**5,288,950**	3,701,386	4,180,936	**4,464,564**	3,276,337	2,877,313
OTHER INCOME						
Gain on loss of control of subsidiaries - net (Note 12)	**16,807,275**	–	–	**16,916,842**	–	–
Gain on remeasurement of retained interest (Note 12)	**16,477,968**	–	–	**16,383,008**	–	–
Net gains on sale or exchange of assets (Note 26)	**981,462**	195,842	690,625	**974,024**	130,493	686,441
Foreign exchange gains - net (Note 23)	**743,549**	919,555	1,105,903	**623,493**	929,890	861,143
Trading and investment securities gains - net (Notes 9 and 33)	**731,572**	3,337,589	1,074,351	**600,580**	3,456,521	1,017,155
Equity in net earnings (losses) of subsidiaries and an associate (Note 12)	**50,789**	88,476	(97,608)	**(650,134)**	95,939	(345,599)
Miscellaneous (Note 27)	**1,070,047**	1,244,699	1,464,296	**759,826**	906,752	976,822
TOTAL OPERATING INCOME	**76,996,439**	45,308,010	40,776,268	**74,075,646**	43,444,959	35,519,913
OPERATING EXPENSES						
Provision for impairment, credit and other losses (Note 16)	**12,879,011**	16,882,621	2,910,182	**13,125,737**	16,534,335	1,593,219
Compensation and fringe benefits (Notes 25, 28 and 33)	**9,985,822**	10,167,173	9,442,021	**9,274,801**	9,313,371	8,024,694
Taxes and licenses (Note 30)	**3,988,371**	4,551,142	4,812,485	**3,903,066**	4,394,703	4,217,996
Depreciation and amortization (Note 11)	**2,845,717**	3,154,568	2,794,511	**2,499,071**	2,607,269	2,207,071
Occupancy and equipment-related costs (Note 29)	**1,124,166**	990,650	1,021,762	**1,002,093**	942,896	854,334
Miscellaneous (Note 27)	**8,202,755**	9,013,439	7,681,382	**7,974,555**	8,637,974	6,854,659
TOTAL OPERATING EXPENSES	**39,025,842**	44,759,593	28,662,343	**37,779,323**	42,430,548	23,751,973
INCOME BEFORE INCOME TAX	**37,970,597**	548,417	12,113,925	**36,296,323**	1,014,411	11,767,940
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 30)	**5,545,194**	(1,866,402)	2,452,207	**5,012,561**	(1,945,521)	2,086,464
NET INCOME FROM CONTINUING OPERATIONS	**32,425,403**	2,414,819	9,661,718	**31,283,762**	2,959,932	9,681,476
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX (Notes 12 and 36)	**(735,365)**	210,669	99,488	–	–	–
NET INCOME	**₱31,690,038**	₱2,625,488	₱9,761,206	**₱31,283,762**	₱2,959,932	₱9,681,476
ATTRIBUTABLE TO:						
Equity Holders of the Parent Company (Note 31)	**₱31,630,626**	₱2,614,653	₱9,681,480			
Non-controlling Interests	**59,412**	10,835	79,726			
	₱31,690,038	₱2,625,488	₱9,761,206			
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 31)	**₱20.73**	₱1.71	₱7.05			
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company from Continuing Operations (Note 31)	**₱21.21**	₱1.58	₱6.98			

Please refer to Notes to Financial Statements presented in a separate document and can be downloaded on our official website www.pnb.com.ph.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands)

	Consolidated			Parent Company		
	Years Ended December 31					
	2021	2020	2019	**2021**	2020	2019
NET INCOME	**₱31,690,038**	₱2,625,488	₱9,761,206	**₱31,283,762**	₱2,959,932	₱9,681,476
OTHER COMPREHENSIVE INCOME (LOSS)						
Items that recycle to profit or loss in subsequent periods:						
Net change in unrealized gain (loss) on debt securities at FVOCI, net of tax (Note 9)	**(3,178,301)**	(578,919)	5,417,132	**(3,158,391)**	(639,403)	5,507,470
Share in changes in net unrealized gains (losses) on financial assets at FVOCI of subsidiaries and an associate (Notes 9 and 12)	**(558,030)**	662,951	447,169	**(663,471)**	556,246	590,236
	(3,736,331)	84,032	5,864,301	**(3,821,862)**	(83,157)	6,097,706
Accumulated translation adjustment	**1,008,640**	(257,238)	(924,441)	**(117,264)**	(81,646)	(264,289)
Share in changes in accumulated translation adjustment of subsidiaries and an associate (Note 12)	**–**	–	–	**902,788**	(148,044)	(565,072)
	(2,727,691)	(173,206)	4,939,860	**(3,036,338)**	(312,847)	5,268,345
Items that do not recycle to profit or loss in subsequent periods:						
Share in changes in aggregate reserves (losses) on life insurance policies (Note 12)	**412,444**	(1,051,118)	–	**412,444**	(1,051,118)	–
Remeasurement gains (losses) on retirement plan (Note 28)	**285,632**	(725,968)	(466,926)	**500,862**	(710,795)	(596,589)
Share in changes in remeasurement gains (losses) of subsidiaries and an associate (Note 12)	**(1,482)**	4,632	(234,815)	**(216,477)**	(10,030)	(105,801)
Net change in unrealized gain (loss) on equity securities at FVOCI (Note 9)	**(21,809)**	(251,071)	583,286	**63,722**	(83,882)	349,881
	674,785	(2,023,525)	(118,455)	**760,551**	(1,855,825)	(352,509)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	**(2,052,906)**	(2,196,731)	4,821,405	**(2,275,787)**	(2,168,672)	4,915,836
TOTAL COMPREHENSIVE INCOME	**₱29,637,132**	₱428,757	₱14,582,611	**₱29,007,975**	₱791,260	₱14,597,312
ATTRIBUTABLE TO:						
Equity holders of the Parent Company	**₱29,354,839**	₱445,981	₱14,597,316			
Non-controlling interests	**282,293**	(17,224)	(14,705)			
	₱29,637,132	₱428,757	₱14,582,611			

Please refer to Notes to Financial Statements presented in a separate document and can be downloaded on our official website www.pnb.com.ph.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY

(In Thousands)

	Consolidated													
	Equity Attributable to Equity Holders of the Parent Company													
	Capital Stock (Note 25)	Capital Paid in Excess of Par Value (Note 25)	Surplus Reserves (Notes 10, 25 and 32)	Surplus (Note 25)	Net Unrealized Gains (Losses) on Financial Assets at FVOCI (Note 9)	Remeasurement Losses on Retirement Plan (Note 28)	Accumulated Translation Adjustment (Note 25)	Other Equity Reserves (Notes 12 and 25)	Share in Aggregate Reserves (Losses) on Life Insurance Policies (Note 12)	Reserves of a Disposal Group Classified as Held for Sale (Notes 12 and 36)	Other Equity Adjustment	Total	Non-controlling Interests (Note 12)	Total Equity
Balance at January 1, 2021	**₱61,030,594**	**₱32,116,560**	**₱5,032,097**	**₱54,498,066**	**₱3,054,403**	**(₱3,009,452)**	**₱717,872**	**₱277,855**	**(₱1,038,838)**	**₱88,616**	**₱13,959**	**₱152,781,732**	**₱3,201,276**	**₱155,983,008**
Total comprehensive income (loss) for the year	**–**	**–**	**–**	**31,630,626**	**(3,758,140)**	**284,385**	**785,524**	**–**	**412,444**	**–**	**–**	**29,354,839**	**282,293**	**29,637,132**
Declaration of property dividends (Note 12)	**–**	**–**	**–**	**(23,935,371)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(23,935,371)**	**–**	**(23,935,371)**
Transfer to surplus reserves (Notes 25 and 32)	**–**	**–**	**115,343**	**(115,343)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Sale of interest in a subsidiary (Note 12)	**–**	**–**	**–**	**(79,746)**	**–**	**–**	**–**	**–**	**–**	**(88,616)**	**–**	**(168,362)**	**(259,721)**	**(428,083)**
Settlement of share-based payments (Note 25)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(29,025)**	**–**	**–**	**–**	**(29,025)**	**–**	**(29,025)**
Declaration of dividends by subsidiaries to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(4,705)**	**(4,705)**
Balance at December 31, 2021	**₱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**
Balance at January 1, 2020	₱61,030,594	₱32,116,560	₱642,018	₱56,273,492	₱3,250,651	(₱2,229,220)	₱947,562	₱35,466	₱12,280	₱–	₱13,959	₱152,093,362	₱2,882,038	₱154,975,400
Total comprehensive income (loss) for the year	–	–	–	2,614,653	(167,039)	(720,825)	(229,690)	–	(1,051,118)	–	–	445,981	(17,224)	428,757
Transfer to surplus reserves (Notes 25 and 32)	–	–	4,390,079	(4,390,079)	–	–	–	–	–	–	–	–	–	–
Sale of interest in a subsidiary (Note 12)	–	–	–	–	–	–	–	248,830	–	–	–	248,830	95,900	344,730
Settlement of share-based payments (Note 25)	–	–	–	–	–	–	–	(6,441)	–	–	–	(6,441)	–	(6,441)
Reserves of disposal group classified as held for sale (Note 36)	–	–	–	–	(29,209)	(59,407)	–	–	–	88,616	–	–	259,722	259,722
Declaration of dividends by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(19,160)	(19,160)
Balance at December 31, 2020	₱61,030,594	₱32,116,560	₱5,032,097	₱54,498,066	₱3,054,403	(₱3,009,452)	₱717,872	₱277,855	(₱1,038,838)	₱88,616	₱13,959	₱152,781,732	₱3,201,276	₱155,983,008
Balance at January 1, 2019	₱49,965,587	₱31,331,251	₱620,573	₱46,613,457	(₱3,196,936)	(₱1,526,830)	₱1,776,923	₱53,895	₱12,280	₱–	₱13,959	₱125,664,159	₱2,894,853	₱128,559,012
Total comprehensive income (loss) for the year	–	–	–	9,681,480	6,447,587	(702,390)	(829,361)	–	–	–	–	14,597,316	(14,705)	14,582,611
Issuance of stock (Note 25)	11,065,007	785,309	–	–	–	–	–	–	–	–	–	11,850,316	–	11,850,316
Transfer to surplus reserves (Notes 25 and 32)	–	–	21,445	(21,445)	–	–	–	–	–	–	–	–	–	–
Settlement of share-based payments (Note 25)	–	–	–	–	–	–	–	(18,429)	–	–	–	(18,429)	5,262	(13,167)
Declaration of dividends by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(3,372)	(3,372)
Balance at December 31, 2019	₱61,030,594	₱32,116,560	₱642,018	₱56,273,492	₱3,250,651	(₱2,229,220)	₱947,562	₱35,466	₱12,280	₱–	₱13,959	₱152,093,362	₱2,882,038	₱154,975,400

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

	Parent Company										
	Capital Stock (Note 25)	Capital Paid in Excess of Par Value (Note 25)	Surplus Reserves (Notes 10, 25 and 32)	Surplus (Note 25)	Net Unrealized Gains (Losses) on Financial Assets at FVOCI (Note 9)	Remeasurement Losses on Retirement Plan (Note 28)	Accumulated Translation Adjustment (Note 25)	Other Equity Reserves (Notes 12 and 25)	Share in Aggregate Reserves on Life Insurance Policies (Note 12)	Reserves of a Disposal Group Held for Sale (Notes 12 and 36)	Total Equity
Balance at January 1, 2021	**₱61,030,594**	**₱32,106,560**	**₱5,032,097**	**₱54,843,588**	**₱3,054,403**	**(₱3,009,452)**	**₱717,872**	**₱419,542**	**(₱1,038,838)**	**₱88,616**	**₱153,244,982**
Total comprehensive income (loss) for the year	–	–	–	**31,283,762**	**(3,758,140)**	**284,385**	**785,524**	–	**412,444**	–	**29,007,975**
Declaration of property dividends (Note 12)	–	–	–	**(23,935,371)**	–	–	–		–	–	**(23,935,371)**
Transfer to surplus reserves (Notes 25 and 32)	–	–	**115,343**	**(115,343)**	–	–	–	–	–	–	–
Sale of interest in a subsidiary (Note 12)	–	–	–	**92,757**	–	–	–	–	–	**(88,616)**	**4,141**
Settlement of share-based payments (Note 25)	–	–	–	–	–	–	–	**(29,025)**	–	–	**(29,025)**
Balance at December 31, 2021	**₱61,030,594**	**₱32,106,560**	**₱5,147,440**	**₱62,169,393**	**(₱703,737)**	**(₱2,725,067)**	**₱1,503,396**	**₱390,517**	**(₱626,394)**	**₱–**	**₱158,292,702**
Balance at January 1, 2020	₱61,030,594	₱32,106,560	₱642,018	₱56,273,735	₱3,250,651	(₱2,229,220)	₱947,562	₱35,466	₱12,280	₱–	₱152,069,646
Total comprehensive income (loss) for the year	–	–	–	2,959,932	(167,039)	(720,825)	(229,690)	–	(1,051,118)	–	791,260
Transfer to surplus reserves (Notes 25 and 32)	–	–	4,390,079	(4,390,079)	–	–	–	–	–	–	–
Business combination with a subsidiary (Note 12)	–	–	–	–	–	–	–	390,517	–	–	390,517
Settlement of share-based payments (Note 25)	–	–	–	–	–	–	–	(6,441)	–	–	(6,441)
Reserves of disposal group classified as held for sale (Note 36)	–	–	–	–	(29,209)	(59,407)	–	–	–	88,616	–
Balance at December 31, 2020	₱61,030,594	₱32,106,560	₱5,032,097	₱54,843,588	₱3,054,403	(₱3,009,452)	₱717,872	₱419,542	(₱1,038,838)	₱88,616	₱153,244,982
Balance at January 1, 2019	₱49,965,587	₱31,331,251	₱620,573	₱46,613,704	(₱3,196,936)	(₱1,526,830)	₱1,776,923	₱53,895	₱12,280	₱–	₱125,650,447
Total comprehensive income (loss) for the year	–	–	–	9,681,476	6,447,587	(702,390)	(829,361)	–	–	–	14,597,312
Issuance of stock (Note 25)	11,065,007	775,309	–	–	–	–	–	–	–	–	11,840,316
Transfer to surplus reserves (Notes 25 and 32)	–	–	21,445	(21,445)	–	–	–	–	–	–	–
Settlement of share-based payments (Note 25)	–	–	–	–	–	–	–	(18,429)	–	–	(18,429)
Balance at December 31, 2019	₱61,030,594	₱32,106,560	₱642,018	₱56,273,735	₱3,250,651	(₱2,229,220)	₱947,562	₱35,466	₱12,280	₱–	₱152,069,646

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

	Consolidated			Parent Company		
	Years Ended December 31					
	2021	2020	2019	**2021**	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income tax from continuing operations	**₱37,970,597**	₱548,417	₱12,113,925	**₱36,296,323**	₱1,014,411	₱11,767,940
Income (loss) before income tax from discontinued operations (Note 36)	**(626,763)**	299,251	118,267	**–**	–	–
Income before income tax	**37,343,834**	847,668	12,232,192	**36,296,323**	1,014,411	11,767,940
Adjustments for:						
Gain on loss of control of subsidiaries - net (Note 12)	**(16,807,275)**	–	–	**(16,916,842)**	–	–
Gain on remeasurement of retained interest (Note 12)	**(16,477,968)**	–	–	**(16,383,008)**	–	–
Provision for impairment, credit and other losses (Note 16)	**12,967,152**	16,912,402	2,909,858	**13,125,737**	16,534,335	1,593,219
Unrealized foreign exchange losses (gains) on bonds payable	**3,113,544**	(2,728,233)	(1,029,880)	**3,113,544**	(2,728,233)	(1,029,880)
Depreciation and amortization (Note 11)	**2,894,759**	3,184,141	2,804,123	**2,499,071**	2,607,269	2,207,071
Unrealized foreign exchange losses (gains) on bills and acceptances payable	**2,220,574**	(1,059,619)	(2,771,182)	**2,214,671**	(1,059,379)	(2,771,182)
Net gains on financial assets at FVOCI (Note 9)	**(1,540,192)**	(2,455,264)	(281,340)	**(1,540,192)**	(2,454,697)	(317,609)
Net gains on sale or exchange of assets (Note 26)	**(981,462)**	(195,842)	(690,625)	**(974,024)**	(130,493)	(686,441)
Net losses (gains) on financial assets at FVTPL (Note 9)	**846,625**	(882,374)	(1,355,606)	**977,617**	(1,001,823)	(1,334,552)
Accretion to interest income of loss on loan modifications (Note 27)	**(351,502)**	(901,748)	–	**(351,502)**	(901,748)	–
Amortization of premium (discount) on investment securities	**294,421**	(182,716)	95,849	**296,554**	(176,196)	78,880
Amortization of transaction costs on borrowings (Notes 17 and 21)	**116,898**	229,420	125,596	**116,898**	229,420	125,596
Equity in net losses (earnings) of subsidiaries and an associate (Note 12)	**(50,789)**	(88,476)	97,608	**650,134**	(95,939)	345,599
Loss (gain) on disposal of property and equipment (Notes 11 and 26)	**(8,399)**	(7,777)	8,961	**789**	(1,297)	(1,023)
Loss on loan modifications (Note 27)	**–**	1,587,605	–	**–**	1,587,605	–
Changes in operating assets and liabilities:						
Decrease (increase) in amounts of:						
Interbank loan receivable (Note 8)	**(891,301)**	1,126,878	(1,220,264)	**(859,213)**	1,134,547	(421,675)
Financial assets at FVTPL	**11,812,813**	(9,475,736)	(2,102,603)	**9,959,744**	(9,776,160)	148,532
Loans and receivables	**(13,325,214)**	36,534,525	(75,034,482)	**(16,184,925)**	(16,207,664)	(78,630,395)
Other assets	**1,406,878**	(888,284)	(1,679,271)	**(368,978)**	(961,959)	300,791
Increase (decrease) in amounts of:						
Financial liabilities at FVTPL	**190,292**	455,620	(225,029)	**190,544**	468,810	(236,287)
Deposit liabilities	**4,603,064**	64,182,479	92,702,273	**5,943,796**	117,646,115	92,402,864
Accrued taxes, interest and other expenses	**246,627**	(2,376,061)	561,268	**681,686**	(1,903,084)	516,800
Other liabilities	**(7,663,779)**	(5,509,215)	346,335	**(1,511,065)**	(2,764,403)	(301,401)
Net cash generated from operations	**19,959,600**	98,309,393	25,493,781	**20,977,359**	101,059,437	23,756,847
Income taxes paid	**(2,285,669)**	(1,648,621)	(3,369,421)	**(1,841,579)**	(1,461,890)	(3,043,713)
Net cash provided by operating activities	**17,673,931**	96,660,772	22,124,360	**19,135,780**	99,597,547	20,713,134
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from:						
Disposal/maturities of financial assets at FVOCI	**212,560,360**	159,923,104	36,239,398	**210,574,683**	157,339,946	34,213,584
Maturities/early redemptions of investment securities at amortized cost	**39,790,071**	61,359,649	81,709,960	**39,047,244**	61,359,649	81,530,081
Disposal of investment in a subsidiary (Note 12)	**1,001,558**	521,817	–	**1,001,558**	–	–
Disposal of investment properties	**293,738**	210,936	712,650	**214,782**	161,736	717,677
Disposal of property and equipment	**201,593**	36,750	153,182	**301,198**	1,322	4,554
Acquisitions of:						
Financial assets at FVOCI	**(224,330,405)**	(169,859,472)	(100,962,284)	**(224,330,405)**	(169,859,472)	(96,281,851)
Investment securities at amortized cost	**(33,372,543)**	(56,875,400)	(81,365,299)	**(33,372,543)**	(57,227,468)	(81,150,541)
Property and equipment (Note 11)	**(1,120,741)**	(1,231,247)	(2,299,285)	**(675,730)**	(1,027,671)	(1,634,668)
Software cost (Note 14)	**(655,455)**	(283,472)	(334,548)	**(612,515)**	(268,768)	(331,543)
Additional investments in subsidiaries (Note 12)	**(245,000)**	–	–	**(245,000)**	–	(180,000)
Net cash used in investing activities	**(5,876,824)**	(6,197,335)	(66,146,226)	**(8,096,728)**	(9,520,726)	(63,112,707)

(Forward)

STATEMENTS OF CASH FLOWS

(In Thousands)

	Consolidated			Parent Company		
	Years Ended December 31					
	2021	2020	2019	**2021**	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from issuances of bills and acceptances payable	**₱237,327,616**	₱168,973,402	₱1,465,130,227	**₱236,637,024**	₱155,926,201	₱1,445,941,174
Settlement of bills and acceptances payable	**(273,753,842)**	(136,717,622)	(1,476,478,591)	**(272,556,037)**	(118,473,479)	(1,457,452,771)
Settlement of bonds payable (Note 21)	**(13,870,000)**	–	–	**(13,870,000)**	–	–
Payment of principal portion of lease liabilities (Note 29)	**(1,231,287)**	(664,156)	(509,952)	**(1,213,912)**	(649,402)	(436,331)
Proceeds from issuance of bonds payable	**–**	–	51,899,720	**–**	–	51,899,720
Proceeds from issuance of stocks (Note 25)	**–**	–	11,850,316	**–**	–	11,840,316
Net cash provided by (used in) financing activities	**(51,527,513)**	31,591,624	51,891,720	**(51,002,925)**	36,803,320	51,792,108
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(39,730,406)**	122,055,061	7,869,854	**(39,963,873)**	126,880,141	9,392,535
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR						
Cash and other cash items	**25,135,724**	30,500,927	16,825,487	**25,038,434**	29,642,159	15,904,663
Due from Bangko Sentral ng Pilipinas	**202,129,356**	105,981,801	102,723,312	**202,129,356**	101,801,597	98,665,375
Due from other banks	**19,733,300**	17,758,143	21,003,079	**12,131,726**	10,835,106	10,459,496
Interbank loans receivable	**38,939,572**	22,943,529	10,580,432	**37,464,504**	22,274,306	10,581,083
Securities held under agreements to resell	**15,819,273**	2,517,764	20,700,000	**15,819,273**	1,149,984	20,700,000
	301,757,225	179,702,164	171,832,310	**292,583,293**	165,703,152	156,310,617
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	**27,552,773**	25,135,724	30,500,927	**27,454,459**	25,038,434	29,642,159
Due from Bangko Sentral ng Pilipinas	**161,001,912**	202,129,356	105,981,801	**161,001,912**	202,129,356	101,801,597
Due from other banks	**27,222,083**	19,733,300	17,758,143	**19,324,000**	12,131,726	10,835,106
Interbank loans receivable (Note 8)	**30,453,378**	38,939,572	22,943,529	**29,042,376**	37,464,504	22,274,306
Securities held under agreements to resell	**15,796,673**	15,819,273	2,517,764	**15,796,673**	15,819,273	1,149,984
	₱262,026,819	₱301,757,225	₱179,702,164	**₱252,619,420**	₱292,583,293	₱165,703,152
OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS						
Interest paid	**₱7,690,053**	₱11,936,540	₱17,522,121	**₱7,670,243**	₱11,494,829	₱15,188,304
Interest received	**42,928,178**	47,391,100	49,063,648	**42,075,051**	44,519,365	43,948,726

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PRODUCTS AND SERVICES

A. DEPOSITS AND RELATED SERVICES

The Bank offers a wide range of deposit products and services that make banking easy, convenient, and worry-free.

Peso Accounts

1. Current Accounts
2. Savings Accounts
3. Time Deposit Accounts
4. Prepaid Cards
5. Business Cards

US Dollar Accounts

1. Current Accounts
2. Savings Accounts
3. Time Deposit Accounts

Other Foreign Currency Accounts (Savings and Time)

1. Chinese Yuan (Renminbi)
2. Euro
3. Japanese Yen
4. Canadian Dollar
5. Singaporean Dollar
6. Hong Kong Dollar
7. Great Britain Pound
8. Swiss Franc
9. Australian Dollar

Cash Management Solutions

PNB offers powerful and efficient cash management solutions that maximize control over business finances. These solutions are supported by an access to the PNB C@shNet Plus facility, PNB's new corporate internet banking platform which offers electronic cash management services like liquidity management services, collections, and disbursements solutions.

Apart from the electronic solutions, PNB also offers non-electronic cash management services to support collection requirements for clients whose main mode of collections is in cash.

Innovation Solutions

PNB offers integrated corporate service packages and innovative financial solutions to help address the customers' changing needs. The Bank executes the ecosystem strategy which positions itself as the financial intermediary for the management and flow of operating funds of the customers, trade counterparties and individual customers. The strategies are carried out by developing strategic partnerships among institutional clients and counterparties to provide tailor fit financial solutions to link buyers and sellers including the unbanked sector.

Safety Deposit Boxes

Valued Bank clients may rent a Safety Deposit Box where valuables, legal documents, and other prized possessions may be kept. It is located in a secured vault within Bank premises.

PNB Digital App

PNB Digital Banking app provides clients with a fast, convenient and safe way to access their accounts and do banking transactions at any given time and wherever they may be. Customers with a smartphone can easily sign up to the service without visiting the branch using their deposit account or credit card credentials.

The PNB Digital Banking app addresses key banking needs such as balance/transaction inquiry, sending money to other local banks and paying monthly bills with safeguard features that ensure that all online transactions are safe and secure.

With the PNB Digital app, clients can avail of the following services:

- Onboard to the app using CASA or credit card information
- Login using Face or Touch ID
- View CASA account and credit card balance transaction history
- Access and download credit card statements
- Transfer funds to other banks and e-Wallets, using Instapay and PesoNet
- Transfer funds between own or third party PNB accounts
- Quickly send and receive money using QR codes
- Pay monthly bills
- Enhanced multi factor authentication for Login and Funds Transfers using the PNB Digital Key

PNB Internet Banking

The mobile app is complemented by the PNB Internet Banking portal, which focuses on specialized services for Credit Card Application, and UITF suitability assessment, placement and redemption. Other features available in Internet Banking include Time Deposit viewing and Checkbook Order.

B. CARDS SERVICES

Credit Cards

PNB's extensive array of credit card products let customers experience everyday payment convenience in dining, traveling, and shopping. These cards offer specific features and services that cater to its target markets such as flexible rewards options (cash credits or Miles) and Card Protect, among others.

- PNB Mastercard (Essentials, Platinum, Ze-lo and Cart)
- PNB Visa (Classic and Gold)

PRODUCTS AND SERVICES

- PNB Diamond UnionPay
- PNB Corporate Multi Mastercard
- PNB Personal Installment Credit Card

Co-Branded Credit Cards
These are products resulting from brand collaborations that provide access to exclusive merchant-specific benefits to the cardholders.

- PNB-PAL Mabuhay Miles Mastercard (NOW, Platinum, and World)
- PNB-The Travel Club Mastercard (Platinum)
- PNB-Alturas Visa Card
- PNB-AAXS Mastercard (Platinum)
- PNB-ICAAA Mastercard (Platinum)
- PNB-LSGHAA Mastercard (Platinum)

Debit Cards
- PNB-PAL Mabuhay Miles Debit Mastercard
- PNB-PAL Mabuhay Miles Priority Debit Mastercard

Prepaid Cards
- PNB Prepaid Mastercard
- PNB-PAL Mabuhay Miles Prepaid Mastercard

C. BANCASSURANCE

PNB Bancassurance provides solid financial services to help ensure and protect the future of clients.

Non-Life Insurance
Products being offered through Alliedbankers Insurance Corporation include Property and Natural Perils Insurance, Motor Car Insurance, Personal Accident Insurance, Engineering Insurance, Marine Insurance, among others.

Life Insurance
There is a wide range of life and health insurance products offered by Allianz PNB Life that cater to specific needs such as Savings and Investments, Protection, Health, Education, Retirement, and Estate Planning.

D. REMITTANCE PRODUCTS AND SERVICES

The Bank has various products and services which OFWs and their beneficiaries can rely on for sending and receiving remittances, and other services such as Overseas Bills Payment and Own a Philippine Home Loan (OPHL).
- Credit to PNB Account
- Credit to Other Philippine Local Banks
- Advise and Pay Anywhere (Cash Pick-up)
- Global Filipino Card (GFC)
- Door to Door Delivery Remittance
- Own A Philippine Home Loan (OPHL)
- Overseas Bills Payment (OBP)

Available remittance channels include:
- OTC PNB Overseas Branches and Offices
- Mail-in Remittance (US and Japan)
- Web Remit (US and Europe)
- Phone Remit (US and Europe)
- Mobile App (US and Singapore)
- Channels of Tie-Ups and Agents

E. TREASURY PRODUCTS AND SERVICES

The Bank offers expertise in Fixed Income Securities and Money Market Instruments, Foreign Exchange Spots, Forwards and Swaps.

F. TRADE FINANCE SERVICES

The Bank offers various services for exporters and importers to facilitate settlement of domestic and international trade transactions. Services such as Letters of Credit (LC), Standby LC, Bills Purchase, Trust Receipt Facility, Bills for Collection and collection/remittance of customs duties are available.

G. LENDING SERVICES

The Bank offers a wide array of financial solutions consisting of Credit Lines, Documentary Credit, Bills Purchased Lines, and Long and Short-Term Loans, among others, for large corporates, small and medium enterprises (SMEs), and government clients. Likewise, the Bank offers sophisticated deal structuring for corporate finance transactions like project finance, mergers and acquisitions, and structured trade transactions. The Bank also extends consumer loans such as Housing, Auto and Personal loans.

H. TRUST PRODUCTS AND SERVICES

Unit Investment Trust Funds (UITF)
UITFs are open-ended trust funds denominated in peso, or any acceptable currency, which pools together the funds of various investors, for investment in different instruments such as government securities, bonds, commercial papers, deposit products, and other similar instruments.

There is a wide range of investment fund solutions that PNB can offer to different kinds of clients with specific investment strategies:

1. For conservative investors:
   - PNB Prime Peso Money Market Fund
   - PNB Peso Fixed Income Fund
   - PNB Institutional Money Market Fund
   - PNB Prime Dollar Money Market Fund
2. For moderate investors:
   - PNB Peso Intermediate Term Bond Fund
   - PNB PERA Bond Fund
   - PNB Profit Dollar Intermediate Term Bond Fund
3. For moderately aggressive investors:
   - PNB Balanced Fund
4. For aggressive investors:
   - PNB Phil-Index Tracker Fund
   - PNB High Dividend Fund
   - PNB Equity Fund
   - PNB Global Growth Equity Feeder Fund
   - PNB US Equity Sustainability Leaders Feeder Fund

Personal Trust Products
These are trust funds for a client's beneficiary that can be availed through the following fund management services:

1. Personal Management Trust (PMT)
   A trust account where PNB's Trust Banking Group (TBG) holds legal title to funds and/or properties for management according to the provisions of the agreement principally for the benefit of the Trustor(s) and his beneficiaries.
2. Investment Management Account (IMA)
   An agency account established by the Principal/client primarily for financial returns. PNB TBG acts solely in behalf and upon the behest of the Principal/client.
3. Estate Planning
   A service created through a trust agreement for the orderly arrangement of an estate during the client's lifetime. It aims to eliminate uncertainties over the management and administration of the estate using various tools such as personal management trust arrangement. This includes fund management, tax planning, retirement planning, pension planning, and wealth distribution in a legally acceptable and cost-efficient manner.

Corporate Trust Products
PNB offers the following services for companies:

1. Corporate Fund Management
   A trust or agency account created to access the fund management expertise and services of PNB TBG in managing the investible funds of the client in accordance with terms and conditions in the trust or agency agreement.
2. Employee Benefit Trust/Retirement Fund
   A trust or agency account created with the end purpose of providing certain benefits such as retirement, pension, stock options, medical, accident, disability benefits for employees through an employee benefit plan or retirement fund.

Other Fiduciary Trust Products and Services

1. Escrow
   An agency account where PNB TBG acts as an unbiased third party to a transaction between two parties involving deposit money, securities, instruments or properties to be delivered based on conditions and procedures agreed upon by the parties.
2. Facility/Loan Agency
   An agency account created for the collection of payments for syndicated loans and remittance to creditors.
3. Trust Under Indenture
   A trust or indenture account created to hold properties subject of mortgage or collateral for bond issues/obligations to protect the interests of both creditors and borrowers.
4. Transfer Agency
   An agency account where PNB TBG handles the issuance, cancellation, and monitoring of stock certificates, and the preparation and submission of reports to the PSE and the SEC. PNB TBG also serves as paying agent for stock and cash dividends.

For a complete description of the Bank's Products and Services, please visit our website at www.pnb.com.ph.

MANAGEMENT DIRECTORY

OFFICE OF THE PRESIDENT

President
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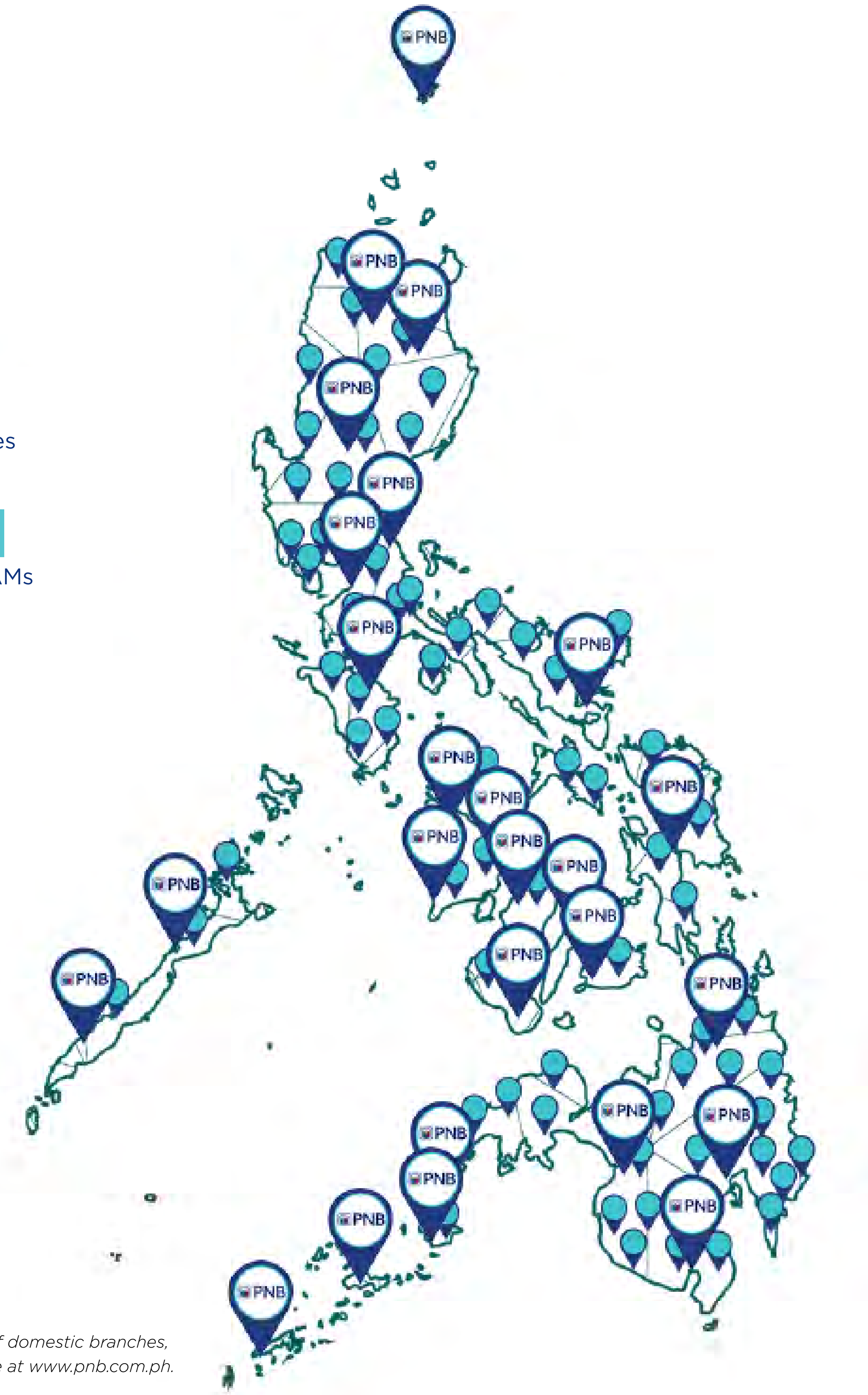
670
Total Branches

1,731
ATMs and CAMs



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70
Overseas Offices

107
Agents and Partners

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Lucio C. Tan
Chairman

Alexander Grenz
President & CEO

For a digital copy of the full 2021 Annual Report, Audited Financial Statements and Management's Discussion and Analysis, please download at:
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Philippine National Bank

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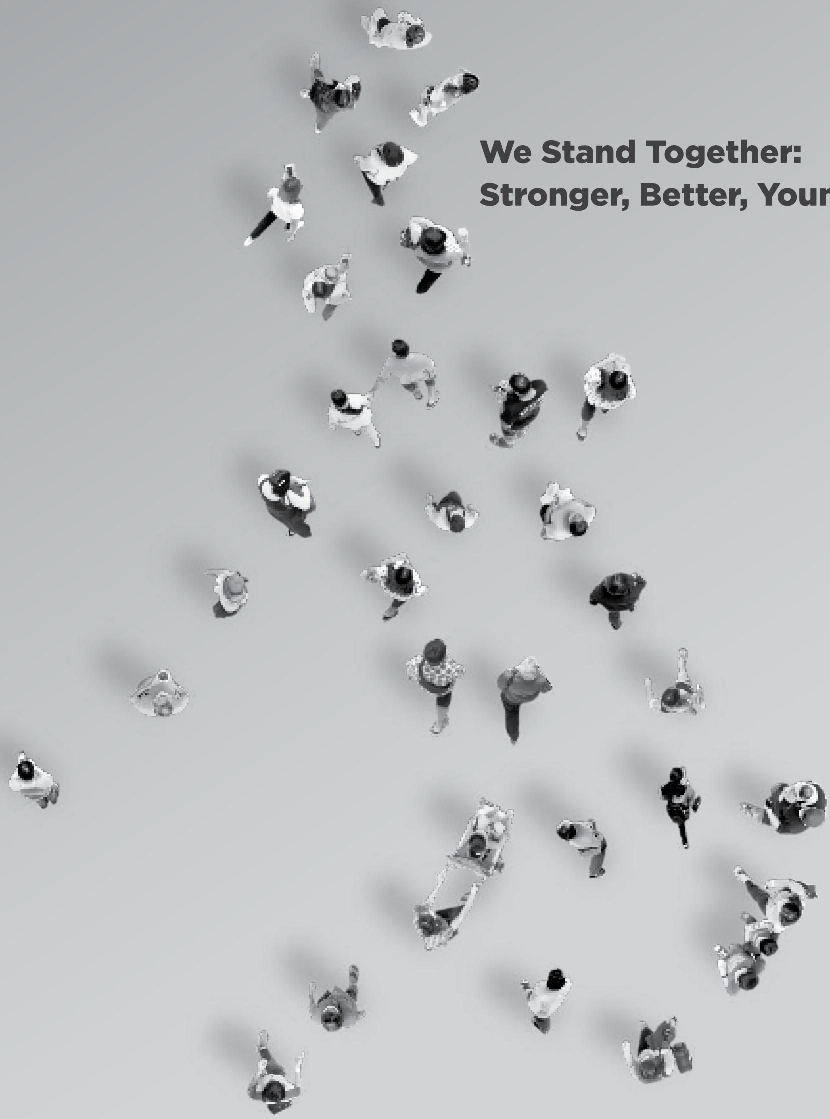
Philippine National Bank



We Stand Together:
Stronger, Better, Younger

2021 Audited Financial Statements and Management's Discussion and Analysis

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Philippine National Bank (the Bank) is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 3l, 2021, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative to do so.

The Board of Directors is responsible for overseeing the Bank's financial reporting process.

The Board of Directors reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stockholders.

Sycip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Bank in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

FEDERICO C. PASCUAL
Chairman of the Board

JOSE ARNULFO A. VELOSO
President and Chief Executive Officer

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

MAR 1 4 2022

SUBSCRIBED AND SWORN to before me this ___ day of March 2022 affiants exhibiting to me their Passport Identification No.

Doc No.
Page No.
Book No.
Series of 2022

ATTY. HENRY D. ADASA

INDEPENDENT AUDITOR'S REPORT

SGV
Building a better working world

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The Stockholders and the Board of Directors
Philippine National Bank

Report on the Consolidated and Parent Company Financial Statements

Opinion

We have audited the consolidated financial statements of Philippine National Bank and its Subsidiaries (the Group) and the parent company financial statements of Philippine National Bank (the Parent Company), which comprise the consolidated and parent company statements of financial position as at December 31, 2021 and 2020 and the consolidated and parent company statements of income, consolidated and parent company statements of comprehensive income, consolidated and parent company statements of changes in equity and consolidated and parent company statements of cash flows for each of the three years in the period ended December 31, 2021, and notes to the consolidated and parent company financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated and parent company financial statements present fairly, in all material respects, the financial position of the Group and the Parent Company as at December 31, 2021 and 2020, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2021 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Parent Company Financial Statements* section of our report. We are independent of the Group and the Parent Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (the Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated and parent company financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and parent company financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and parent company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities detailed in the *Auditor's Responsibilities for the Audit of the Consolidated and Parent Company Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and parent company financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and parent company financial statements.

Applicable to the audit of the consolidated and parent company financial statements

Adequacy of Allowance for Credit Losses on Loans and Receivables
The Group and the Parent Company's application of the expected credit losses (ECL) model in calculating the allowance for credit losses on loans and receivables is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include: segmenting the Group's and the Parent Company's credit risk exposures; determining the method to estimate ECL; defining default; identifying exposures with significant deterioration in credit quality; determining assumptions to be used in the ECL model such as the counterparty credit risk rating, the expected life of the financial asset, expected recoveries from defaulted accounts, and impact of any financial support and credit enhancements extended by any party; and incorporating forward-looking information, including the impact of the coronavirus pandemic, in calculating ECL.

Allowance for credit losses on loans and receivables as of December 31, 2021 amounted to ₱39.3 billion and ₱39.2 billion for the Group and the Parent Company, respectively. Provision for credit losses in 2021 amounted to ₱11.0 billion and ₱11.3 billion for the Group and the Parent Company, respectively.

The disclosures related to the allowance for credit losses on loans and receivables are included in Note 16 of the financial statements.

Audit response
We obtained an understanding of the board approved methodologies and models used for the Group's and the Parent Company's different credit exposures and assessed whether these considered the requirements of PFRS 9, Financial Instruments, to reflect an unbiased and probability-weighted outcome, and to consider time value of money and the best available forward-looking information.

We (a) assessed the Group's and the Parent Company's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) tested the definition of default and significant increase in credit risk criteria against historical analysis of accounts, credit risk management policies and practices in place, and management's assessment of the impact of the coronavirus pandemic on the counterparties; (c) tested the Group's and the Parent Company's application of internal credit risk rating system, including the impact of the coronavirus pandemic on the borrowers, by reviewing the ratings of sample credit exposures; (d) assessed whether expected life is different from the contractual life by testing the maturity dates reflected in the Group's and the Parent Company's records and considering management's assumptions regarding future collections, advances, extensions, renewals and modifications; (e) tested loss given default by inspecting historical recoveries and related costs, write-offs and collateral valuations, and the effects of any financial support and credit enhancements provided by any party; (f) tested exposure at default considering outstanding commitments and repayment scheme; (g) evaluated the forward-looking information used for overlay through corroboration of publicly available information and our understanding of the Group's and the Parent Company's lending portfolios and broader industry knowledge, including the impact of the coronavirus pandemic; and (h) tested the effective interest rate used in discounting the expected loss.

Further, we compared the data used in the ECL models by reconciling data from source system reports to the data warehouse and from the data warehouse to the loss allowance analysis/models and financial reporting systems. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets of debt financial assets with similar risk characteristics, we traced or re-performed the disaggregation from source systems to the loss allowance analysis. We also assessed the assumptions used where there are missing or insufficient data.

We recalculated impairment provisions on a sample basis. We involved our internal specialist in the performance of the above procedures.

We reviewed the completeness of the disclosures made in the financial statements.

Recognition of Deferred Tax Assets
As of December 31, 2021, the deferred tax assets of the Group and the Parent Company amounted to ₱6.2 billion and ₱6.3 billion, respectively. The recognition of deferred tax assets is significant to our audit because the assessment process is complex and judgmental and is based on assumptions that are affected by expected future market or economic conditions and the expected performance of the Group and the Parent Company. The estimation uncertainty on the Group's and the Parent Company's expected performance has increased as a result of uncertainties brought about by the coronavirus pandemic.

The disclosures in relation to deferred income taxes are included in Note 30 to the financial statements.

Audit Response
We evaluated the management's assessment on the availability of future taxable income in reference to financial forecast and tax strategies. We evaluated management's forecast by comparing the loan portfolio and deposit growth rates to the historical performance of the Group and the Parent Company and the industry, including future market circumstances and taking into consideration the impact associated with the coronavirus pandemic. We also assessed the timing of the reversal of future taxable and deductible temporary differences.

Impairment Testing of Goodwill
As of December 31, 2021, the goodwill of the Group and the Parent Company amounted to ₱11.2 billion and ₱11.4 billion, respectively, as a result of the acquisition of Allied Banking Corporation in 2013. Under PFRS, the Group and the Parent Company are required to test the amount of goodwill for impairment annually. Goodwill has been allocated to three cash generating units (CGUs) namely Retail Banking, Corporate Banking, and Global Banking and Market. The Group and the Parent Company performed the impairment testing using the value in use calculation. The annual impairment test is significant to our audit because it involves significant judgment and is based on assumptions which are subject to higher level of estimation uncertainty due to the current economic conditions which have been impacted by the coronavirus pandemic, specifically estimates of loan and deposit growth rates, interest margin, discount rates, and long-term growth rate.

The disclosures related to goodwill impairment are included in Note 14 to the financial statements.

Audit response
We involved our internal specialist in evaluating the methodology and the assumptions used by the Group and the Parent Company. We compared the key assumptions used, such as loan and deposit growth rates, interest margin and long-term growth rate to the historical performance of the CGUs and to economic and industry forecasts, taking into consideration the impact associated with coronavirus pandemic. We tested the parameters used in the derivation of the discount rate against market data. We also reviewed the disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amount of goodwill.

<u>*Assessment of the Loss of Control over PNB Holdings Corporation and Subsequent Classification and Accounting for the Retained Interest*</u>
On April 23, 2021, the Board of Directors of the Parent Company approved and confirmed the property dividend declaration of the Parent Company's 51.0% ownership interest in PNB Holdings Corporation (PHC) to all shareholders on record as of May 18, 2021. The Securities and Exchange Commission (SEC) approved the property dividend declaration on December 24, 2021.

As a result of this transaction, the Group and the Parent Company lost control over PHC, resulting in deconsolidation of the assets and liabilities of PHC and derecognition of the carrying value of investment in PHC at the Group and Parent Company level, respectively, and recognized its retained interest as a financial asset at fair value through other comprehensive income (FVOCI). The Group and the Parent Company recognized a gain of ₱33.5 billion from the loss of control and remeasurement of the retained interest in PHC. The Group classified the results of PHC as discontinued operations in the consolidated statements of income and consolidated statements of cash flows.

The assessment over the loss of control over PHC and subsequent classification and accounting treatment of the retained interest in PHC is significant to our audit given the size and complexity of the transaction and the significant judgment involved, specifically on the assessment of loss of control, absence of significant influence on retained interest and valuation of the shares of PHC.

The disclosures in relation to loss of control over PHC are included in Notes 12 and 36 to the financial statements. The disclosures in relation to the valuation of the retained interest in PHC are included in Notes 3, 5 and 9 to the financial statements.

Audit response

We obtained an understanding of the transaction and inspected the analysis prepared by management on the accounting treatment of the transaction, including the assessment on the classification of its retained interest. We reviewed the relevant agreements between PHC and the Parent Company to assess whether elements of control under PFRS 10, *Consolidated Financial Statements*, are no longer met and whether the Parent Company does not demonstrate significant influence over PHC. We checked whether regulatory approvals of the regulators have been obtained.

We obtained an understanding of and evaluated the valuation techniques and assumptions used in the valuation of the PHC shares. We considered the competence, capabilities, and objectivity of the specialists engaged by the Parent Company in relation to the valuation of PHC shares. We compared the key assumptions used in the valuation, such as the fair value of PHC's investment properties and the discount for lack of marketability, against external appraisal reports, market and industry data.

We agreed the carrying value of PHC prior to loss of control to accounting records and evaluated if the deconsolidation is in accordance with PFRS 10, *Consolidated Financial Statements*. We reperformed the calculation of gain on loss of control and gain on remeasurement of retained interest. We assessed whether the classification of PHC as a discontinued operation is appropriate and that the presentation in the financial statements as a discontinued operation is in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*.

We reviewed the completeness of the disclosures with respect to this transaction and the disclosures about those assumptions to which the outcome of the valuation is most sensitive, specifically, those that have the most significant effect on the determination of the fair value of the PHC shares.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021, but does not include the consolidated and parent company financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement) SEC Form 17-A and Annual Report for the year ended December 31, 2021 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated and parent company financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and parent company financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated and Parent Company Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated and parent company financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and parent company financial statements, management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group and the Parent Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and the Parent Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated and Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and parent company financial statements, including the disclosures, and whether the consolidated and parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and the Parent Company to express an opinion on the consolidated and parent company financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010 and Bangko Sentral ng Pilipinas Circular No. 1074

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 40 and the Bangko Sentral ng Pilipinas Circular No. 1074 in Note 41 to the financial statements are presented for purposes of filing with the Bureau of Internal Revenue and Bangko Sentral ng Pilipinas, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of Philippine National Bank. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Vicky Lee Salas.

SYCIP GORRES VELAYO & CO.

Vicky Lee Salas

Vicky Lee Salas
Partner
CPA Certificate No. 86838
Tax Identification No. 129-434-735
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 86838-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-053-2020, November 27, 2020, valid until November 26, 2023
PTR No. 8854312, January 3, 2022, Makati City

March 14, 2022

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION

(In Thousands)

	Consolidated		Parent Company	
	December 31		December 31	
	2021	2020	**2021**	2020
ASSETS				
Cash and Other Cash Items	**₱27,552,773**	₱25,135,724	**₱27,454,459**	₱25,038,434
Due from Bangko Sentral ng Pilipinas (Notes 7 and 17)	**161,001,912**	202,129,356	**161,001,912**	202,129,356
Due from Other Banks (Note 33)	**27,222,083**	19,733,300	**19,324,000**	12,131,726
Interbank Loans Receivable (Notes 8 and 33)	**32,106,088**	39,700,981	**30,295,755**	37,858,670
Securities Held Under Agreements to Resell (Notes 8 and 35)	**15,796,673**	15,819,273	**15,796,673**	15,819,273
Financial Assets at Fair Value Through Profit or Loss (FVTPL) (Note 9)	**11,167,657**	23,825,708	**11,010,278**	21,947,640
Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI) (Note 9)	**167,987,290**	133,715,352	**167,546,350**	133,263,758
Investment Securities at Amortized Cost (Note 9)	**89,455,843**	95,235,993	**89,327,894**	95,115,642
Loans and Receivables (Notes 10 and 33)	**606,953,751**	599,994,748	**592,498,761**	586,901,861
Property and Equipment (Note 11)	**13,472,320**	19,878,715	**11,812,991**	18,406,981
Investments in Subsidiaries and an Associate (Note 12)	**2,468,107**	2,310,410	**27,275,451**	27,105,550
Investment Properties (Note 13)	**10,735,896**	14,445,756	**10,178,327**	13,921,798
Deferred Tax Assets (Note 30)	**6,405,505**	9,036,908	**6,271,578**	8,522,411
Intangible Assets (Note 14)	**2,429,434**	2,512,013	**2,328,957**	2,438,660
Goodwill (Note 14)	**11,221,410**	13,375,407	**11,361,768**	13,515,765
Assets of Disposal Group Classified as Held for Sale (Note 36)	–	7,945,945	–	1,136,418
Other Assets (Note 15)	**4,807,920**	6,338,210	**4,525,498**	4,947,734
TOTAL ASSETS	**₱1,190,784,662**	₱1,231,133,799	**₱1,188,010,652**	₱1,220,201,677
LIABILITIES AND EQUITY				
LIABILITIES				
Deposit Liabilities (Notes 17 and 33)				
Demand	**₱216,367,830**	₱199,770,048	**₱216,040,593**	₱200,113,465
Savings	**498,581,535**	425,611,765	**497,172,862**	424,637,944
Time	**151,729,554**	236,694,042	**158,066,350**	240,584,601
Long Term Negotiable Certificates	**28,245,390**	28,212,034	**28,245,390**	28,212,034
	894,924,309	890,287,889	**899,525,195**	893,548,044
Financial Liabilities at FVTPL (Notes 18, 23 and 35)	**891,531**	701,239	**891,346**	700,802
Bills and Acceptances Payable (Notes 19, 33 and 35)	**52,953,797**	87,159,450	**51,113,018**	84,817,360
Lease Liabilities (Note 29)	**3,765,391**	1,366,016	**3,698,410**	1,370,206
Accrued Taxes, Interest and Other Expenses (Note 20)	**7,765,650**	6,449,026	**7,504,381**	6,075,016
Bonds Payable (Note 21)	**53,383,421**	64,056,335	**53,383,421**	64,056,335
Income Tax Payable	**157,735**	903,044	**89,328**	842,038
Liabilities of Disposal Group Classified as Held for Sale (Note 36)	–	6,353,964	–	–
Other Liabilities (Note 22)	**15,719,872**	17,873,828	**13,512,851**	15,546,894
	1,029,561,706	1,075,150,791	**1,029,717,950**	1,066,956,695
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY				
Capital Stock (Note 25)	**61,030,594**	61,030,594	**61,030,594**	61,030,594
Capital Paid in Excess of Par Value (Note 25)	**32,116,560**	32,116,560	**32,106,560**	32,106,560
Surplus Reserves (Notes 10, 25 and 32)	**5,147,440**	5,032,097	**5,147,440**	5,032,097
Surplus (Note 25)	**61,998,232**	54,498,066	**62,169,393**	54,843,588
Net Unrealized Gains (Losses) on Financial Assets at FVOCI (Note 9)	**(703,737)**	3,054,403	**(703,737)**	3,054,403
Remeasurement Losses on Retirement Plan (Note 28)	**(2,725,067)**	(3,009,452)	**(2,725,067)**	(3,009,452)
Accumulated Translation Adjustment (Note 25)	**1,503,396**	717,872	**1,503,396**	717,872
Other Equity Reserves (Notes 12 and 25)	**248,830**	277,855	**390,517**	419,542
Share in Aggregate Losses on Life Insurance Policies (Note 12)	**(626,394)**	(1,038,838)	**(626,394)**	(1,038,838)
Reserves of a Disposal Group Classified as Held for Sale (Notes 12 and 36)	–	88,616	–	88,616
Other Equity Adjustment	**13,959**	13,959	–	–
	158,003,813	152,781,732	**158,292,702**	153,244,982
NON-CONTROLLING INTERESTS (Note 12)	**3,219,143**	3,201,276	–	–
	161,222,956	155,983,008	**158,292,702**	153,244,982
TOTAL LIABILITIES AND EQUITY	**₱1,190,784,662**	₱1,231,133,799	**₱1,188,010,652**	₱1,220,201,677

See accompanying Notes to Financial Statements.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

STATEMENTS OF INCOME

(In Thousands, Except Earnings per Share)

	Consolidated			Parent Company		
	Years Ended December 31					
	2021	2020 (As Restated - Note 36)	2019 (As Restated - Note 36)	**2021**	2020	2019
INTEREST INCOME ON						
Loans and receivables (Notes 10, 27 and 33)	**₱34,157,780**	₱37,352,374	₱39,852,726	**₱33,449,961**	₱37,067,285	₱35,164,556
Investment securities at amortized cost and FVOCI (Note 9)	**6,280,699**	6,496,272	8,737,077	**6,279,719**	6,448,100	8,549,063
Deposits with banks and others (Notes 7, 12 and 33)	**1,248,155**	2,192,045	635,086	**1,219,996**	1,173,981	432,874
Financial assets at FVTPL (Note 9)	**632,492**	665,751	619,979	**565,447**	542,512	619,979
Interbank loans receivable and securities held under agreements to resell (Note 8)	**83,251**	244,007	668,211	**31,048**	186,211	568,061
	42,402,377	46,950,449	50,513,079	**41,546,171**	45,418,089	45,334,533
INTEREST EXPENSE ON						
Deposit liabilities (Notes 17 and 33)	**4,813,766**	7,379,018	14,024,899	**4,885,785**	7,227,056	12,201,776
Bonds payable (Note 21)	**2,231,863**	2,904,528	1,945,497	**2,231,863**	2,904,528	1,945,497
Bills payable and other borrowings (Notes 19, 29 and 33)	**511,921**	846,440	2,184,918	**425,080**	637,478	1,740,622
	7,557,550	11,129,986	18,155,314	**7,542,728**	10,769,062	15,887,895
NET INTEREST INCOME	**34,844,827**	35,820,463	32,357,765	**34,003,443**	34,649,027	29,446,638
Service fees and commission income (Notes 26 and 33)	**6,340,326**	4,684,572	5,169,040	**5,310,729**	4,134,519	3,677,689
Service fees and commission expense	**1,051,376**	983,186	988,104	**846,165**	858,182	800,376
NET SERVICE FEES AND COMMISSION INCOME	**5,288,950**	3,701,386	4,180,936	**4,464,564**	3,276,337	2,877,313
OTHER INCOME						
Gain on loss of control of subsidiaries - net (Note 12)	**16,807,275**	–	–	**16,916,842**	–	–
Gain on remeasurement of retained interest (Note 12)	**16,477,968**	–	–	**16,383,008**	–	–
Net gains on sale or exchange of assets (Note 26)	**981,462**	195,842	690,625	**974,024**	130,493	686,441
Foreign exchange gains - net (Note 23)	**743,549**	919,555	1,105,903	**623,493**	929,890	861,143
Trading and investment securities gains - net (Notes 9 and 33)	**731,572**	3,337,589	1,074,351	**600,580**	3,456,521	1,017,155
Equity in net earnings (losses) of subsidiaries and an associate (Note 12)	**50,789**	88,476	(97,608)	**(650,134)**	95,939	(345,599)
Miscellaneous (Note 27)	**1,070,047**	1,244,699	1,464,296	**759,826**	906,752	976,822
TOTAL OPERATING INCOME	**76,996,439**	45,308,010	40,776,268	**74,075,646**	43,444,959	35,519,913
OPERATING EXPENSES						
Provision for impairment, credit and other losses (Note 16)	**12,879,011**	16,882,621	2,910,182	**13,125,737**	16,534,335	1,593,219
Compensation and fringe benefits (Notes 25, 28 and 33)	**9,985,822**	10,167,173	9,442,021	**9,274,801**	9,313,371	8,024,694
Taxes and licenses (Note 30)	**3,988,371**	4,551,142	4,812,485	**3,903,066**	4,394,703	4,217,996
Depreciation and amortization (Note 11)	**2,845,717**	3,154,568	2,794,511	**2,499,071**	2,607,269	2,207,071
Occupancy and equipment-related costs (Note 29)	**1,124,166**	990,650	1,021,762	**1,002,093**	942,896	854,334
Miscellaneous (Note 27)	**8,202,755**	9,013,439	7,681,382	**7,974,555**	8,637,974	6,854,659
TOTAL OPERATING EXPENSES	**39,025,842**	44,759,593	28,662,343	**37,779,323**	42,430,548	23,751,973
INCOME BEFORE INCOME TAX	**37,970,597**	548,417	12,113,925	**36,296,323**	1,014,411	11,767,940
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 30)	**5,545,194**	(1,866,402)	2,452,207	**5,012,561**	(1,945,521)	2,086,464
NET INCOME FROM CONTINUING OPERATIONS	**32,425,403**	2,414,819	9,661,718	**31,283,762**	2,959,932	9,681,476
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX (Notes 12 and 36)	**(735,365)**	210,669	99,488	–	–	–
NET INCOME	**₱31,690,038**	₱2,625,488	₱9,761,206	**₱31,283,762**	₱2,959,932	₱9,681,476
ATTRIBUTABLE TO:						
Equity Holders of the Parent Company (Note 31)	**₱31,630,626**	₱2,614,653	₱9,681,480			
Non-controlling Interests	**59,412**	10,835	79,726			
	₱31,690,038	₱2,625,488	₱9,761,206			
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 31)	**₱20.73**	₱1.71	₱7.05			
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company from Continuing Operations (Note 31)	**₱21.21**	₱1.58	₱6.98			

See accompanying Notes to Financial Statements.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands)

	Consolidated			Parent Company		
	Years Ended December 31					
	2021	2020	2019	**2021**	2020	2019
NET INCOME	**₱31,690,038**	₱2,625,488	₱9,761,206	**₱31,283,762**	₱2,959,932	₱9,681,476
OTHER COMPREHENSIVE INCOME (LOSS)						
Items that recycle to profit or loss in subsequent periods:						
Net change in unrealized gain (loss) on debt securities at FVOCI, net of tax (Note 9)	**(3,178,301)**	(578,919)	5,417,132	**(3,158,391)**	(639,403)	5,507,470
Share in changes in net unrealized gains (losses) on financial assets at FVOCI of subsidiaries and an associate (Notes 9 and 12)	**(558,030)**	662,951	447,169	**(663,471)**	556,246	590,236
	(3,736,331)	84,032	5,864,301	**(3,821,862)**	(83,157)	6,097,706
Accumulated translation adjustment	**1,008,640**	(257,238)	(924,441)	**(117,264)**	(81,646)	(264,289)
Share in changes in accumulated translation adjustment of subsidiaries and an associate (Note 12)	**–**	–	–	**902,788**	(148,044)	(565,072)
	(2,727,691)	(173,206)	4,939,860	**(3,036,338)**	(312,847)	5,268,345
Items that do not recycle to profit or loss in subsequent periods:						
Share in changes in aggregate reserves (losses) on life insurance policies (Note 12)	**412,444**	(1,051,118)	–	**412,444**	(1,051,118)	–
Remeasurement gains (losses) on retirement plan (Note 28)	**285,632**	(725,968)	(466,926)	**500,862**	(710,795)	(596,589)
Share in changes in remeasurement gains (losses) of subsidiaries and an associate (Note 12)	**(1,482)**	4,632	(234,815)	**(216,477)**	(10,030)	(105,801)
Net change in unrealized gain (loss) on equity securities at FVOCI (Note 9)	**(21,809)**	(251,071)	583,286	**63,722**	(83,882)	349,881
	674,785	(2,023,525)	(118,455)	**760,551**	(1,855,825)	(352,509)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	**(2,052,906)**	(2,196,731)	4,821,405	**(2,275,787)**	(2,168,672)	4,915,836
TOTAL COMPREHENSIVE INCOME	**₱29,637,132**	₱428,757	₱14,582,611	**₱29,007,975**	₱791,260	₱14,597,312
ATTRIBUTABLE TO:						
Equity holders of the Parent Company	**₱29,354,839**	₱445,981	₱14,597,316			
Non-controlling interests	**282,293**	(17,224)	(14,705)			
	₱29,637,132	₱428,757	₱14,582,611			

See accompanying Notes to Financial Statements.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY

(In Thousands)

	Consolidated													
	Equity Attributable to Equity Holders of the Parent Company													
	Capital Stock (Note 25)	**Capital Paid in Excess of Par Value** (Note 25)	**Surplus Reserves** (Notes 10, 25 and 32)	**Surplus** (Note 25)	**Net Unrealized Gains (Losses) on Financial Assets at FVOCI** (Note 9)	**Remeasurement Losses on Retirement Plan** (Note 28)	**Accumulated Translation Adjustment** (Note 25)	**Other Equity Reserves** (Notes 12 and 25)	**Share in Aggregate Reserves (Losses) on Life Insurance Policies** (Note 12)	**Reserves of a Disposal Group Classified as Held for Sale** (Notes 12 and 36)	**Other Equity Adjustment**	**Total**	**Non-controlling Interests** (Note 12)	**Total Equity**
Balance at January 1, 2021	**₱61,030,594**	**₱32,116,560**	**₱5,032,097**	**₱54,498,066**	**₱3,054,403**	**(₱3,009,452)**	**₱717,872**	**₱277,855**	**(₱1,038,838)**	**₱88,616**	**₱13,959**	**₱152,781,732**	**₱3,201,276**	**₱155,983,008**
Total comprehensive income (loss) for the year	–	–	–	**31,630,626**	**(3,758,140)**	**284,385**	**785,524**	–	**412,444**	–	–	**29,354,839**	**282,293**	**29,637,132**
Declaration of property dividends (Note 12)	–	–	–	**(23,935,371)**	–	–	–	–	–	–	–	**(23,935,371)**	–	**(23,935,371)**
Transfer to surplus reserves (Notes 25 and 32)	–	–	**115,343**	**(115,343)**	–	–	–	–	–	–	–	–	–	–
Sale of interest in a subsidiary (Note 12)	–	–	–	**(79,746)**	–	–	–	–	–	**(88,616)**	–	**(168,362)**	**(259,721)**	**(428,083)**
Settlement of share-based payments (Note 25)	–	–	–	–	–	–	–	**(29,025)**	–	–	–	**(29,025)**	–	**(29,025)**
Declaration of dividends by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	**(4,705)**	**(4,705)**
Balance at December 31, 2021	**₱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**
Balance at January 1, 2020	₱61,030,594	₱32,116,560	₱642,018	₱56,273,492	₱3,250,651	(₱2,229,220)	₱947,562	₱35,466	₱12,280	₱–	₱13,959	₱152,093,362	₱2,882,038	₱154,975,400
Total comprehensive income (loss) for the year	–	–	–	2,614,653	(167,039)	(720,825)	(229,690)	–	(1,051,118)	–	–	445,981	(17,224)	428,757
Transfer to surplus reserves (Notes 25 and 32)	–	–	4,390,079	(4,390,079)	–	–	–	–	–	–	–	–	–	–
Sale of interest in a subsidiary (Note 12)	–	–	–	–	–	–	–	248,830	–	–	–	248,830	95,900	344,730
Settlement of share-based payments (Note 25)	–	–	–	–	–	–	–	(6,441)	–	–	–	(6,441)	–	(6,441)
Reserves of disposal group classified as held for sale (Note 36)	–	–	–	–	(29,209)	(59,407)	–	–	–	88,616	–	–	259,722	259,722
Declaration of dividends by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(19,160)	(19,160)
Balance at December 31, 2020	₱61,030,594	₱32,116,560	₱5,032,097	₱54,498,066	₱3,054,403	(₱3,009,452)	₱717,872	₱277,855	(₱1,038,838)	₱88,616	₱13,959	₱152,781,732	₱3,201,276	₱155,983,008
Balance at January 1, 2019	₱49,965,587	₱31,331,251	₱620,573	₱46,613,457	(₱3,196,936)	(₱1,526,830)	₱1,776,923	₱53,895	₱12,280	₱–	₱13,959	₱125,664,159	₱2,894,853	₱128,559,012
Total comprehensive income (loss) for the year	–	–	–	9,681,480	6,447,587	(702,390)	(829,361)	–	–	–	–	14,597,316	(14,705)	14,582,611
Issuance of stock (Note 25)	11,065,007	785,309	–	–	–	–	–	–	–	–	–	11,850,316	–	11,850,316
Transfer to surplus reserves (Notes 25 and 32)	–	–	21,445	(21,445)	–	–	–	–	–	–	–	–	–	–
Settlement of share-based payments (Note 25)	–	–	–	–	–	–	–	(18,429)	–	–	–	(18,429)	5,262	(13,167)
Declaration of dividends by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(3,372)	(3,372)
Balance at December 31, 2019	₱61,030,594	₱32,116,560	₱642,018	₱56,273,492	₱3,250,651	(₱2,229,220)	₱947,562	₱35,466	₱12,280	₱–	₱13,959	₱152,093,362	₱2,882,038	₱154,975,400

See accompanying Notes to Financial Statements.

STATEMENTS OF CHANGES IN EQUITY

(In Thousands)

Parent Company

	Capital Stock (Note 25)	Capital Paid in Excess of Par Value (Note 25)	Surplus Reserves (Notes 10, 25 and 32)	Surplus (Note 25)	Net Unrealized Gains (Losses) on Financial Assets at FVOCI (Note 9)	Remeasurement Losses on Retirement Plan (Note 28)	Accumulated Translation Adjustment (Note 25)	Other Equity Reserves (Notes 12 and 25)	Share in Aggregate Reserves on Life Insurance Policies (Note 12)	Reserves of a Disposal Group Held for Sale (Notes 12 and 36)	Total Equity
Balance at January 1, 2021	**₱61,030,594**	**₱32,106,560**	**₱5,032,097**	**₱54,843,588**	**₱3,054,403**	**(₱3,009,452)**	**₱717,872**	**₱419,542**	**(₱1,038,838)**	**₱88,616**	**₱153,244,982**
Total comprehensive income (loss) for the year	–	–	–	**31,283,762**	**(3,758,140)**	**284,385**	**785,524**	–	**412,444**	–	**29,007,975**
Declaration of property dividends (Note 12)	–	–	–	**(23,935,371)**	–	–	–		–	–	**(23,935,371)**
Transfer to surplus reserves (Notes 25 and 32)	–	–	**115,343**	**(115,343)**	–	–	–	–	–	–	–
Sale of interest in a subsidiary (Note 12)	–	–	–	**92,757**	–	–	–	–	–	**(88,616)**	**4,141**
Settlement of share-based payments (Note 25)	–	–	–	–	–	–	–	**(29,025)**	–	–	**(29,025)**
Balance at December 31, 2021	**₱61,030,594**	**₱32,106,560**	**₱5,147,440**	**₱62,169,393**	**(₱703,737)**	**(₱2,725,067)**	**₱1,503,396**	**₱390,517**	**(₱626,394)**	**₱–**	**₱158,292,702**
Balance at January 1, 2020	₱61,030,594	₱32,106,560	₱642,018	₱56,273,735	₱3,250,651	(₱2,229,220)	₱947,562	₱35,466	₱12,280	₱–	₱152,069,646
Total comprehensive income (loss) for the year	–	–	–	2,959,932	(167,039)	(720,825)	(229,690)	–	(1,051,118)	–	791,260
Transfer to surplus reserves (Notes 25 and 32)	–	–	4,390,079	(4,390,079)	–	–	–	–	–	–	–
Business combination with a subsidiary (Note 12)	–	–	–	–	–	–	–	390,517	–	–	390,517
Settlement of share-based payments (Note 25)	–	–	–	–	–	–	–	(6,441)	–	–	(6,441)
Reserves of disposal group classified as held for sale (Note 36)	–	–	–	–	(29,209)	(59,407)	–	–	–	88,616	–
Balance at December 31, 2020	₱61,030,594	₱32,106,560	₱5,032,097	₱54,843,588	₱3,054,403	(₱3,009,452)	₱717,872	₱419,542	(₱1,038,838)	₱88,616	₱153,244,982
Balance at January 1, 2019	₱49,965,587	₱31,331,251	₱620,573	₱46,613,704	(₱3,196,936)	(₱1,526,830)	₱1,776,923	₱53,895	₱12,280	₱–	₱125,650,447
Total comprehensive income (loss) for the year	–	–	–	9,681,476	6,447,587	(702,390)	(829,361)	–	–	–	14,597,312
Issuance of stock (Note 25)	11,065,007	775,309	–	–	–	–	–	–	–	–	11,840,316
Transfer to surplus reserves (Notes 25 and 32)	–	–	21,445	(21,445)	–	–	–	–	–	–	–
Settlement of share-based payments (Note 25)	–	–	–	–	–	–	–	(18,429)	–	–	(18,429)
Balance at December 31, 2019	₱61,030,594	₱32,106,560	₱642,018	₱56,273,735	₱3,250,651	(₱2,229,220)	₱947,562	₱35,466	₱12,280	₱–	₱152,069,646

See accompanying Notes to Financial Statements.

STATEMENTS OF CASH FLOWS

(In Thousands)

	Consolidated			Parent Company		
	Years Ended December 31					
	2021	2020	2019	**2021**	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income tax from continuing operations	**₱37,970,597**	₱548,417	₱12,113,925	**₱36,296,323**	₱1,014,411	₱11,767,940
Income (loss) before income tax from discontinued operations (Note 36)	**(626,763)**	299,251	118,267	**–**	–	–
Income before income tax	**37,343,834**	847,668	12,232,192	**36,296,323**	1,014,411	11,767,940
Adjustments for:						
Gain on loss of control of subsidiaries - net (Note 12)	**(16,807,275)**	–	–	**(16,916,842)**	–	–
Gain on remeasurement of retained interest (Note 12)	**(16,477,968)**	–	–	**(16,383,008)**	–	–
Provision for impairment, credit and other losses (Note 16)	**12,967,152**	16,912,402	2,909,858	**13,125,737**	16,534,335	1,593,219
Unrealized foreign exchange losses (gains) on bonds payable	**3,113,544**	(2,728,233)	(1,029,880)	**3,113,544**	(2,728,233)	(1,029,880)
Depreciation and amortization (Note 11)	**2,894,759**	3,184,141	2,804,123	**2,499,071**	2,607,269	2,207,071
Unrealized foreign exchange losses (gains) on bills and acceptances payable	**2,220,574**	(1,059,619)	(2,771,182)	**2,214,671**	(1,059,379)	(2,771,182)
Net gains on financial assets at FVOCI (Note 9)	**(1,540,192)**	(2,455,264)	(281,340)	**(1,540,192)**	(2,454,697)	(317,609)
Net gains on sale or exchange of assets (Note 26)	**(981,462)**	(195,842)	(690,625)	**(974,024)**	(130,493)	(686,441)
Net losses (gains) on financial assets at FVTPL (Note 9)	**846,625**	(882,374)	(1,355,606)	**977,617**	(1,001,823)	(1,334,552)
Accretion to interest income of loss on loan modifications (Note 27)	**(351,502)**	(901,748)	–	**(351,502)**	(901,748)	–
Amortization of premium (discount) on investment securities	**294,421**	(182,716)	95,849	**296,554**	(176,196)	78,880
Amortization of transaction costs on borrowings (Notes 17 and 21)	**116,898**	229,420	125,596	**116,898**	229,420	125,596
Equity in net losses (earnings) of subsidiaries and an associate (Note 12)	**(50,789)**	(88,476)	97,608	**650,134**	(95,939)	345,599
Loss (gain) on disposal of property and equipment (Notes 11 and 26)	**(8,399)**	(7,777)	8,961	**789**	(1,297)	(1,023)
Loss on loan modifications (Note 27)	**–**	1,587,605	–	**–**	1,587,605	–
Changes in operating assets and liabilities:						
Decrease (increase) in amounts of:						
Interbank loan receivable (Note 8)	**(891,301)**	1,126,878	(1,220,264)	**(859,213)**	1,134,547	(421,675)
Financial assets at FVTPL	**11,812,813**	(9,475,736)	(2,102,603)	**9,959,744**	(9,776,160)	148,532
Loans and receivables	**(13,325,214)**	36,534,525	(75,034,482)	**(16,184,925)**	(16,207,664)	(78,630,395)
Other assets	**1,406,878**	(888,284)	(1,679,271)	**(368,978)**	(961,959)	300,791
Increase (decrease) in amounts of:						
Financial liabilities at FVTPL	**190,292**	455,620	(225,029)	**190,544**	468,810	(236,287)
Deposit liabilities	**4,603,064**	64,182,479	92,702,273	**5,943,796**	117,646,115	92,402,864
Accrued taxes, interest and other expenses	**246,627**	(2,376,061)	561,268	**681,686**	(1,903,084)	516,800
Other liabilities	**(7,663,779)**	(5,509,215)	346,335	**(1,511,065)**	(2,764,403)	(301,401)
Net cash generated from operations	**19,959,600**	98,309,393	25,493,781	**20,977,359**	101,059,437	23,756,847
Income taxes paid	**(2,285,669)**	(1,648,621)	(3,369,421)	**(1,841,579)**	(1,461,890)	(3,043,713)
Net cash provided by operating activities	**17,673,931**	96,660,772	22,124,360	**19,135,780**	99,597,547	20,713,134
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from:						
Disposal/maturities of financial assets at FVOCI	**212,560,360**	159,923,104	36,239,398	**210,574,683**	157,339,946	34,213,584
Maturities/early redemptions of investment securities at amortized cost	**39,790,071**	61,359,649	81,709,960	**39,047,244**	61,359,649	81,530,081
Disposal of investment in a subsidiary (Note 12)	**1,001,558**	521,817	–	**1,001,558**	–	–
Disposal of investment properties	**293,738**	210,936	712,650	**214,782**	161,736	717,677
Disposal of property and equipment	**201,593**	36,750	153,182	**301,198**	1,322	4,554
Acquisitions of:						
Financial assets at FVOCI	**(224,330,405)**	(169,859,472)	(100,962,284)	**(224,330,405)**	(169,859,472)	(96,281,851)
Investment securities at amortized cost	**(33,372,543)**	(56,875,400)	(81,365,299)	**(33,372,543)**	(57,227,468)	(81,150,541)
Property and equipment (Note 11)	**(1,120,741)**	(1,231,247)	(2,299,285)	**(675,730)**	(1,027,671)	(1,634,668)
Software cost (Note 14)	**(655,455)**	(283,472)	(334,548)	**(612,515)**	(268,768)	(331,543)
Additional investments in subsidiaries (Note 12)	**(245,000)**	–	–	**(245,000)**	–	(180,000)
Net cash used in investing activities	**(5,876,824)**	(6,197,335)	(66,146,226)	**(8,096,728)**	(9,520,726)	(63,112,707)

(Forward)

STATEMENTS OF CASH FLOWS

(In Thousands)

	Consolidated			Parent Company		
	Years Ended December 31					
	2021	2020	2019	**2021**	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from issuances of bills and acceptances payable	**₱237,327,616**	₱168,973,402	₱1,465,130,227	**₱236,637,024**	₱155,926,201	₱1,445,941,174
Settlement of bills and acceptances payable	**(273,753,842)**	(136,717,622)	(1,476,478,591)	**(272,556,037)**	(118,473,479)	(1,457,452,771)
Settlement of bonds payable (Note 21)	**(13,870,000)**	–	–	**(13,870,000)**	–	–
Payment of principal portion of lease liabilities (Note 29)	**(1,231,287)**	(664,156)	(509,952)	**(1,213,912)**	(649,402)	(436,331)
Proceeds from issuance of bonds payable	**–**	–	51,899,720	–	–	51,899,720
Proceeds from issuance of stocks (Note 25)	–	–	11,850,316	–	–	11,840,316
Net cash provided by (used in) financing activities	**(51,527,513)**	31,591,624	51,891,720	**(51,002,925)**	36,803,320	51,792,108
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(39,730,406)**	122,055,061	7,869,854	**(39,963,873)**	126,880,141	9,392,535
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR						
Cash and other cash items	**25,135,724**	30,500,927	16,825,487	**25,038,434**	29,642,159	15,904,663
Due from Bangko Sentral ng Pilipinas	**202,129,356**	105,981,801	102,723,312	**202,129,356**	101,801,597	98,665,375
Due from other banks	**19,733,300**	17,758,143	21,003,079	**12,131,726**	10,835,106	10,459,496
Interbank loans receivable	**38,939,572**	22,943,529	10,580,432	**37,464,504**	22,274,306	10,581,083
Securities held under agreements to resell	**15,819,273**	2,517,764	20,700,000	**15,819,273**	1,149,984	20,700,000
	301,757,225	179,702,164	171,832,310	**292,583,293**	165,703,152	156,310,617
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	**27,552,773**	25,135,724	30,500,927	**27,454,459**	25,038,434	29,642,159
Due from Bangko Sentral ng Pilipinas	**161,001,912**	202,129,356	105,981,801	**161,001,912**	202,129,356	101,801,597
Due from other banks	**27,222,083**	19,733,300	17,758,143	**19,324,000**	12,131,726	10,835,106
Interbank loans receivable (Note 8)	**30,453,378**	38,939,572	22,943,529	**29,042,376**	37,464,504	22,274,306
Securities held under agreements to resell	**15,796,673**	15,819,273	2,517,764	**15,796,673**	15,819,273	1,149,984
	₱262,026,819	₱301,757,225	₱179,702,164	**₱252,619,420**	₱292,583,293	₱165,703,152
OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS						
Interest paid	**₱7,690,053**	₱11,936,540	₱17,522,121	**₱7,670,243**	₱11,494,829	₱15,188,304
Interest received	**42,928,178**	47,391,100	49,063,648	**42,075,051**	44,519,365	43,948,726

See accompanying Notes to Financial Statements.

NOTES TO 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 December 31, 2021 and 2020, the shares of PNB are held by the following:

	2021	2020
LT Group, Inc. (LTG) (indirect ownership through its various holding companies)	**59.83%**	59.83%
PCD Nominee Corporation *	**15.94%**	17.86%
Other stockholders owning less than 10% each	**24.23%**	22.31%
	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, through its 670 and 716 domestic branches as of December 31, 2021 and 2020, respectively. As of the same dates, the Parent Company has 70 overseas branches, representative offices, remittance centers and subsidiaries in 17 locations in Asia, North America and Europe.

The subsidiaries of the Parent Company are engaged in a number of diversified financial and related businesses such as remittance, banking, leasing, 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. Summary of Significant Accounting Policies

<u>Basis of Preparation of the Financial Statements</u>
The Group prepared the accompanying financial statements on a historical cost basis, except for the following accounts which are measured at fair value:

- financial assets and liabilities at fair value through profit or loss (FVTPL); and
- financial assets at fair value through other comprehensive income (FVOCI).

The financial statements of the Parent Company reflect the accounts maintained in its Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU). The functional currency of RBU and FCDU is Philippine pesos (₱ or PHP) and United States Dollar (USD), respectively. The individual financial statements of these units are combined and any inter-unit accounts and transactions are eliminated.

The Group presents the amounts in the financial statements to the nearest thousand pesos (₱000), unless otherwise stated.

Statement of Compliance
The Group prepared these financial statements in accordance with Philippine Financial Reporting Standards (PFRS) adopted by the Philippine Securities and Exchange Commission (SEC).

Presentation of the Financial Statements
The Group presents the statements of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 24.

The Group generally presents financial assets and financial liabilities at their gross amounts in the statement of financial position, unless the offsetting criteria under PFRS are met. The Group does not also set off items of income and expenses, unless offsetting is required or permitted by PFRS, or is specifically disclosed in the Group's accounting policies.

The Group presents its consolidated financial statements and parent company financial statements side-by-side to comply with the requirements of the Bangko Sentral ng Pilipinas (BSP).

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries. The financial statements of the subsidiaries are prepared on the same reporting period as the Parent Company using consistent accounting policies. In the consolidation, the Group eliminates in full all significant intra-group balances, transactions, and results of intra-group transactions.

The Group consolidates its subsidiaries from the date on which the Group obtains control over the subsidiary. The Group controls an investee if, and only if, the Group has:
- power over the investee (i.e., those existing rights that give the Group the current ability to direct the relevant activities of the investee);
- exposure or rights to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When the Group has less than majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, such as contractual arrangements with other voting shareholders of the investee, rights arising from other contractual arrangements, or any potential voting rights of the Group.

For partially-owned subsidiaries, the Group attributes the subsidiary's income, expenses and components of other comprehensive income (OCI) to the equity holders of the Parent Company and to the non-controlling interests (NCI), even if this results in deficit balances of the NCI. NCI represents the portion of profit or loss and the net assets not held by the Group, which are presented separately in the consolidated financial statements. NCI consists of the amount attributed to such interest from the date of business combination and its share in any changes in equity of the subsidiary.

When the Group's ownership interest in a subsidiary changes but does not result in a loss of control, the Group adjusts the carrying amounts of the controlling interests and the NCI to their new relative interests in the subsidiary. The Group recognizes any difference between the amount by which the NCI is adjusted and the fair value of the consideration paid or received directly in equity as 'Other equity reserves', which is attributed to the owners of the Parent Company.

Consolidation of a subsidiary ceases when the Group loses control over the subsidiary. In such circumstances, the Group derecognizes the assets (including goodwill), liabilities, NCI, and other components of equity of the subsidiary, and recognizes the consideration received and any investment retained at their fair values. The Group records any resulting difference in the statement of income as 'Gain on loss of control of subsidiaries - net'.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Unless otherwise indicated, adoption of these new standards did not have an impact on the financial statements.

- Amendments to PFRS 9, *Financial Instruments*, PFRS 7, *Financial Instruments: Disclosures*, PFRS 4, *Insurance Contracts*, and PFRS 16, *Leases: Interest Rate Benchmark Reform – Phase 2*
  The amendments provide the following temporary reliefs, which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):
  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the 'separately identifiable' requirement when an RFR instrument is designated as a hedge of a risk component

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

- Amendment to PFRS 16, *COVID-19-Related Rent Concessions Beyond June 30, 2021*
  The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the Coronavirus Disease 2019 (COVID-19) pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:
  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
  - There is no substantive change to other terms and conditions of the lease.

  A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19-related rent concession in the same way it would account for a change that is not a lease modification, that is, as a variable lease payment.

Future Changes in Accounting Standards
Listed below are accounting standards and interpretations issued but not yet effective up to the date of issuance of the Group's financial statements. The Group intends to adopt these standards when they become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards and interpretations to have significant impact on the financial statements.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3*, Business Combinations: Reference to the Conceptual Framework*
  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. An exception to the recognition principle of PFRS 3 was also added to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, or Philippine Interpretation IFRIC 21, *Levies*, if incurred separately. The amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments apply prospectively.

- Amendments to PAS 16, *Property, Plant and Equipment: Proceeds Before Intended Use*
  The amendments prohibit entities to deduct from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, entities should recognize the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendments must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

- Amendments to PAS 37, *Onerous Contracts: Cost of Fulfilling a Contract*
  The amendments apply a "directly related cost approach" to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. Under this approach, the costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments apply to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- Annual Improvements to PFRS Standards 2018-2020 Cycle
  - Amendments to PFRS 1, *Subsidiary as a first-time adopter*
  - Amendments to PFRS 9, *Fees in the '10 per cent' test for derecognition of financial liabilities*
  - Amendments to PAS 41, *Taxation in fair value measurements*

Effective beginning on or after January 1, 2023

- 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.

- 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.

  Early adoption of the amendments is permitted.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
  The amendments clarify: (a) what is meant by a right to defer settlement; (b) that a right to defer must exist at the end of the reporting period; (c) that classification is unaffected by the likelihood that an entity will exercise its deferral right; and (d) that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. In November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024.

Effective beginning on or after January 1, 2025

- PFRS 17*, Insurance Contracts*
  PFRS 17 is comprehensive new accounting standard for insurance contracts, covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. PFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. On December 15, 2021, the Financial Reporting Standards Council (FRSC) amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025, with comparative figures required. Early application is permitted.

Deferred effectivity

- PFRS 10, *Consolidated Financial Statements*, and PAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments)
  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the FRSC postponed the original effective date of January 1, 2016 of the said amendments until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Significant Accounting Policies

Business Combinations and Goodwill
The Group accounts for business combinations using the acquisition method. Under this method, the Group measures the acquisition cost as the aggregate of the fair value of the consideration transferred and any amount of NCI in the acquiree. The Group then allocates that cost to the acquired identifiable assets and liabilities based on their respective fair values. Any excess acquisition cost over the fair value of the net assets acquired is allocated to goodwill. If the fair value of the net assets acquired exceeds the acquisition cost, the gain is recognized in the statement of income.

The Group recognizes any acquisition-related costs as administrative expenses as they are incurred. The Group also recognizes any contingent consideration to be transferred by the acquirer at its fair value at the acquisition date.

After initial recognition, the Group measures goodwill at cost less any accumulated impairment losses. For the purpose of impairment testing, the Group allocates the goodwill acquired in a business combination to each of its cash-generating units (CGUs) that are expected to benefit from the business combination.

In business combinations involving entities under common control, the Group determines whether or not the business combination has commercial substance. When there is commercial substance, the Group accounts for the transaction using the acquisition method as discussed above. Otherwise, the Group accounts for the transaction similar to a pooling of interests (i.e., the assets and liabilities of the acquired entities and that of the Group are reflected at their carrying values, and any resulting difference with the fair value of the consideration given is accounted for as an equity transaction).

Non-current Assets and Disposal Group Held for Sale and Discontinued Operations
The Group classifies non-current assets and disposal group as held for sale if their carrying amounts will be recovered principally through a sale transaction. As such, non-current assets and disposal groups are measured at the lower of their carrying amounts and fair value less costs to sell (i.e., the incremental costs directly attributable to the sale, excluding finance costs and income taxes).

The Group regards the criteria for held for sale classification as met only when:
- the Group has initiated an active program to locate a buyer;
- the Group is committed to the plan to sell the asset or disposal group, which should be available for immediate sale in its present condition;
- the sale is highly probable (i.e, expected to happen within one year from the date of the classification); and
- actions required to complete the plan indicate that it is unlikely that the plan will be significantly changed or withdrawn.

The Group presents separately the assets and liabilities of disposal group classified as held for sale in the statement of financial position.

The Group classifies a disposal group as discontinued operation if it is a component of the Group that either has been disposed of, or is classified as held for sale, and:
- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

The Group excludes discontinued operations from the results of continuing operations and presents them as a single amount as profit or loss after tax from discontinued operations in the statement of income.

If the above criteria are no longer met, the Group ceases to classify the asset or disposal group as held for sale. In such cases, the Group measures such asset or disposal group at the lower of its:
- carrying amount before it was classified as held for sale, adjusted for any depreciation, amortization or revaluations that would have been recognized had it not been classified as such; and
- recoverable amount at the date of the subsequent decision not to sell.

The Group also amends financial statements for the periods since classification as held for sale if the asset or disposal group that ceases to be classified as held for sale is a subsidiary, joint operation, joint venture, associate, or a portion of an interest in a joint venture or an associate. Accordingly, for all periods presented, the Group reclassifies and includes in income from continuing operations the results of operations of the asset or disposal group previously presented in discontinued operations.

Foreign Currency Translation
For financial reporting purposes, the Group translates all accounts in the FCDU books and foreign currency-denominated accounts in the RBU books into their equivalents in Philippine pesos. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements are measured using that functional currency.

Transactions and balances
As at reporting date, the Group translates the following foreign currency-denominated accounts in the RBU in Philippine peso using:

Financial statement accounts in RBU	Exchange rate
Monetary assets and liabilities	Bankers Association of the Philippines (BAP) closing rate at end of year
Income and expenses	Rate prevailing at transaction date
Non-monetary items measured at historical cost in a foreign currency	Rate at the date of initial transaction
Non-monetary items measured at fair value in a foreign currency	Rate at the date when fair value is determined

The Group recognizes in the statement of income any foreign exchange differences arising from revaluation of monetary assets and liabilities. For non-monetary items measured at fair values, the Group recognizes any foreign exchange differences arising from revaluation in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

FCDU and overseas branches and subsidiaries
As at the reporting date, the Group translates the assets and liabilities of the FCDU and overseas branches and subsidiaries in Philippine peso at the BAP closing rate prevailing at the reporting date, and their income and expenses at the average exchange rate for the year. Foreign exchange differences arising on translation are taken directly to OCI under 'Accumulated Translation Adjustment'. Upon disposal of a foreign entity or upon actual remittance of FCDU profits to RBU, the deferred cumulative amount recognized in OCI relating to the particular foreign operation is recognized in the statement of income.

Cash and Cash Equivalents
For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items (COCI), amounts due from BSP and other banks, interbank loans receivable and securities held under agreements to resell that are convertible to known amounts of cash, with original maturities of three months or less from dates of placements and that are subject to an insignificant risk of changes in fair value. Due from BSP includes statutory reserves required by the BSP, which the Group considers as cash equivalents wherein drawings can be made to meet cash requirements.

Fair Value Measurement
Fair value is the price that the Group would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., an exit price). The fair value measurement is based on the presumption that these transactions take place either:
- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group. The Group measures the fair value of an asset or a liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. If an asset or a liability measured at fair value has both bid and ask prices, the Group uses the price within the bid-ask spread, which is the most representative of fair value in the circumstances.

For nonfinancial assets, the Group measures their fair value considering a market participant's ability to generate economic benefits by using an asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described in Note 5, based on the lowest level input that is significant to the fair value measurement as a whole.

Financial Instruments – Initial Recognition
Date of recognition
The Group recognizes purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace on settlement date (i.e., the date that an asset is delivered to or by the Group), while derivatives are recognized on trade date (i.e., the date that the Group commits to purchase or sell). The Group recognizes deposits, amounts due to banks and customers and loans when cash is received by the Group or advanced to the borrowers.

Initial recognition of financial instruments
All financial instruments are initially recognized at fair value. Except for financial instruments at FVTPL, the initial measurement of financial instruments includes transaction costs.

Financial Instruments – Classification and Subsequent Measurement
The Group classifies and measures financial assets at FVTPL unless these are measured at FVOCI or at amortized cost. The classification of financial assets depends on the contractual terms and the business model for managing those financial assets.

The Group first assesses the contractual terms of financial assets to identify whether they pass the contractual cash flows test ('solely payments of principal and interest' or SPPI test). For the purpose of the SPPI test, principal is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium or discount). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. In contrast, contractual terms that introduce a more than insignificant exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are SPPI. In such cases, the financial asset is required to be measured at FVTPL. Only financial assets that pass the SPPI test are eligible to be measured at FVOCI or at amortized cost.

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

For financial liabilities, the Group classifies them as either financial liabilities at FVTPL or financial liabilities at amortized cost.

Financial assets at FVTPL
Financial assets at FVTPL include the following:
- Financial assets held for trading – those acquired for the purpose of selling or repurchasing in the near term;
- Derivative instruments – contracts entered into by the Group (such as currency forwards, currency swaps, interest rate swaps and warrants) as a service to customers and as a means of reducing or managing their respective financial risk exposures, as well as for trading purposes;
- Financial assets that are not SPPI, irrespective of the business model; or
- Debt financial assets designated upon initial recognition at FVTPL – those assets where the Group applied the fair value option at initial recognition if doing so eliminates or significantly reduces an accounting mismatch

The Group carries financial assets at FVTPL in the statement of financial position at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The Group recognizes any gains or losses arising from changes in fair values of financial assets at FVTPL directly in the statement of income under 'Trading and investment securities gains - net', except for currency forwards and currency swaps, where fair value changes are included under 'Foreign exchange gains - net'.

Financial assets at FVOCI
Financial assets at FVOCI include debt and equity securities, which are subsequently measured at fair value. The Group recognizes the unrealized gains and losses arising from the fair valuation of financial assets at FVOCI, net of tax, in the statement of comprehensive income as 'Net change in unrealized gain (loss) on financial assets at FVOCI, net of tax'.

Debt securities at FVOCI are those that meet both of the following conditions:
- the asset is held within a business model whose objective is to hold the financial asset in order to both collect contractual cash flows and sell the financial asset; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the outstanding principal amount.

The Group reports the effective yield component of debt securities at FVOCI, as well as the impact of restatement on foreign currency-denominated debt securities at FVOCI, in the statement of income. When the debt securities at FVOCI are disposed of, the cumulative gain or loss previously recognized in OCI is recognized as 'Trading and securities gain (loss) - net' in the statement of income. The Group recognizes the expected credit losses (ECL) arising from impairment of such financial assets in OCI with a corresponding charge to 'Provision for impairment, credit and other losses' in the statement of income.

Equity securities designated at FVOCI are those that the Group made an irrevocable election at initial recognition to present in OCI the subsequent changes in fair value. The Group recognizes the dividends earned on holding the equity securities at FVOCI in the statement of income when the right to payment has been established. Gains and losses on disposal of these equity securities at FVOCI are never recycled to profit or loss, but the cumulative gain or loss previously recognized in the OCI is reclassified to 'Surplus' or any other appropriate equity account upon disposal. The Group does not subject equity securities at FVOCI to impairment assessment.

Financial assets at amortized cost
Financial assets at amortized cost are debt financial assets that meet both of the following conditions:
- the asset is held within a business model whose objective is to hold the financial asset in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the outstanding principal amount.

This accounting policy relates to the statement of financial position captions 'Due from Bangko Sentral ng Pilipinas', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', 'Investment securities at amortized cost', and 'Loans and receivables'.

The Group subsequently measures financial assets at amortized cost using the effective interest method of amortization, less allowance for credit losses. The Group includes the amortization in 'Interest income', and the ECL arising from impairment of such financial assets in 'Provision for impairment, credit and other losses' in the statement of income.

Financial liabilities at amortized cost
The Group classifies issued financial instruments or their components which are not designated at FVTPL, as financial liabilities at amortized cost under 'Deposit liabilities', 'Bills and acceptances payable', 'Bonds payable' or other appropriate financial liability accounts. The substance of the contractual arrangement for these instruments results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

The Group subsequently measures financial liabilities at amortized cost using the effective interest method of amortization.

Repurchase and reverse repurchase agreements
The Group does not derecognize from the statement of financial position securities sold under agreements to repurchase at a specified future date ('repos'). Instead, the Group recognizes the corresponding cash received, including accrued interest, as a loan to the Group, reflecting the economic substance of such transaction.

Conversely, the Group does not recognize securities purchased under agreements to resell at a specified future date ('reverse repos'). The Group is not permitted to sell or repledge the securities in the absence of default by the owner of the collateral. The Group recognizes the corresponding cash paid, including accrued interest, as a loan to the counterparty. The difference between the purchase price and resale price is treated as interest income and is accrued over the life of the agreement using the effective interest method.

Reclassification of financial instruments
Subsequent to initial recognition, the Group may reclassify its financial assets only when there is a change in the business models for managing these financial assets. Reclassification of financial liabilities is not allowed.

<u>Financial Instruments – Derecognition</u>
Financial assets
The Group derecognizes a financial asset (or, where applicable, a part of a financial asset or part of a group of financial assets) when:
- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risk and rewards of the asset but has transferred control over the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control over the asset, the Group recognizes the asset only to the extent of its continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing recovery. If a write-off is later recovered, any amounts formerly charged are credited to 'Recoveries' under 'Miscellaneous Income' in the statements of income.

Financial liabilities
The Group derecognizes a financial liability when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, the Group treats such an exchange or modification as a derecognition of the original liability and recognition of a new liability, and Group recognizes the difference in the respective carrying amounts in the statement of income.

Financial Instruments – Impairment
ECL methodology
The Group's loss impairment method on financial instruments applies a forward-looking ECL approach, which covers all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts. The ECL allowance is based on the credit losses expected to arise on a 12-month duration if there has been no significant increase in credit risk (SICR) of the financial instrument since origination (12-month ECL). Otherwise, if an SICR is observed, then the Group extends its ECL estimation until the end of the life of the financial instrument (Lifetime ECL). Both Lifetime ECLs and 12-month ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

Staging assessment
The Group categorizes financial instruments subject to the ECL methodology into three stages:
- Stage 1 – comprised of all non-impaired financial instruments which have not experienced an SICR since initial recognition. The Group recognizes 12-month ECL for Stage 1 financial instruments.
- Stage 2 – comprised of all non-impaired financial instruments which have experienced an SICR since initial recognition. The Group recognizes Lifetime ECL for Stage 2 financial instruments.
- Stage 3 – comprised of financial instruments which have objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on their estimated future cash flows. The Group recognizes Lifetime ECL for Stage 3 (credit-impaired) financial instruments.

Definition of "default" and "cure"
The Group considers default to have occurred when:
- the obligor is past due for more than 90 days on any material credit obligation to the Group; or
- the obligor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing collateral, as applicable.

The Group no longer considers an instrument to be in default when it no longer meets any of the default criteria and has exhibited satisfactory and acceptable track record for six consecutive payment periods, subject to applicable rules and regulations of the BSP.

Determining SICR
At each reporting date, the Group assesses whether the credit risk on a loan or credit exposure has increased significantly since initial recognition. The Group's assessment of SICR involves looking at both the qualitative and quantitative elements, as well as if the loan or credit exposure is unpaid for at least 30 days ("backstop").

The Group assesses SICR on loans or credit exposures having potential credit weaknesses based on current and/or forward-looking information that warrant management's close attention. Such weaknesses, if left uncorrected, may affect the repayment of these exposures. The loan or credit exposure also exhibits SICR if there are adverse or foreseen adverse economic or market conditions that may affect the counterparty's ability to meet the scheduled repayments in the future.

The Group looks at the quantitative element through statistical models or credit ratings process or scoring process that captures certain information, which the Group considers as relevant in assessing changes in credit risk. The Group also looks at the number of notches downgrade of credit risk rating (CRR) or certain thresholds for the probabilities of default being generated from statistical models to determine whether SICR has occurred subsequent to initial recognition date.

Transfer between stages
The Group transfers credit exposures from Stage 1 to Stage 2 if there is an SICR from initial recognition date. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer an SICR since initial recognition, then the Group reverts them to Stage 1.

The Group transfers credit exposures from Stage 3 (non-performing) to Stage 1 (performing) when there is sufficient evidence to support their full collection. Such exposures should exhibit both of the following indicators:
- quantitative – characterized by payments made within an observation period; and
- qualitative – pertain to the results of assessment of the borrower's financial capacity.

Generally, the Group considers that full collection is probable when payments of interest and/or principal are received for at least six months.

Modified or restructured loans and other credit exposures
In certain circumstances, the Group modifies the original terms and conditions of a credit exposure to form a new loan agreement or payment schedule, which may be provided depending on the borrower's current or expected financial difficulties. Modifications may include, but are not limited to, change in interest rate and terms, principal amount, maturity date and schedule of periodic payments.

If modifications are considered by the Group as substantial based on qualitative factors, the loan is derecognized as discussed under Financial Instruments – Derecognition.

If a loan or credit exposure has been renegotiated or modified without this resulting in derecognition, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded, based on the change in cash flows discounted at the loan's original effective interest rate (EIR). The Group also assesses whether there has been a SICR by comparing the risk of default at reporting date based on modified terms, and the risk of default at initial recognition date based on original terms. Derecognition decisions and classification between Stages 2 and 3 are determined on a case-by-case basis.

Purchased or originated credit-impaired loans
The Group considers a loan as credit-impaired on purchase or origination if there is evidence of impairment at the time of initial recognition (i.e., acquired/purchased at a deep discounted price). The Group recognizes the cumulative changes in Lifetime ECL since initial recognition as a loss allowance for purchased or originated credit-impaired loan.

Measurement of ECL
ECLs are generally measured based on the risk of default over one of two different time horizons, depending on whether there has been SICR since initial recognition. ECL calculations are based on the following components:

- Probability of default (PD) – an estimate of the likelihood that a borrower will default on its obligations over the next 12 months for Stage 1 or over the remaining life of the credit exposure for Stages 2 and 3.
- Loss-given-default (LGD) – an estimate of the loss arising in case where default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive, including from any collateral.
- Exposure-at-default (EAD) – an estimate of the exposure at a future/default date taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, expected drawdown on committed facilities and accrued interest from missed payments.
- Discount rate – represents the rate to be used to discount an expected loss to present value at the reporting date using the original EIR determined at initial recognition.

In measuring ECL, the Group considers forward-looking information depending on the credit exposure. The Group applies experienced credit judgment, which is essential in assessing the soundness of forward-looking information and in ensuring that these are adequately supported. Forward-looking macroeconomic information and scenarios consider:

- factors that may affect the general economic or market conditions in which the Group operates, such as gross domestic product growth rates, foreign exchange rates, inflation rate, among others;
- changes in government policies, rules and regulations, such as adjustments to policy rates;
- other factors pertinent to the Group, including the proper identification and mitigation of risks such as incidences of loan defaults or losses.

The Group also measures ECL by evaluating a range of possible outcomes and using reasonable and supportable pieces of information that are available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

<u>Financial Guarantees and Undrawn Loan Commitments</u>
The Group gives loan commitments and financial guarantees consisting of letters of credit, letters of guarantees, and acceptances.

Financial guarantees are contracts that require the Group as issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. The Group initially recognizes financial guarantees on trade receivables at fair value under ‘Bills and acceptances payable’ or ‘Other liabilities’ in the statement of financial position. Subsequent to initial recognition, the Group measures these financial guarantees at the higher of:

- the initial fair value less any cumulative amount of income or amortization recognized in the statement of income; and
- the ECL determined under PFRS 9.

Undrawn loan commitments and letters of credit are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer.

The nominal contractual value of financial guarantees and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the statement of financial position.

The Group estimates the expected portion of the undrawn loan commitments that will be drawn over their expected life. The ECL related to financial guarantees and loan commitments without outstanding drawn amounts is recognized in ‘Allowance for credit losses’ under ‘Loans and receivables’.

<u>Investments in Subsidiaries, Associates and Joint Ventures</u>
The Group’s associate pertains to the entity over which the Group has significant influence, which is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The Group’s joint venture pertains to joint arrangements whereby the Group and other parties have joint control of the arrangement and have rights to the net assets of the arrangement.

The Group accounts for its investments in subsidiaries, associates and joint venture under the equity method of accounting. Under this method, the Group carries the investment in an associate in the statement of financial position at cost plus post-acquisition changes in the share in the net assets of the associate. The Group reflects its share in the results of operations of the associate in the statement of income. When there has been a change recognized in the associate’s OCI, the Group recognizes its share in any changes and discloses this in the statement of comprehensive income. The Group eliminates any profits or losses arising from transactions between the Group and the associate to the extent of the interest of the Group in the associate.

When a change in ownership interest in a subsidiary occurs which results in a loss of control over the subsidiary, the Parent Company:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognizes the related OCI recorded in equity and recycles the same to statement of income or ‘Surplus’;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in the statement of income; and
- Reclassifies the Parent Company’s share of components’ gains (losses) previously recognized in OCI to profit or loss or surplus, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Upon loss of control over a subsidiary or significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any resulting difference between the aggregate of the associate’s carrying amount upon disposal and the fair value of the retained investment, and proceeds from disposal is recognized in the statement of income.

For transactions where ownership interest in a subsidiary that did not result in a loss of control, the Parent Company recognizes the gain or loss in the profit and loss representing the difference between the proceeds from sale and the carrying value of the investee account. The profit and loss treatment of such gains or losses is on the basis that the non-controlling interest is not reflected in the separate financial statements.

<u>Property and Equipment</u>
The Group carries its land at cost less any impairment in value, and its depreciable properties such as buildings, right-of-use assets, furniture, fixtures and equipment, long-term leasehold land, and leasehold improvements at cost less accumulated depreciation and amortization and any impairment in value.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. See accounting policy on Leases for the recognition and measurement of right-of-use assets included under 'Property and equipment'.

The Group derecognizes an item of property and equipment upon disposal or when no future economic benefits are expected from its use or disposal. The Group includes any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) in the statement of income in the period the asset is derecognized.

Investment Properties and Chattel Mortgage Properties

The Group initially measures investment properties and chattel mortgage properties initially at cost, including transaction costs. When the investment property or chattel mortgage property is acquired through an exchange transaction, the Group measures the asset at its fair value, unless the fair value of such an asset cannot be reliably measured in which case the asset acquired is measured at the carrying amount of asset given up. The Group recognizes any gain or loss on exchange in the statement of income under 'Net gains (losses) on sale or exchange of assets'.

Foreclosed properties are classified under 'Investment properties' upon:

- entry of judgment in case of judicial foreclosure;
- execution of the Sheriff's Certificate of Sale in case of extra-judicial foreclosure; or
- notarization of the Deed of Dacion in case of payment in kind (dacion en pago).

Subsequent to initial recognition, the Group carries the investment properties and chattel mortgage properties at cost less accumulated depreciation (for depreciable properties) and any impairment in value.

The Group derecognizes investment properties and chattel mortgage properties when they have either been disposed of or when the asset is permanently withdrawn from use and no future benefit is expected from its disposal. The Group recognizes any gains or losses on the disposal of an investment property in the statement of income under 'Net gains (losses) on sale or exchange of assets' in the period of retirement or disposal.

The Group transfers assets to investment properties when, and only when, there is a change in use evidenced by ending of owner occupation, commencement of an operating lease to another party or ending of construction or development. Conversely, the Group transfers out of investment properties when, and only when, there is a change in use evidenced by commencement of owner occupation or commencement of development with a view to sale.

Intangible Assets

The Group initially measures separately acquired intangible assets at cost, and the intangible assets acquired in a business combination at their fair values at the date of acquisition. Following initial recognition, the Group carries intangible assets at cost less any accumulated amortization and accumulated impairment losses. The Group does not capitalize internally generated intangibles, excluding capitalized development costs, and reflects in profit or loss the related expenditures in the period in which the expenditure is incurred.

The Group measures any gains or losses arising from derecognition of an intangible asset as the difference between the net disposal proceeds and the carrying amount of the asset. The Group recognizes these gains or losses in the statement of income in the period when the intangible asset is disposed of.

Intangibles with finite lives

The Group capitalizes software costs, included in 'Intangible assets', on the basis of the cost incurred to acquire and bring to use the specific software.

Customer relationship intangibles (CRI) and core deposits intangibles (CDI) are the intangible assets acquired by the Group through business combination. The Group initially measures these intangible assets at their fair values at the date of acquisition. The fair value of these intangible assets reflects expectations about the probability that the expected future economic benefits embodied in the asset will flow to the Group.

Following initial recognition, intangibles with finite lives are measured at cost less accumulated amortization and any accumulated impairment losses.

Goodwill

The Group initially measures goodwill acquired in a business combination at cost. With respect to investments in an associate, the Group includes goodwill in the carrying amount of the investments. Goodwill is not amortized, but is tested for impairment annually or more frequently if events or changes in circumstances that the carrying value may be impaired.

Impairment of Nonfinancial Assets

Property and equipment, investment properties, intangible assets with finite lives, chattel mortgage properties, and investments in subsidiaries and an associate

At each reporting date, the Group assesses whether there is any indication that its property and equipment, investment properties, intangible assets with finite lives, chattel mortgage properties, and investments in subsidiaries and an associate may be impaired. When an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and its value-in-use (VIU) and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the CGU to which it belongs.

When the carrying amount of an asset exceeds its recoverable amount, the Group considers the asset as impaired and writes the asset down to its recoverable amount. In assessing VIU, the Group discounts the estimated future cash flows to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The Group charges the impairment loss against current operations. At each reporting date, the Group assesses whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the recoverable amount and reverses a previously recognized impairment loss only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal recognized in the statement of income cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. After such reversal, the Group adjusts the depreciation and amortization in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Goodwill

The Group performs its annual impairment test of goodwill every fourth quarter, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

The Group determines impairment for goodwill by assessing the recoverable amount of the CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or group of CGUs) to which goodwill has been allocated (or to the aggregate carrying amount of a group of CGUs to which the goodwill relates but cannot be allocated), the Group recognizes an impairment loss immediately in the statement of income under 'Provision for impairment, credit and other losses'. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods.

Equity
The Group measures capital stock at par value for all shares issued and outstanding. When the shares are sold at a premium, the Group credits the difference between the proceeds and the par value to 'Capital paid in excess of par value'. 'Surplus' represents accumulated earnings (losses) of the Group less dividends declared.

The reserves recorded in equity in the statement of financial position include:
- Remeasurement losses on retirement plan – pertains to the remeasurement comprising actuarial gains or losses on the present value of the defined benefit obligation, net of return on plan assets
- Accumulated translation adjustment – used to record exchange differences arising from the translation of the FCDU accounts and foreign operations (i.e., overseas branches and subsidiaries) to Philippine peso
- Net unrealized gains (losses) on financial assets at FVOCI – comprises changes in fair value of financial assets at FVOCI

Dividends
The Group recognizes dividends on common shares as a liability and deduction against 'Surplus' when approved by the Board of Directors (BOD) of the Parent Company. The Group measures the liability to distribute dividends at the carrying amount of the dividends, except for distributions of non-cash assets where the Group measures the liability at the fair value of the assets to be distributed. At the end of each reporting period and at the date of settlement, the Group reviews and adjusts the carrying amount of the non-cash assets declared as dividends, with any changes in the carrying amount of the non-cash dividends recognized in equity as adjustments to the amount of distribution.

For dividends that are approved after the reporting date, the Group discloses them in the financial statements as an event after the reporting date.

Securities Issuance Costs
The Group capitalizes the issuance, underwriting and other related expenses incurred in connection with the issuance of debt securities (other than debt securities designated at FVTPL) and amortizes over the terms of the instruments using the effective interest method. The Group includes any unamortized debt issuance costs in the carrying value of the related debt instruments in the statement of financial position.

For underwriting, share registration, and other share issuance costs and taxes incurred in connection with the issuance of equity securities, the Group accounts for these costs as reduction of equity against 'Capital paid in excess of par value'. If the 'Capital paid in excess of par value' is not sufficient, the share issuance costs are charged against the 'Surplus'. For transaction costs that relate jointly to the offering and listing of the shares, the Group allocates the costs to those transactions (i.e., reduction against equity for those allocated to offering of shares, and expensed for those allocated to listing of shares) using a basis of allocation that is rational and consistent with similar transactions.

Revenue Recognition
Revenue is recognized upon transfer of services to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements except for brokerage transactions. The following specific recognition criteria must also be met before revenue is recognized within the scope of PFRS 15, *Revenue from Contracts with Customers*:

Service fees and commission income
The Group earns fee and commission income from diverse range of services it provides to its customers:

- Fees from services that are provided over a certain period of time
  The Group accrues fees earned for the provision of services over a period of time. These fees include investment fund fees, custodian fees, fiduciary fees, credit-related fees, trust fees, portfolio and other management fees, and advisory fees.

- Bancassurance fees
  The Group recognizes non-refundable access fees on a straight-line basis over the term of the period of the provision of the access. Milestone fees or variable and fixed earn-out fees are recognized in reference to the stage of achievement of the milestones.

- Fee income from providing transaction services
  The Group recognizes the fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, only upon completion of the underlying transaction. For fees or components of fees that are linked to a certain performance, the Group recognizes revenue after fulfilling the corresponding criteria. These fees include underwriting fees, corporate finance fees, remittance fees, brokerage fees, commissions, deposit-related and other credit-related fees.

  The Group recognizes loan syndication fees as revenue when the syndication has been completed and the Group retains no part of the loans for itself or retains part at the same EIR as the other participants.

Interchange fees and revenue from rewards redeemed
The Group takes up as income the interchange fees under 'Service fees and commission income' upon receipt from member establishments of charges arising from credit availments by the Group's cardholders. These discounts are computed based on certain agreed rates and are deducted from amounts remitted to the member establishments.

The Group operates a loyalty points program which allows customers to accumulate points when they purchase from member establishments using the issued card of the Group. The points can then be redeemed for free products subject to a minimum number of points being redeemed.

The Group allocates a portion of the consideration received from discounts earned and interchange fees from credit cards to the reward points based on the estimated stand-alone selling prices. The Group defers the amount allocated to the loyalty program and recognizes revenue only when the loyalty points are redeemed or the likelihood of the credit cardholder redeeming the loyalty points becomes remote. The Group includes the deferred balance under ‘Other liabilities’ in the statement of financial position.

Commissions on credit cards
The Group recognizes commissions earned as revenue upon receipt from member establishments of charges arising from credit availments by credit cardholders. These commissions are computed based on certain agreed rates and are deducted from amounts remittable to member establishments.
Other income
The Group recognizes income from sale of properties upon completion of the earning process upon transfer of control and when the collectability of the sales price is reasonably assured.

The following are revenue streams of the Group, which are covered by accounting standards other than PFRS 15:

Interest income
Interest on interest-bearing financial assets at FVTPL and held-for-trading investments is recognized based on contractual rate. Interest on financial instruments measured at amortized cost and FVOCI are recognized based on effective interest method of accounting to calculates the amortized cost of a financial asset or a financial liability and allocate the interest income or interest expense.

The Group records interest income using the EIR, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. In calculating EIR, the Group considers all contractual terms of the financial instrument (for example, prepayment options), and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses. The Group adjusts the carrying amount of the financial instrument through ‘Interest income’ in the statement of income based on the original EIR.

When a financial asset becomes credit-impaired and is, therefore, regarded as Stage 3, the Group calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis.

Commitment fees
The Group defers the commitment fees for loans that are likely to be drawn down (together with any incremental costs) and includes them as part of the EIR of the loan. These are amortized using EIR and recognized as revenue over the expected life of the loan.

Commissions on installment credit sales
The Group records the purchases by the credit cardholders, collectible on installment basis, at the cost of the items purchased plus certain percentage of cost. The Group recognizes the excess over cost as ‘Unearned and other deferred income’, which is shown as a deduction from ‘Loans and receivables’ in the statement of financial position. The Group amortizes and recognizes as revenue the unearned and other deferred income over the installment terms using the effective interest method.

Insurance premiums and commissions on reinsurance
Gross insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior periods. The Group recognizes premiums from short-duration insurance contracts and reinsurance commissions as revenue over the period of the contracts using the 24th method, except for marine cargo where the provision for unearned premiums pertain to the premiums for the last two months of the year. The Group recognizes in the statement of income for the period the net changes in provisions for unearned premiums and deferred reinsurance premiums.

Dividend income
The Group recognizes dividend income when the Group’s right to receive payment is established.

Trading and investment securities gains - net
The Group recognizes in ‘Trading and investment securities gains - net’ the results arising from trading activities, all gains and losses from changes in fair value of financial assets and financial liabilities at FVTPL, and gains and losses from disposal of debt securities at FVOCI.

Rental income
The Group accounts for rental income arising on leased properties on a straight-line basis over the lease terms, which is recorded in the statement of income under ‘Miscellaneous income’.

Income on direct financing leases and receivables financed
The Group recognizes income on direct financing leases and receivables financed using the effective interest method and any unearned discounts are shown as deduction against ‘Loans and receivables’ . Unearned discounts are amortized over the term of the note or lease using the effective interest method and consist of:
- transaction and finance fees on finance leases and loans and receivables financed with long-term maturities; and
- excess of the aggregate lease rentals plus the estimated residual value of the leased equipment over its cost.

<u>Expenditures</u>
Borrowing costs
The Group recognizes borrowing costs as expense in the year in which these costs are incurred. Borrowing costs consist of interest expense calculated using the effective interest method that the Group incurs in connection with borrowing of funds.

Operating expenses
This encompasses those expenses that arise in the course of the ordinary activities of the Group, as well as any losses incurred. These are recognized in the statement of income as they are incurred.

Depreciation and amortization
The Group computes for depreciation and amortization of depreciable assets using the straight-line method over the estimated useful lives of the respective assets. The estimated useful lives of the depreciable assets follow:

	Years
Property and equipment:	
Buildings	25 - 50
Right-of-use assets	1 - 25 or the lease term, whichever is shorter (provided that lease term is more than one year)
Furniture, fixtures and equipment	5
Long-term leasehold land	46 - 50

	Years
Leasehold improvements	10 or the lease term, whichever is shorter
Investment properties	10 - 25
Chattel mortgage properties	5
Intangible assets with finite lives:	
Software costs	5
CDI	10
CRI	3

The Group reviews periodically the useful life and the depreciation and amortization method to ensure that these are consistent with the expected pattern of economic benefits from the depreciable assets. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the depreciation and amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Taxes and licenses
This includes all other taxes, local and national, including gross receipts taxes, documentary stamp taxes, real estate taxes, licenses and permit fees that are recognized when incurred.

Expenditures on nonfinancial assets
The Group charges against current operations the expenditures incurred after the nonfinancial assets (i.e., property and equipment, investment properties, software costs, and chattel mortgage properties) have been put into operation, such as repairs and maintenance. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of these nonfinancial assets beyond their originally assessed standard of performance, the Group capitalizes such expenditures as additional cost.

Retirement Benefits
Defined benefit plan
At the end of the reporting period, the Group determines its net defined benefit liability (or asset) as the difference between the present value of the defined benefit obligation and the fair value of plan assets, adjusted for any effect of asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The cost of providing benefits under the defined benefit plan is actuarially determined using the projected unit credit method.

Defined benefit costs recognized in the statement of income consist of the following:
- service costs – include current service costs, past service costs (recognized when plan amendment or curtailment occurs) and gains or losses on non-routine settlements; and
- net interest on the net defined benefit liability or asset – pertains to the change during the period in the net defined benefit liability (or asset) that arises from the passage of time, which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset.

Changes in the net defined benefit liability (or asset) also include remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling, excluding net interest on defined benefit liability (or asset). The Group recognizes these remeasurements immediately in OCI in the period in which they arise. The Group does not reclassify these remeasurements to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies, and are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the Group estimates the fair value of plan assets by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group recognizes its right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation as a separate asset at fair value when and only when reimbursement is virtually certain.

Employee leave entitlement
The Group recognizes entitlements of employees to annual leave as a liability when they are accrued to the employees. The Group recognizes the undiscounted liability for leave expected to be settled wholly before 12 months after the end of the reporting period for services rendered by employees up to the end of the reporting period. For leave entitlements expected to be settled for more than 12 months after the reporting date, the Group engages an actuary to estimate the long-term liability, which is reported in 'Accrued taxes, interest and other expenses' in the statement of financial position.

Share-based Payment
Employees of the Parent Company receive remuneration in the form of share-based payments, where employees render services as consideration for equity instruments. The Parent Company determines the cost of equity-settled transactions at fair value at the date when the grant is made, and recognizes as 'Compensation and fringe benefits', together with a corresponding increase in equity ('Other equity reserves'), over the period in which the service is fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects to the extent to which the vesting period has expired and the Parent Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of income for a period represents the movement in the cumulative expense recognized as at the beginning and end of the period.

Leases
The Group determines at contract inception whether a contract is, or contains, a lease by assessing whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes right-of-use assets representing the right to use the underlying assets and lease liabilities to make lease payments.

- Right-of-use assets
  At the commencement date of the lease (i.e, the date the underlying asset is available for use), the Group recognizes right-of-use assets measured at cost. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Subsequent to initial recognition, the Group measures the right-of-use assets at cost less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The Group presents the right-of-use assets in 'Property and equipment' and subjects it to impairment in line with the Group's policy on impairment of nonfinancial assets.

- Lease liabilities
  At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term discounted using the Group's incremental borrowing rate, which is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The lease payments include fixed payments, any variable lease payments that depend on an index or a rate, and any amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

  After the commencement date of the lease, the Group measures the lease liabilities by increasing the carrying amount to reflect interest on the lease liabilities (recorded in 'Interest expense on bills payable and other borrowings'), reducing the carrying amount to reflect the lease payments made, and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

- Short-term leases and leases of low-value assets
  The Group applies the short-term lease recognition exemption to its leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option, and the leases of low-value assets recognition exemption to its leases of ATM offsite locations and other equipment that are considered of low value (i.e., below ₱250,000). Lease payments on short-term leases and leases of low-value assets are recognized as expense under 'Occupancy and equipment-related costs' on a straight-line basis over the lease term.

Group as a lessor
For finance leases where the Group transfers substantially all the risks and rewards incidental to ownership of the leased item, the Group recognizes a lease receivable in the statement of financial position at an amount equivalent to the net investment (asset cost) in the lease. The Group includes all income resulting from the receivable in 'Interest income on loans and receivables' in the statement of income.

The residual value of leased assets, which approximates the amount of guaranty deposit paid by the lessee at the inception of the lease, is the estimated proceeds from the sale of the leased asset at the end of the lease term. At the end of the lease term, the residual value of the leased asset is generally applied against the guaranty deposit of the lessee when the lessee decides to buy the leased asset.

In operating leases where the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset, the Group recognizes rental income on a straight-line basis over the lease terms. The Group adds back the initial direct costs incurred in negotiating and arranging an operating lease to the carrying amount of the leased asset and recognizes them as rental income over the lease term on the same basis. The Group recognizes contingent rents as revenue in the period in which they are earned.

<u>Provisions</u>
The Group recognizes provisions when:
- the Group has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of assets embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the Group recognizes the reimbursement as a separate asset but only when the reimbursement is virtually certain. The Group presents the expense relating to any provision in the statement of income, net of any reimbursement.

If the effect of the time value of money is material, the Group determines provisions by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. When discounting is used, the Group recognizes the increase in the provision due to the passage as 'Interest expense on bills payable and other borrowings'.

<u>Contingent Liabilities and Contingent Assets</u>
Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of assets embodying economic benefits is remote. Contingent assets are not recognized but are disclosed in the financial statements when an inflow of economic benefits is probable.

<u>Income Taxes</u>
Income tax on profit and loss for the year comprises current and deferred tax. Income tax is determined in accordance with tax laws and is recognized in the statement of income, except to the extent that it relates to items directly recognized in OCI.

Current tax
The Group measures current tax assets and liabilities for the current periods at the amount expected to be recovered from or paid to the taxation authorities using the tax rates and tax laws that are enacted or substantively enacted at the reporting date.

Deferred tax
The Group provides for deferred tax using the balance sheet liability method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The Group recognizes deferred tax liabilities for all taxable temporary differences, including asset revaluations. The Group recognizes deferred tax assets for all deductible temporary differences, carryforward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT), and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences and carryforward of unused tax credits from MCIT and unused NOLCO can be utilized.

The Group, however, does not recognize deferred tax on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

The Group does not also provide deferred tax liabilities on non-taxable temporary differences associated with investments in domestic subsidiaries and an associate. With respect to investments in foreign subsidiaries, the Group does not recognize deferred tax liabilities, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The Group reviews the carrying amount of deferred tax assets at each reporting date and reduces the recognized amount to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred income tax asset to be utilized. The Group reassesses unrecognized deferred tax assets at each reporting date and recognizes amounts to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

The Group measures deferred tax assets and liabilities at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

For current and deferred tax relating to items recognized directly in OCI, the Group recognizes them also in OCI and not in the statement of income.

In the consolidated financial statements, the Group offsets deferred tax assets and liabilities if a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred taxes related to the same taxable entity and the same taxation authority.

When tax treatments involve uncertainty, the Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty. If the Group concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, the Group reflects the effect of the uncertainty for each uncertain tax treatment using the method the Group expects to better predict the resolution of the uncertainty.

<u>Earnings per Share</u>
The Group computes for the basic earnings per share (EPS) by dividing net income for the period attributable to common shareholders by the weighted average number of common shares outstanding during the period, after giving retroactive effect to any bonus issue, share split or reverse share split during the period.

The Group computes for the diluted EPS by dividing the aggregate of net income for the period attributable to common shareholders by the weighted average number of common shares outstanding during the period, adjusted for the effects of any dilutive shares.

<u>Events after the Reporting Date</u>
The Group reflects in the financial statements any post-year-end event that provides additional information about the Group's position at the reporting date (adjusting event). The Group discloses post-year-end events that are not adjusting events, if any, when material to the financial statements.

<u>Segment Reporting</u>
The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Refer to Note 6 for the detailed disclosure on segment information.

<u>Fiduciary Activities</u>
The Group excludes from these financial statements the assets and income arising from fiduciary activities, together with related undertakings to return such assets to customers, where the Group acts in a fiduciary capacity such as nominee, trustee or agent.

3. Significant Accounting Judgments and Estimates

The preparation of the financial statements in compliance with PFRS requires the Group to make judgments and estimates that affect the reported amounts and disclosures. The Group continually evaluates judgments and estimates and uses as basis its historical experience and other factors, including expectations of future events. The Group reflects the effects of any changes in estimates in the financial statements as they become reasonably determinable.

<u>Judgments</u>
(a) Assessment of control over a subsidiary
The Group demonstrates control over an investee when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Thus, the following elements must all be present to exercise control over an investee:
- Power over the investee
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect the amount of the investor's returns

The Group considers all facts and circumstances when assessing whether it controls an investee. In making this assessment, the Group considers the following factors:
- The purpose and design of the investee
- What the relevant activities are and how decisions about those activities are made
- Whether the rights of the Group give it the current ability to direct the relevant activities
- Whether the Group is exposed, or has rights, to variable returns from its involvement with the investee
- Whether the Group has the ability to use its power over the investee to affect the amount of the investor's returns

The assessment of the Group on its control over a subsidiary is further discussed in Note 12.

(b) Assessment of significant influence over an associate
The Group generally accounts for an investment as an associate when the Group holds 20% or more of the voting power of the investee company held directly or indirectly through subsidiaries, unless it can be clearly demonstrated that this is not the case.

In assessing whether the Group exercises significant influence over an investee company, the Group considers the following factors:
- Representation in the BOD or equivalent governing body of the investee company
- Participation in policy-making processes, including participation in decisions about dividends and other distributions
- Material transactions between the Group and the investee company
- Interchange of management personnel
- Provision of essential technical performance

The assessment of the Group on its significant influence over an investee company is further discussed in Note 12.

(c) *Classification of financial assets*
The Group classifies its financial assets depending on the results of the SPPI test and on the business model used for managing those financial assets.

When performing the SPPI test, the Group applies judgment and evaluates relevant factors and characteristics such as the behavior and nature of contractual cash flows, its original currency denomination, the timing and frequency of interest rate repricing, contingent events that would alter the amount and/or timing of cash flows, leverage features, prepayment or extension options and other features that may modify the consideration for the time value of money.

As a second step, the Group performs business model assessment to reflect how financial assets are managed in order to generate net cash inflows based on the following factors:
- business objectives and strategies for holding the financial assets;
- performance measures and benchmarks being used to evaluate the Group's key management personnel accountable to the financial assets;
- risks associated to the financial assets and the tools applied in managing those risks;
- compensation structure of business units, including whether based on fair value changes of the investments managed or on the generated cash flows from transactions; and
- frequency and timing of disposals.

In applying judgment, the Group also considers the circumstances surrounding the transaction as well as the prudential requirements of the BSP.

(d) *Fair valuation of financial instruments*
When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, the Group uses valuation techniques and mathematical models (Note 5). The Group derives the inputs to these models from observable markets where possible, otherwise, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility for longer-dated derivatives. For the valuation of nonmarketable unquoted equity securities, the Group considers a discount for lack of marketability, which is applied to the values determined by independent valuation companies (Note 5).

(e) *Determination of lease term for lease contracts with renewal and termination options*
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization of the leased asset).

(f) *Classification of leases*
In arrangements that are, or contain, leases, the Group determines based on an evaluation of the terms and conditions of the arrangements whether or not the lessor retains all the significant risks and rewards of ownership of the properties which are leased out.

In classifying such arrangements as operating leases, the Group considers the following:
- the lease does not transfer ownership of the asset to the lessee by the end of the lease term;
- the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable;
- the present value of the minimum lease payments is substantially lower than the fair value of the leased asset;
- the losses associated with any cancellation of the lease are borne by the lessor; and
- the lease term is not for the major part of the asset's economic useful life.

When the above terms and provisions do not apply, the Group classifies the lease arrangements as finance leases.

(g) *Contingencies*
The Group is currently involved in legal proceedings. The estimate of the probable cost for the resolution of claims has been developed in consultation with the aid of the outside legal counsels handling the Group's defense in these matters and is based upon an analysis of potential results. Management does not believe that the outcome of these matters will affect the results of operations. It is probable, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to the proceedings (Note 34).

(h) *Determination of functional currency*
PAS 21, *The Effects of Changes in Foreign Exchange Rates*, requires the Group to use its judgment to determine the functional currency of the Group, including its foreign operations, such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to each entity or reporting unit.

In making this judgment, the Group considers the following:
- the currency that mainly influences prices for financial instruments and services (this will often be the currency in which prices for its financial instruments and services are denominated and settled);
- the currency in which funds from financing activities are generated; and
- the currency in which receipts from operating activities are usually retained.

<u>Estimates</u>

(a) *Credit losses on financial assets*
The Group's ECL calculations are mainly derived from outputs of complex statistical models and expert judgment, with a number of underlying assumptions regarding the choice of variable inputs as well as their independencies. The Group considers the following elements of the ECL models, among others, as significant accounting judgments and estimates:
- segmentation of the portfolio, where the appropriate ECL approach and/or model is used, including whether assessments should be done individually or collectively;
- quantitative and qualitative criteria for determining whether there has been SICR as at a given reporting date and the corresponding transfers between stages;
- determination of expected life of the financial asset and expected recoveries from defaulted accounts;

- development of ECL models, including the various formulas and the choice of inputs;
- determination of correlations and interdependencies between risk factors, macroeconomic scenarios and economic inputs, such as inflation, policy rates and collateral values, and the resulting impact to PDs, LGDs and EADs; and
- selection of forward-looking information and determination of probability-weightings to derive the ECL.

The ongoing COVID-19 outbreak is widely expected to adversely affect the global economy and financial markets for the foreseeable future. The economic impact of COVID-19 depends on the mutation of the virus and the response of the authorities and the global community. The situation continues to evolve and the impact on the global and Philippine economy and the related government responses and measures depend on future developments that are highly uncertain. In light of the COVID-19 pandemic, starting April 2020, the Group reviewed the conduct of its impairment assessment and ECL methodologies. The Group revisited the segmentation of its portfolio based on industry vulnerability and resiliency assessment. The Group also reassessed the framework for macroeconomic overlay, incorporating pandemic scenarios to ensure that changes in economic conditions are captured in the ECL calculations. In assessing forecast conditions to estimate the PDs and LGDs, the Group also considered the significant government measures and plans to support affected and/or vulnerable entities, as well as the impact on the collateral values.

Refer to Note 16 for the details of the carrying value of financial assets subject to ECL and for the details of the ECL.

(b) *Recognition of deferred tax assets*
Deferred tax assets are recognized for all unused tax losses and temporary differences to the extent that it is probable that future taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the availability of future taxable income in reference to financial forecast and tax strategies. The Group takes into consideration the loan portfolio and deposit growth rates. As the COVID-19 pandemic has affected the Group's normal operations, the Group reassessed its business plan, as well as tax strategies, in the next three to five years, considering various economic scenarios including recovery outlook, effect of the pandemic on specific industries and trade, travel restrictions, and government relief efforts.

(c) *Present value of lease liabilities*
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate to measure lease liabilities. The incremental borrowing rate reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency).

The Group estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments (such as the subsidiary's stand-alone credit rating, or to reflect the terms and conditions of the lease).

The carrying amounts of lease liabilities as of December 31, 2021 and 2020 are disclosed in Note 29.

(d) *Present value of retirement obligation*
The Group determines the cost of defined benefit pension plan and other post-employment benefits using actuarial valuations, which involve making assumptions about discount rates, future salary increases, mortality rates and employee turnover. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. The Group reviews all assumptions at each reporting date.

The discount rate is based on zero-coupon yield of government bonds with remaining maturity approximating the estimated average duration of benefit payment. Future salary increases are based on the Group's policy considering the prevailing inflation rate. The mortality rate used is based on publicly available mortality table modified accordingly with estimates of mortality improvements. The employee turnover is based on the Group's most recent experience.

The fair value of plan assets is based on market price information. When no market price is available, the Group estimates the fair value of plan assets by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets.

The present value of retirement obligation and fair value of plan assets are disclosed in Note 28.

(e) *Impairment of nonfinancial assets*
The Parent Company assesses impairment on its investments in subsidiaries and an associate whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Among others, the Parent Company considers the following triggers for an impairment review on its investments in subsidiaries and an associate:
- deteriorating or poor financial condition;
- recurring net losses; and
- significant changes on the technological, market, economic, or legal environment which had an adverse effect on the subsidiary or associate during the period or in the near future, in which the subsidiary or associate operates.

The Group also assesses impairment on its property and equipment, investment properties and chattel properties, and intangibles with finite useful lives and considers the following impairment indicators:
- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

Recoverable amounts of investment properties and land and building are determined based on fair value less cost to sell.

The carrying values of the Group's property and equipment, investments in subsidiaries and an associate, investment properties, intangible assets, and other nonfinancial assets are disclosed in Notes 11, 12, 13, 14 and 15, respectively.

(f) *Impairment of goodwill*
The Group conducts an annual review for any impairment in the value of goodwill. Goodwill is written down for impairment where the recoverable amount is insufficient to support its carrying value. The recoverable amount of the CGU is determined based on a VIU calculation, which considers the present value of cash flow projections from financial budgets approved by senior management and BOD of the Parent Company covering a three-year period. The assumptions used in the calculation of VIU are sensitive to estimates of future cash flows from business, interest margin, discount rates, projected long-term growth rates (derived based on the forecast local gross domestic product) used to extrapolate cash flows beyond the budget period.

Estimating future earnings involves judgment which takes into account past and actual performance and expected developments in the respective markets and in the overall macro-economic environment. With the outbreak of COVID-19 in early 2020, the Group revisited its business plan and applied judgment to reassess the projections of future cash flows as of December 31, 2021, considering various economic scenarios including recovery outlook, effect of the pandemic on specific industries and trade, travel restrictions, and government relief efforts.

The carrying values of the Group's goodwill, accumulated impairment losses, and key assumptions used in determining VIU are disclosed in Note 14.

4. Financial Risk Management Objectives and Policies

Introduction
The Parent Company's BOD has overall responsibility for the establishment and oversight of the Group's risk management framework. As delegated by the BOD, the Risk Oversight Committee (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 ROC advises on the overall current and future risk appetite and strategy and assists in overseeing the implementation of those strategies and business plans by senior management. Details of the Parent Company's risk framework are discussed under the Risk Management Disclosure Section of the Parent Company's annual report.

The Group's activities are principally related to the development, delivery, servicing and use of financial instruments. Risk is inherent in these activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability.

The Group defines material risks (at group level) as those risks from any business activity large enough to threaten the Parent Company's capital position to drop below its desired level resulting in either a ₱13.3 billion increase in risk-weighted assets or a ₱1.7 billion reduction in earnings and/or qualifying capital which translate into a reduction in CAR by 20 basis points (bps).

Resulting from the assessments based on the premise identified above, the Parent Company agrees and reviews on a regular basis the material risks that need particular focus from all three lines of defense. For the assessment period 2020-2022, these are based on the following nine (9) material risks, which are grouped under Pillar 1 and Pillar 2 risks, and shall be covered in the Internal Capital Adequacy Assessment Process (ICAAP) document and required for monitoring.

Types and definition of each of these risks are discussed hereunder:

Pillar 1 Risks:
1. Credit Risk (includes Counterparty and Country Risks)
2. Market Risk
3. Operational Risk

Pillar 2 Risks:
4. Credit Concentration Risk
5. Interest Rate Risk in Banking Book (IRRBB)
6. Liquidity Risk
7. Reputational / Customer Franchise Risk
8. Strategic Business Risk
9. Cyber Security Risk

The Risk Management Group (RMG) provides the legwork for the ROC in its role of formulating the risk management strategy, the development and maintenance of the internal risk management framework, and the definition of the governing risk management principles. The RMG provides assistance to the Assets and Liabilities Committee (ALCO) on capital management and the Board Policy Committee on the management of regulatory capital.

The mandate of the RMG involves:
- Implementing the risk management framework of identifying, measuring, controlling and monitoring the various risk taking activities of the Group, inherent in all financial institutions;
- Providing services to the risk-taking units and personnel in the implementation of risk mitigation strategies; and
- Establishing recommended limits based on the results of its analysis of exposures.

Credit Risk
Credit risk is the non-recovery of credit exposures (on-and-off balance sheet exposures). Managing credit risk also involves monitoring of migration risk, concentration risk, country risk and settlement risk. The Group manages its credit risk at various levels (i.e., strategic level, portfolio level down to individual transaction).

The credit risk management of the entire loan portfolio is under the direct oversight of the ROC and Executive Committee. Credit risk assessment of individual borrower is performed by the business sector, remedial sector and credit management sector. Risk management is embedded in the entire credit process, i.e., from credit origination to remedial management (if needed).

Among the tools used by the Group in identifying, assessing and managing credit risk include:
- Documented credit policies and procedures: sound credit granting process, risk asset acceptance criteria, target market and approving authorities;
- System for administration and monitoring of exposure;
- Pre-approval review of loan proposals;
- Post approval review of implemented loans;
- Work out system for managing problem credits;
- Regular review of the sufficiency of valuation reserves;
- Monitoring of the adequacy of capital for credit risk via the CAR report;
- Monitoring of breaches in regulatory and internal limits;
- Credit Risk Management Dashboard;
- Diversification;

- Internal Risk Rating System for corporate accounts;
- Credit Scoring for retail accounts; and
- Active loan portfolio management undertaken to determine the quality of the loan portfolio and identify: portfolio growth, movement of loan portfolio, adequacy of loan loss reserves, trend of nonperforming loans (NPLs), and concentration risk (per classified account, per industry, clean exposure, large exposure, contingent exposure, currency, security, facility, demographic, etc.)

The Group follows the BOD approved policy on the generic classification of loans based on the type of borrowers and the purpose of the loan. The loan portfolio is grouped based on the underlying risk characteristics that are expected to respond in a similar manner to macroeconomic factors and forward looking conditions.

Credit-related commitments
The exposures represent guarantees, standby letters of credit (LCs) issued by the Parent Company and documentary/commercial LCs which are written undertakings by the Parent Company. To mitigate this risk, the Parent Company requires hard collaterals for standby LCs lines while commercial LCs are collateralized by the underlying shipments of goods to which they relate.

Derivative financial instruments
Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the statement of financial position.

Collateral and other credit enhancement
As a general rule, character is the single most important consideration in granting loans. However, collaterals are requested to mitigate risk. The loan value and type of collateral required depend on the assessment of the credit risk of the borrower or counterparty. The Group follows guidelines on the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:
- For corporate accounts - deposit hold outs, guarantees, securities, physical collaterals (e.g., real estate, chattels, inventory, etc.); generally, commercial, industrial and residential lots are preferred
- For retail lending - mortgages on residential properties and vehicles financed
- For securities lending and reverse repurchase transactions - cash or securities

The disposal of the foreclosed properties is handled by the Asset Management Group which adheres to the general policy of disposing assets at the highest possible market value.

Management regularly monitors the market value of the collateral and requests additional collateral in accordance with the underlying agreement. The existing market value of the collateral is considered during the review of the adequacy of the allowance for credit losses. Generally, collateral is not held over loans and advances to banks except for reverse repurchase agreements. The Group is not permitted to sell or repledge the collateral held over loans and advances to counterparty banks and BSP in the absence of default by the owner of the collateral.

Maximum exposure to credit risk after collateral held or other credit enhancements
An analysis of the maximum exposure to credit risk after taking into account any collateral held or other credit enhancements for the Group and the Parent Company is shown below:

	Consolidated			
	2021			
	Maximum Exposure	**Fair Value of Collateral**	**Net Exposure**	**Financial Effect of Collateral**
Securities held under agreements to resell	**₱15,796,673**	**₱15,800,317**	**₱–**	**₱15,796,673**
Loans and receivables:				
Receivables from customers*:				
Corporates	**527,718,995**	**247,961,955**	**429,891,939**	**97,827,056**
Local government units (LGU)	**4,241,018**	**–**	**4,241,018**	**–**
Credit Cards	**10,749,018**	**–**	**10,749,018**	**–**
Retail small and medium enterprises (SME)	**7,522,925**	**6,971,613**	**5,715,786**	**1,807,139**
Housing Loans	**27,484,803**	**7,263,711**	**25,913,056**	**1,571,747**
Auto Loans	**7,286,027**	**6,738,811**	**3,945,861**	**3,340,166**
Others	**7,887,441**	**7,710,970**	**6,631,679**	**1,255,762**
Other receivables	**13,338,658**	**-**	**13,338,658**	**–**
	₱622,025,558	**₱292,447,377**	**₱500,427,015**	**₱121,598,543**

**Receivables from customers exclude residual value of the leased asset (Note 10).*

	Consolidated			
	2020			
	Maximum Exposure	Fair Value of Collateral	Net Exposure	Financial Effect of Collateral
Securities held under agreements to resell	₱15,819,273	₱16,499,434	₱–	₱15,819,273
Loans and receivables:				
Receivables from customers*:				
Corporates	505,179,722	193,780,977	412,861,814	92,317,908
Local government units (LGU)	6,371,695	–	6,371,695	–
Credit Cards	9,942,901	–	9,942,901	–
Retail small and medium enterprises (SME)	10,630,717	9,884,496	6,122,742	4,507,975
Housing Loans	22,738,418	5,585,969	19,267,060	3,471,358
Auto Loans	10,054,907	4,906,734	7,118,837	2,936,070
Others	19,871,454	17,973,895	14,025,920	5,845,534
Other receivables	14,506,955	–	14,506,955	–
	₱615,116,042	₱248,631,505	₱490,217,924	₱124,898,118

**Receivables from customers exclude residual value of the leased asset (Note 10).*

	Parent Company			
	2021			
	Maximum Exposure	**Fair Value of Collateral**	**Net Exposure**	**Financial Effect of Collateral**
Securities held under agreements to resell	**₱15,796,673**	**₱15,800,317**	**₱–**	**₱15,796,673**
Loans and receivables:				
Receivables from customers:				
Corporates	**517,966,207**	**246,894,007**	**429,891,939**	**88,074,268**
LGU	**4,241,018**	**–**	**4,241,018**	**–**
Credit Cards	**10,749,018**	**–**	**10,749,018**	**–**
Retail SME	**5,750,965**	**3,714,598**	**5,715,786**	**35,179**
Housing Loans	**26,607,300**	**5,982,154**	**25,913,056**	**694,244**
Auto Loans	**7,286,027**	**6,738,811**	**3,945,861**	**3,340,166**
Others	**6,420,782**	**7,494,006**	**6,242,747**	**178,035**
Other receivables	**13,477,444**	**–**	**13,477,444**	**–**
	₱608,295,434	**₱286,623,893**	**₱500,176,869**	**₱108,118,565**

	Parent Company 2020			
	Maximum Exposure	Fair Value of Collateral	Net Exposure	Financial Effect of Collateral
Securities held under agreements to resell	₱15,819,273	₱16,499,434	₱–	₱15,819,273
Loans and receivables:				
Receivables from customers:				
Corporates	497,632,975	177,319,514	411,483,722	86,149,253
LGU	6,371,695	–	6,371,695	–
Credit Cards	9,942,901	–	9,942,901	–
Retail SME	7,917,077	6,268,900	5,591,610	2,325,467
Housing Loans	22,119,575	4,475,206	19,267,059	2,852,516
Auto Loans	10,054,907	4,906,734	7,118,837	2,936,070
Others	18,200,510	13,309,752	14,025,873	4,174,637
Other receivables	14,662,221	–	14,662,221	–
	₱602,721,134	₱222,779,540	₱488,463,918	₱114,257,216

The maximum credit risk, without taking into account the fair value of any collateral and netting agreements, is limited to the amounts on the statement of financial position plus commitments to customers such as unused commercial letters of credit, outstanding guarantees and others.

Excessive risk concentration

Credit risk concentrations can arise whenever a significant number of borrowers have similar characteristics. The Group analyzes the credit risk concentration to an individual borrower, related group of accounts, industry, geographic, internal rating buckets, currency, term and security. For risk concentration monitoring purposes, the financial assets are broadly categorized into (1) loans and receivables and (2) trading and investment securities. To mitigate risk concentration, the Group constantly checks for breaches in regulatory and internal limits. Clear escalation process and override procedures are in place, whereby any excess in limits are covered by appropriate approving authority to regularize and monitor breaches in limits.

a. Limit per Client or Counterparty
   For each CRR, the Parent Company sets limits per client or counterparty based on the regulatory Single Borrowers Limit. For trading and investment securities, the Group limits investments to government issues and securities issued by entities with high-quality investment ratings.

b. Geographic Concentration
   The table below shows the credit risk exposures, before taking into account any collateral held or other credit enhancements, categorized by geographic location:

	Consolidated 2021			
	Loans and receivables*	**Trading and investment securities**	**Other financial assets****	**Total**
Philippines	**₱556,478,910**	**₱200,906,568**	**₱176,809,453**	**₱934,194,931**
Asia (excluding the Philippines)	**29,779,159**	**43,636,805**	**39,214,150**	**112,630,114**
USA and Canada	**8,201,937**	**18,728,426**	**16,566,107**	**43,496,470**
United Kingdom	**1,820,209**	**5,318,234**	**2,476,726**	**9,615,169**
Other European Union Countries	**8,356,214**	**20,757**	**1,062,066**	**9,439,037**
Middle East	**924,033**	**–**	**144,953**	**1,068,986**
Oceania	**668,423**	**–**	**3,323**	**671,746**
	₱606,228,885	**₱268,610,790**	**₱236,276,778**	**₱1,111,116,453**

**Loans and receivables exclude residual value of the leased asset (Note 10)*
*** Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15)*

	Consolidated 2020			
	Loans and receivables*	Trading and investment securities	Other financial assets**	Total
Philippines	₱552,879,878	₱172,370,408	₱219,274,507	₱944,524,793
Asia (excluding the Philippines)	24,258,857	48,309,476	23,964,841	96,533,174
USA and Canada	6,869,301	25,055,603	9,126,132	41,051,036
United Kingdom	5,654,986	4,645,583	13,500,252	23,800,821
Other European Union Countries	8,077,246	3	11,605,874	19,683,123
Middle East	942,688	2,395,980	11,213	3,349,881
Oceania	613,813	–	–	613,813
	₱599,296,769	₱252,777,053	₱277,482,819	₱1,129,556,641

**Loans and receivables exclude residual value of the leased asset. (Note 10)*
*** Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15)*

	Parent Company 2021			
	Loans and receivables	**Trading and investment securities**	**Other financial assets***	**Total**
Philippines	**₱554,890,216**	**₱200,470,439**	**₱178,478,647**	**₱933,839,302**
Asia (excluding the Philippines)	**17,701,682**	**43,633,794**	**30,201,697**	**91,537,173**
USA and Canada	**8,139,898**	**18,600,477**	**14,972,087**	**41,712,462**
United Kingdom	**8,356,214**	**5,159,055**	**1,723,570**	**15,238,839**
Other European Union Countries	**1,818,298**	**20,757**	**1,033,728**	**2,872,783**
Middle East	**924,033**	**–**	**144,953**	**1,068,986**
Oceania	**668,420**	**–**	**–**	**668,420**
	₱592,498,761	**₱267,884,522**	**₱226,554,682**	**₱1,086,937,965**

**Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15)*

	Parent Company 2020			
	Loans and receivables	Trading and investment securities	Other financial assets*	Total
Philippines	₱552,079,005	₱170,119,011	₱220,774,417	₱942,972,433
Asia (excluding the Philippines)	12,760,255	48,304,380	15,509,753	76,574,388
USA and Canada	6,799,933	24,935,253	7,558,596	39,293,782
United Kingdom	5,628,921	4,572,413	12,618,977	22,820,311
Other European Union Countries	8,077,246	3	11,552,342	19,629,591
Middle East	942,688	2,395,980	11,213	3,349,881
Oceania	613,813	–	–	613,813
	₱586,901,861	₱250,327,040	₱268,025,298	₱1,105,254,199

**Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15)*

c. Concentration by Industry

The tables below show the industry sector analysis of the Group's and Parent Company's financial assets at amounts before taking into account the fair value of the loan collateral held or other credit enhancements.

	Consolidated			
	2021			
	Loans and receivables*	**Trading and investment securities**	**Other financial assets*****	**Total**
Primary target industry:				
Financial intermediaries	**₱126,158,573**	**₱43,483,287**	**₱53,561,402**	**₱223,203,262**
Wholesale and retail	**86,433,023**	–	**–**	**86,433,023**
Electricity, gas and water	**72,426,116**	**10,302,995**	**–**	**82,729,111**
Transport, storage and communication	**51,693,269**	**4,045**	**–**	**51,697,314**
Manufacturing	**46,914,627**	**129,678**	**–**	**47,044,305**
Agriculture, hunting and forestry	**8,271,048**	–	**–**	**8,271,048**
Public administration and defense	**6,409,301**	–	**–**	**6,409,301**
Secondary target industry:				
Government	**4,240,406**	**159,000,735**	**182,319,161**	**345,560,302**
Real estate, renting and business activities	**95,267,868**	**13,729,541**	**–**	**108,997,409**
Construction	**26,281,431**	–	**–**	**26,281,431**
Others**	**82,133,223**	**41,960,509**	**396,215**	**124,489,947**
	₱606,228,885	**₱268,610,790**	**₱236,276,778**	**₱1,111,116,453**

**Loans and receivables exclude residual value of the leased asset (Note 10)*
***Others include the following sectors - Other community, social and personal services, private household, hotel and restaurant, education, mining and quarrying, and health and social work.*
****Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15)*

	Consolidated			
	2020			
	Loans and receivables*	Trading and investment securities	Other financial assets***	Total
Primary target industry:				
Financial intermediaries	₱91,848,379	₱41,345,803	₱60,169,125	₱193,363,307
Wholesale and retail	82,953,090	–	–	82,953,090
Electricity, gas and water	72,565,910	4,080,777	–	76,646,687
Transport, storage and communication	54,836,228	50,862	–	54,887,090
Manufacturing	46,796,772	1,578,584	–	48,375,356
Public administration and defense	12,463,250	–	–	12,463,250
Agriculture, hunting and forestry	9,055,935	–	–	9,055,935
Secondary target industry:				
Government	5,713,730	170,983,272	217,088,611	393,785,613
Real estate, renting and business activities	96,309,149	14,857,795	–	111,166,944
Construction	34,184,356	–	–	34,184,356
Others**	92,569,970	19,879,960	225,083	112,675,013
	₱599,296,769	₱252,777,053	₱277,482,819	₱1,129,556,641

**Loans and receivables exclude residual value of the leased asset (Note 10)*
***Others include the following sectors - Other community, social and personal services, private household, hotel and restaurant, education, mining and quarrying, and health and social work.*
****Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15)*

	Parent Company			
	2021			
	Loans and receivables	**Trading and investment securities**	**Other financial assets****	**Total**
Primary target industry:				
Financial intermediaries	**₱126,812,309**	**₱43,479,276**	**₱43,973,406**	**₱214,264,991**
Wholesale and retail	**82,109,030**	**–**	**–**	**82,109,030**
Electricity, gas and water	**72,421,660**	**10,302,995**	–	**82,724,655**
Transport, storage and communication	**50,883,391**	**–**	**–**	**50,883,391**
Manufacturing	**43,338,986**	**129,678**	–	**43,468,664**
Agriculture, hunting and forestry	**8,079,223**	**–**	**–**	**8,079,223**
Public administration and defense	**6,409,301**	**–**	**–**	**6,409,301**
Secondary target industry:				
Government	**4,240,406**	**158,886,167**	**182,319,161**	**345,445,734**
Real estate, renting and business activities	**91,680,656**	**13,126,066**	–	**104,806,722**
Construction	**26,020,918**	**–**	–	**26,020,918**
Others*	**80,502,881**	**41,960,340**	**262,115**	**122,725,336**
	₱592,498,761	**₱267,884,522**	**₱226,554,682**	**₱1,086,937,965**

**Others include the following sectors - Other community, social and personal services, private household, hotel and restaurant, education, mining and quarrying, and health and social work.*
***Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15).*

	Parent Company			
	2020			
	Loans and receivables	Trading and investment securities	Other financial assets**	Total
Primary target industry:				
Financial intermediaries	₱93,716,924	₱41,336,164	₱50,724,641	₱185,777,729
Wholesale and retail	79,221,782	–	–	79,221,782
Electricity, gas and water	72,516,314	4,080,724	–	76,597,038
Manufacturing	43,183,396	1,623,974	–	44,807,370
Transport, storage and communication	54,449,387			54,449,387
Public administration and defense	12,463,250	–	–	12,463,250
Agriculture, hunting and forestry	8,866,767	–	–	8,866,767
Secondary target industry:				
Government	5,713,730	170,951,180	217,088,611	393,753,521
Real estate, renting and business activities	93,341,177	12,540,208	–	105,881,385
Construction	33,160,413	–	–	33,160,413
Others*	90,268,721	19,794,790	212,046	110,275,557
	₱586,901,861	₱250,327,040	₱268,025,298	₱1,105,254,199

**Others include the following sectors - Other community, social and personal services, private household, hotel and restaurant, education, mining and quarrying, and health and social work.*
***Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15).*

The internal limit of the Parent Company based on the Philippine Standard Industry Classification sub-industry is 12.00% for priority industry, 8.00% for regular industry, 30.00% for power industry and 25.00% for activities of holding companies versus total loan portfolio.

Credit quality per class of financial assets

The segmentation of the Group's loan portfolio is based on the underlying risk characteristics that are expected to respond in a similar manner to macroeconomic factors and forward-looking conditions.

Generally, the Group's exposures can be categorized as either Non-Retail and Retail. Non-Retail portfolio of the Group consists of debt obligations of sovereigns, financial institutions, corporations, partnerships, or proprietorships. In particular, the Group's Non-retail portfolio segments are as follows: Sovereigns, Financial Institutions, Specialised Lending (e.g. Project Finance), Large Corporates, Middle Market and Commercial SME, government-owned and controlled corporations and LGUs. Retail exposures are exposures to individual person or persons or to a small business, and are not usually managed on an individual basis but as groups of exposures with similar risk characteristics. This includes Credit Cards, Consumer Loans and Retail SME, among others.

Loans and Receivables

The credit quality of Non-Retail portfolio is evaluated and monitored using external ratings and internal credit risk rating system. The Parent Company maintains a two-dimensional risk rating structure: that is, there is a borrower risk rating (BRR) and a facility risk rating (FRR).

Specific borrower rating models were developed by the Group to capture specific and unique risk characteristics of each of the Non-Retail segment. The borrower risk rating is measured based on financial condition of the borrower combined with an assessment of non-financial factors such as management, industry outlook and market competition. The BRR models captures overlays and early warning signals as well.

The Group uses a single scale with 26 risk grades for all its borrower risk rating models. The 26-risk grade internal default masterscale is a representation of a common measure of relative default risk associated with the obligors/counterparties. The internal default masterscale is mapped to a global rating scale.

FRR, on the other hand, assesses potential loss of the Group in case of default, which considers collateral type and level of collateralization of the facility. The FRR has 9-grades, i.e. FRR A to FRR I.

The CRR or final credit risk rating shall be expressed in alphanumeric terms, e.g. CRR 1A which is a combination of the general creditworthiness of the borrower (BRR 1) and the potential loss of the Group in the event of the borrower's default (FRR A).

The credit quality and corresponding BRRs of the Group's receivables from customers are defined below:

Credit quality	26-grade CRR system
High S&P Equivalent Global Rating: AAA to BBB-	*BRR 1 Excellent* Borrower has an exceptionally strong capacity to meet its financial commitments. No existing disruptions or future disruptions are highly unlikely. Probability of going into default in the coming year is very minimal/low. *BRR 2 Very Strong* Borrower has a very strong capacity to meet its financial commitments. No existing disruptions or future disruptions are unlikely. It differs from BRR 1 borrowers only to a small degree. Probability of going into default in the coming year is very minimal/low. *BRR 3 Strong* Borrower has a strong capacity to meet its financial commitments. No existing disruptions or future disruptions are unlikely. However, adverse economic conditions or changing circumstances could lead to somewhat lesser capacity to meet financial obligations than in higher-rated borrowers. Probability of going into default in the coming year is very minimal/low. *BRR 4-6 Good* Borrower has an adequate capacity to meet its financial commitments in the normal course of its business. With identified disruptions from external factors but company has or will likely overcome. Default possibility is minimal/low.
	BRR 7-9 Satisfactory Borrower under this rating scale basically possesses the characteristics of borrowers rated as BRR 4 to BRR 6 with slightly lesser quality. Default possibility is minimal/low. *BRR 10-12 Adequate* Borrower has an adequate capacity to meet its financial commitments under the normal course of business. However, adverse economic conditions and changing circumstances are more likely to weaken the borrower's capacity to meet its financial commitments. Default possibility is minimal/low.
Standard S&P Equivalent Global Rating: BB+ to BB-	*BRR 13-15 Average* Borrower still has the capacity to meet its financial commitments and withstand normal business cycles, however, any prolonged unfavorable economic and/or market conditions would create an immediate deterioration beyond acceptable levels. With identified disruptions from external forces, impact on the borrower is uncertain. Default is a possibility. *BRR 16-18 Acceptable* Borrower under this rating scale basically possesses the characteristics of borrowers rated as BRR 13 to BRR 15 with slightly lesser quality. Default is a possibility. *BRR 19-20 Vulnerable* Borrower is less vulnerable in the near term than other low-rated borrowers. However, it faces major ongoing uncertainties and exposure to adverse business, financial or economic conditions that could lead to the borrower's inadequate capacity to meet its financial commitment. Default is a possibility
Substandard S&P Equivalent Global Rating: B+ to CCC-	*BRR 21-22 Weak* Borrower is more vulnerable than the borrowers rated BRR 19 and BRR 20 but the borrower currently has the capacity to meet its financial commitments. Adverse business, financial, or economic conditions will likely impair the borrower's capacity or willingness to meet its financial commitments. Default is more than a possibility. *BRR 23-25 Watchlist* Borrower is currently vulnerable and is dependent upon favorable business, financial, and economic conditions to meet its financial commitments. Borrower may already be experiencing losses and impaired capital in the case of BRR 25.
Impaired S&P Equivalent Global Rating: D	*BRR 26 Default* Default will be a general default. Borrower will fail to pay all or substantially all of its obligations as they come due.

For the Retail segment of the portfolio, such as Retail SME, Credit Cards, Housing and Auto Loans, credit scoring is being used in evaluating the creditworthiness of the borrower.

The table below shows the credit quality of the Group's and the Parent Company's receivables from customers, gross of allowance for credit losses and unearned and other deferred income, but net of residual values of leased assets, as of December 31, 2021 and 2020:

	Consolidated			
	2021			
	Stage 1	Stage 2	Stage 3	Total
Subject to CRR				
Non-Retail – Corporate				
High	**₱213,838,798**	**₱–**	**₱–**	**₱213,838,798**
Standard	**212,873,427**	**3,844,270**	**–**	**216,717,697**
Substandard	**40,871,799**	**21,006,283**	**–**	**61,878,082**
Impaired	**–**	**–**	**53,190,550**	**53,190,550**
	467,584,024	**24,850,553**	**53,190,550**	**545,625,127**
Subject to Scoring and Unrated				
Non-Retail	**10,135,795**	**157,989**	**2,366,325**	**12,660,109**
Corporate	**5,919,463**	**109,747**	**2,298,527**	**8,327,737**
LGU	**4,216,332**	**48,242**	**67,798**	**4,332,372**

(Forward)

	Consolidated 2021			
	Stage 1	Stage 2	Stage 3	Total
Retail	₱42,972,853	₱1,081,229	₱18,382,820	₱62,436,902
Auto Loans	5,942,501	162,915	2,733,492	8,838,908
Housing Loans	20,002,043	486,743	10,428,593	30,917,379
Retail SME	6,559,372	162,158	2,802,140	9,523,670
Credit Card	10,468,937	269,413	2,418,595	13,156,945
Others	7,520,493	377,111	1,197,669	9,095,273
	60,629,141	1,616,329	21,946,814	84,192,284
	₱528,213,165	₱26,466,882	₱75,137,364	₱629,817,411

	Consolidated 2020			
	Stage 1	Stage 2	Stage 3	Total
Subject to CRR				
Non-Retail - Corporate				
High	₱147,515,062	₱82,461	₱–	₱147,597,523
Standard	248,026,670	11,039,396	–	259,066,066
Substandard	46,768,223	19,014,224	–	65,782,447
Impaired	–	–	50,830,167	50,830,167
	442,309,955	30,136,081	50,830,167	523,276,203
Subject to Scoring and Unrated				
Non-Retail	8,125,501	7,450	24,916	8,157,867
Corporate	1,735,479	–	–	1,735,479
LGU	6,390,022	7,450	24,916	6,422,388
Retail	44,241,440	2,175,219	15,328,568	61,745,227
Auto Loans	7,900,760	603,828	2,694,913	11,199,501
Housing Loans	16,221,255	1,049,729	8,073,186	25,344,170
Retail SME	10,920,558	322,035	1,428,394	12,670,987
Credit Card	9,198,867	199,627	3,132,075	12,530,569
Others	15,286,939	1,537,544	5,359,160	22,183,643
	67,653,880	3,720,213	20,712,644	92,086,737
	₱509,963,835	₱33,856,294	₱71,542,811	₱615,362,940

	Parent Company 2021			
	Stage 1	Stage 2	Stage 3	Total
Subject to CRR				
Non-Retail - Corporate				
High	₱212,114,805	₱–	₱–	₱212,114,805
Standard	206,430,322	3,776,903	–	210,207,225
Substandard	40,763,415	20,989,666	–	61,753,081
Impaired	–	–	52,982,964	52,982,964
	459,308,542	24,766,569	52,982,964	537,058,075
Subject to Scoring and Unrated				
Non-Retail	10,135,795	157,989	2,366,325	12,660,109
Corporate	5,919,463	109,747	2,298,527	8,327,737
LGU	4,216,332	48,242	67,798	4,332,372
Retail	40,728,876	972,564	16,728,621	58,430,061
Auto Loans	5,942,501	162,915	2,733,492	8,838,908
Housing Loans	19,117,763	486,743	10,417,573	30,022,079
Retail SME	5,199,675	53,493	1,158,961	6,412,129
Credit Card	10,468,937	269,413	2,418,595	13,156,945
Others	6,067,892	374,035	1,173,741	7,615,668
	56,932,563	1,504,588	20,268,687	78,705,838
	₱516,241,105	₱26,271,157	₱73,251,651	₱615,763,913

	Parent Company 2020			
	Stage 1	Stage 2	Stage 3	Total
Subject to CRR				
Non-Retail - Corporate				
High	₱144,259,859	₱82,461	₱–	₱144,342,320
Standard	243,880,794	11,039,396	–	254,920,190
Substandard	46,412,887	18,941,600	–	65,354,487
Impaired	–	–	50,825,100	50,825,100
	434,553,540	30,063,457	50,825,100	515,442,097
Subject to Scoring and Unrated				
Non-Retail	8,125,501	7,450	24,916	8,157,867
Corporate	1,735,479	–	–	1,735,479
LGU	6,390,022	7,450	24,916	6,422,388
Retail	40,039,914	2,169,652	15,076,051	57,285,617
Auto Loans	7,900,760	603,828	2,694,911	11,199,499
Housing Loans	15,596,141	1,049,729	8,073,186	24,719,056
Retail SME	7,344,146	316,468	1,175,879	8,836,493
Credit Card	9,198,867	199,627	3,132,075	12,530,569
Others	13,615,979	1,536,610	5,347,939	20,500,528
	61,781,394	3,713,712	20,448,906	85,944,012
	₱496,334,934	₱33,777,169	₱71,274,006	₱601,386,109

The analysis of past due status of receivables from customers that are subject to scoring and unrated follows:

	Consolidated 2021				
	Less than 30 days	31 to 90 days	91 to 180 days	More than 180 days	Total
Housing Loans	₱463,159	₱365,760	₱798,478	₱9,453,732	₱11,081,129
Auto Loans	106,552	111,726	179,743	2,499,658	2,897,679
Credit Card	2,338	76,839	263,944	2,092,666	2,435,787
Retail SME	292,832	147,427	72,810	965,495	1,478,564
LGU	–	–	–	24,916	24,916
Others	247,220	107,395	111,504	1,542,905	2,009,024
Total	₱1,112,101	₱809,147	₱1,426,479	₱16,579,372	₱19,927,099

	Consolidated 2020				
	Less than 30 days	31 to 90 days	91 to 180 days	More than 180 days	Total
Housing Loans	₱171,132	₱24,241	₱49,569	₱8,755,260	₱9,000,202
Auto Loans	252,304	64,849	103,069	2,862,922	3,283,144
Credit Card	5,772	102,605	1,149,930	1,929,958	3,188,265
Retail SME	1,017,410	57,348	117,735	472,398	1,664,891
LGU	24,916	–	–	–	24,916
Others	1,913,966	57,888	67,406	3,746,974	5,786,234
Total	₱3,385,500	₱306,931	₱1,487,709	₱17,767,512	₱22,947,652

	Parent Company 2021				
	Less than 30 days	**31 to 90 days**	**91 to 180 days**	**More than 180 days**	**Total**
Housing Loans	**₱352,533**	**₱361,041**	**₱794,227**	**₱9,403,925**	**₱10,911,726**
Auto Loans	**106,552**	**111,726**	**179,743**	**2,499,658**	**2,897,679**
Credit Card	**2,338**	**76,839**	**263,944**	**2,092,666**	**2,435,787**
Retail SME	**197,544**	**133,337**	**70,980**	**797,201**	**1,199,062**
LGU	**–**	**–**	**–**	**24,916**	**24,916**
Others	**231,381**	**103,750**	**98,761**	**1,542,905**	**1,976,797**
Total	**₱890,348**	**₱786,693**	**₱1,407,655**	**₱16,361,271**	**₱19,445,967**

	Parent Company 2020				
	Less than 30 days	31 to 90 days	91 to 180 days	More than 180 days	Total
Housing Loans	₱171,132	₱24,241	₱49,569	₱8,755,260	₱9,000,202
Auto Loans	252,304	64,849	103,069	2,862,922	3,283,144
Credit Card	5,772	102,605	1,149,930	1,929,958	3,188,265
Retail SME	698,518	28,183	104,005	301,617	1,132,323
LGU	24,916	–	–	–	24,916
Others	1,904,039	57,829	35,756	3,614,926	5,612,550
Total	₱3,056,681	₱277,707	₱1,442,329	₱17,464,683	₱22,241,400

Trading and Investment Securities and Other Financial Assets

In ensuring quality investment portfolio, the Group uses the credit risk rating based on the external ratings of eligible external credit rating institutions (i.e. Moody's Investors Service) as follows:

Aaa to Aa3 - fixed income are judged to be of high quality and are subject to very low credit risk, but their susceptibility to long-term risks appears somewhat greater.

A1 to A3 - fixed income obligations are considered upper-medium grade and are subject to low credit risk, but have elements present that suggest a susceptibility to impairment over the long term.

Baa1 and below - represents those investments which fall under any of the following grade:

- Baa1, Baa2, Baa3 - fixed income obligations are subject to moderate credit risk. They are considered medium grade and as such protective elements may be lacking or may be characteristically unreliable.
- Ba1, Ba2, Ba3 - obligations are judged to have speculative elements and are subject to substantial credit risk.
- B1, B2, B3 - obligations are considered speculative and are subject to high credit risk.
- Caa1, Caa2, Caa3 - are judged to be of poor standing and are subject to very high credit risk.
- Ca - are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.
- C - are the lowest rated class of bonds and are typically in default, with little prospect for recovery of principal or interest.

Below are the financial assets of the Group and the Parent Company, gross of allowances, excluding receivables from customers, which are monitored using external ratings.

	Consolidated 2021					
	Aaa to Aa3	**A1 to A3**	**Baa1 and below**	**Subtotal**	**Unrated**	**Total**
Due from BSP [1/]	**₱–**	**₱–**	**₱–**	**₱–**	**₱161,001,912**	**₱161,001,912**
Due from other banks	**3,266,569**	**17,609,563**	**4,274,418**	**25,150,550**	**2,082,125**	**27,232,675**
Interbank loans receivables	**1,839,737**	**24,081,833**	**1,223,976**	**27,145,546**	**4,967,121**	**32,112,667**
Securities held under agreements to resell	**–**	**–**	**–**	**–**	**15,800,317**	**15,800,317**
Financial assets at FVOCI						
Government securities	**6,881,673**	**2,789,153**	**110,623,588**	**120,294,414**	**159,179**	**120,453,593**
Private debt securities	**577,330**	**–**	**590,387**	**1,167,717**	**21,947,762**	**23,115,479**
Quoted equity securities	**–**	**–**	**48,170**	**48,170**	**621,415**	**669,585**
Unquoted equity securities	**–**	**–**	**406,151**	**406,151**	**23,342,482**	**23,748,633**
Investment securities at amortized cost						
Government securities	**127,949**	**200,705**	**33,747,889**	**34,076,543**	**56,751**	**34,133,294**
Private debt securities	**670,407**	**26,131,022**	**2,804,403**	**29,605,832**	**29,538,883**	**59,144,715**
Financial assets at amortized cost						
Loans and receivables - Others [2/]	**–**	**–**	**–**	**–**	**16,870,479**	**16,870,479**

[1/] 'Due from BSP' is composed of interest-earning short-term placements with the BSP and a demand deposit account to support the regular operations of the Parent Company.
[2/] Loans and receivables - Others is composed of Accrued interest receivable, Accounts receivable, Sales contracts receivable and other miscellaneous receivables (Note 10).

	Consolidated 2020					
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated	Total
Due from BSP [1/]	₱–	₱–	₱–	₱–	₱202,129,356	₱202,129,356
Due from other banks	5,813,831	10,123,881	1,802,421	17,740,133	2,003,065	19,743,198
Interbank loans receivables	13,867,302	24,308,309	1,528,253	39,703,864	–	39,703,864
Securities held under agreements to resell	–	–	–	–	15,819,273	15,819,273
Financial assets at FVOCI						
Government securities	85,207	–	90,319,428	90,404,635	20,442,131	110,846,766
Private debt securities	405,322	3,231,687	1,975,897	5,612,906	15,805,628	21,418,534
Quoted equity securities	–	–	119,170	119,170	588,188	707,358
Unquoted equity securities	–	–	420,683	420,683	322,011	742,694
Investment securities at amortized cost						
Government securities	120,351	188,146	42,540,628	42,849,125	226,650	43,075,775
Private debt securities	1,113,697	25,550,637	7,650,120	34,314,454	21,828,162	56,142,616
Financial assets at amortized cost						
Loans and receivables - Others [2/]	–	–	–	–	17,813,208	17,813,208

[1/] 'Due from BSP' is composed of interest-earning short-term placements with the BSP and a demand deposit account to support the regular operations of the Parent Company.
[2/] Loans and receivables - Others is composed of Accrued interest receivable, Accounts receivable, Sales contracts receivable and other miscellaneous receivables (Note 10).

	Parent Company 2021					
	Aaa to Aa3	**A1 to A3**	**Baa1 and below**	**Subtotal**	**Unrated**	**Total**
Due from BSP [1/]	**₱–**	**₱–**	**₱–**	**₱–**	**₱161,001,912**	**₱161,001,912**
Due from other banks	**895,156**	**16,724,931**	**130,917**	**17,751,004**	**1,582,869**	**19,333,873**
Interbank loans receivables	**–**	**24,081,833**	**1,223,976**	**25,305,809**	**4,996,525**	**30,302,334**
Securities held under agreements to resell	**–**	**–**	**–**	**–**	**15,800,317**	**15,800,317**
Financial assets at FVOCI						
Government securities	**6,881,673**	**2,789,153**	**110,796,148**	**120,466,974**	**–**	**120,466,974**
Private debt securities	**577,330**	**–**	**590,387**	**1,167,717**	**21,947,762**	**23,115,479**
Quoted equity securities	**–**	**–**	**–**	**–**	**621,415**	**621,415**
Unquoted equity securities	**–**	**–**	**–**	**–**	**23,342,482**	**23,342,482**
Investment securities at amortized cost						
Government securities	**–**	**200,705**	**33,747,889**	**33,948,594**	**56,751**	**34,005,345**
Private securities	**670,407**	**26,131,022**	**2,804,403**	**29,605,832**	**29,538,883**	**59,144,715**
Financial assets at amortized cost						
Loans and receivables - Others [2/]	**–**	**–**	**–**	**–**	**16,817,233**	**16,817,233**

[1/] 'Due from BSP' is composed of interest-earning short-term placements with the BSP and a demand deposit account to support the regular operations of the Parent Company.
[2/] Loans and receivables - Others is composed of Accrued interest receivable, Accounts receivable, Sales contracts receivable and other miscellaneous receivables (Note 10).

	Parent Company					
	2020					
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated	Total
Due from BSP [1/]	₱–	₱–	₱–	₱–	₱202,129,356	₱202,129,356
Due from other banks	887,022	9,737,045	45,577	10,669,644	1,471,955	12,141,599
Interbank loans receivables	12,005,750	24,308,309	1,528,253	37,842,312	19,240	37,861,553
Securities held under agreements to resell	–	–	–	–	15,819,273	15,819,273
Financial assets at FVOCI						
Government securities	–	–	90,319,428	90,319,428	20,615,597	110,935,025
Private debt securities	405,322	3,231,687	1,975,897	5,612,906	15,805,628	21,418,534
Quoted equity securities	–	–	–	–	588,188	588,188
Unquoted equity securities	–	–	–	–	321,011	321,011
Investment securities at amortized cost						
Government securities	–	188,146	42,540,628	42,728,774	226,650	42,955,424
Private securities	1,113,697	25,550,637	7,650,120	34,314,454	21,828,162	56,142,616
Financial assets at amortized cost						
Loans and receivables - Others [2/]	–	–	–	–	18,148,561	18,148,561

[1/] 'Due from BSP' is composed of interest-earning short-term placements with the BSP and a demand deposit account to support the regular operations of the Parent Company.
[2/] Loans and receivables - Others is composed of Accrued interest receivable, Accounts receivable, Sales contracts receivable and other miscellaneous receivables (Note 10).

Liquidity Risk and Funding Management

Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from the Group's inability to meet its obligations when they come due without incurring unacceptable losses or costs.

The Group's liquidity management involves maintaining funding capacity to accommodate fluctuations in asset and liability levels due to changes in the Group's business operations or unanticipated events created by customer behavior or capital market conditions. The Parent Company seeks to ensure liquidity through a combination of active management of liabilities, a liquid asset portfolio composed substantially of deposits in primary and secondary reserves, and the securing of money market lines and the maintenance of repurchase facilities to address any unexpected liquidity situations.

Liquidity risk is monitored and controlled primarily by a gap analysis of maturities of relevant assets and liabilities reflected in the maximum cumulative outflow (MCO) report, as well as an analysis of available liquid assets. The MCO focuses on a 12-month period wherein the 12-month cumulative outflow is compared to the acceptable MCO limit set by the BOD. Furthermore, an internal liquidity ratio has been set to determine sufficiency of liquid assets over deposit liabilities.
Liquidity is monitored by the Parent Company on a daily basis through the Treasury Group. Likewise, the RMG monitors the static liquidity via the MCO under normal and stressed scenarios.

The table below shows the financial assets and financial liabilities' liquidity information which includes coupon cash flows categorized based on the expected date on which the asset will be realized and the liability will be settled. For other assets, the analysis into maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date or if earlier, the expected date the assets will be realized.

	Consolidated					
	2021					
	Up to 1 Month	**More than 1 Month to 3 Months**	**More than 3 Months to 6 Months**	**More than 6 Months to 1 Year**	**Beyond 1 year**	**Total**
Financial Assets						
COCI	**₱27,552,773**	**₱–**	**₱–**	**₱–**	**₱–**	**₱27,552,773**
Due from BSP and other banks	**198,068,292**	**–**	**–**	**–**	**–**	**198,068,292**
Interbank loans receivable	**19,805,605**	**10,715,908**	**1,067,495**	**568,146**	**–**	**32,157,154**
Securities held under agreements to resell	**15,802,951**	–	–	–	–	**15,802,951**
Financial assets at FVTPL:						
Government securities	**57,054**	**18,448**	**34,500**	**11,385,854**	**4,781,166**	**16,277,022**
Private debt securities	**186**	**18,030**	**176,191**	**31,062**	**2,579,883**	**2,805,352**
Equity securities	**17,136**	**–**	**12,091**	**24,183**	**1,514,836**	**1,568,246**
Derivative assets:						
Gross contractual receivable	**61,532,251**	**14,897,286**	**7,910,369**	**4,589,910**	**13,210**	**88,943,026**
Gross contractual payable	**(60,680,112)**	**(14,704,947)**	**(7,645,129)**	**(4,534,606)**	**–**	**(87,564,794)**
Financial assets at FVOCI:						
Government securities	**78,745,484**	**4,636,909**	**3,109,299**	**1,613,622**	**148,755,225**	**236,860,539**
Private debt securities	**3,444,954**	**1,412,324**	**8,989,090**	**854,325**	**45,106,745**	**59,807,438**
Equity securities	**–**	**7,542**	**8,062**	**23,005,580**	**1,749,225**	**24,770,409**
Investment securities at amortized cost						
Government securities	**6,361,591**	**214,959**	**6,969,499**	**6,158,380**	**54,935,808**	**74,640,237**
Private debt securities	**5,269,632**	**2,317,994**	**25,944,968**	**33,115,292**	**61,667,118**	**128,315,004**
Financial assets at amortized cost:						
Receivables from customers	**90,898,111**	**79,057,653**	**45,428,175**	**19,183,146**	**528,783,731**	**763,350,816**
Other receivables	**5,775,560**	**193,692**	**749,201**	**163,276**	**9,785,849**	**16,667,578**
Other assets	**135,528**	**–**	**–**	**796**	**13,698**	**150,022**
Total financial assets	**₱452,786,996**	**₱98,785,798**	**₱92,753,811**	**₱96,158,966**	**₱859,686,494**	**₱1,600,172,065**
Financial Liabilities						
Deposit liabilities:						
Demand	**₱219,090,952**	**₱–**	**₱–**	**₱–**	**₱–**	**₱219,090,952**
Savings	**332,014,541**	**–**	**–**	**–**	**–**	**332,014,541**
Time and LTNCDs	**184,257,674**	**98,415,142**	**19,409,706**	**22,530,166**	**30,400,359**	**355,013,047**
Financial liabilities at FVTPL:						
Derivative liabilities:						
Gross contractual payable	**20,905,000**	**30,667,331**	**17,594,662**	**254,995**	**–**	**69,421,988**
Gross contractual receivable	**(20,620,440)**	**(30,260,033)**	**(17,395,227)**	**(254,871)**	**–**	**(68,530,571)**
Bills and acceptances payable	**35,960,884**	**12,411,424**	**1,155,713**	**2,419,107**	**1,038,240**	**52,985,368**
Bonds Payable	**–**	**–**	**952,406**	**952,406**	**55,263,239**	**57,168,051**
Accrued interest payable and accrued other expenses payable	**772,811**	**419,761**	**439,484**	**74,873**	**1,029,713**	**2,736,642**
Other liabilities	**6,022,785**	**1,091,687**	**276,512**	**313,888**	**2,388,506**	**10,093,378**
Total financial liabilities	**₱778,404,207**	**₱112,745,312**	**₱22,433,256**	**₱26,290,564**	**₱90,120,057**	**₱1,029,993,396**

	Consolidated					
	2020					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial Assets						
COCI	₱25,135,724	₱–	₱–	₱–	₱–	₱25,135,724
Due from BSP and other banks	227,071,689	–	–	–	–	227,071,689
Interbank loans receivable	34,340,204	4,405,439	9,989	747,959	–	39,503,591
Securities held under agreements to resell	15,824,546	–	–	–	–	15,824,546
Financial assets at FVTPL:						
Government securities	76,701	179,570	219,267	365,452	21,495,821	22,336,811
Private debt securities	–	19,488	78,583	98,072	5,098,443	5,294,586
Equity securities	7,974	16,568	4,774	21,580	1,155,708	1,206,604
Investment in UITFs	2,938	–	–	–	–	2,938
Derivative assets:						
Gross contractual receivable	44,836,230	9,157,896	354,321	28,133	143,294	54,519,874
Gross contractual payable	(44,728,121)	(9,045,098)	(347,351)	(35,742)	(165,268)	(54,321,580)
Financial assets at FVOCI:						
Government securities	46,309,951	4,117,305	499,154	4,497,227	66,559,391	121,983,028
Private debt securities	506,753	424,064	1,485,767	3,327,820	18,901,182	24,645,586
Equity securities	–	7,542	8,062	15,605	1,008,477	1,039,686

(Forward)

	Consolidated					
	2020					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Investment securities at amortized cost						
Government securities	₱4,876,875	₱743,418	₱5,577,997	₱2,249,380	₱32,108,514	₱45,556,184
Private debt securities	132,997	3,995,388	4,245,417	16,980,507	43,692,410	69,046,719
Financial assets at amortized cost:						
Receivables from customers	95,694,816	77,647,882	33,398,312	23,273,429	484,754,727	714,769,166
Other receivables	9,815,467	185,556	703,382	187,629	7,507,310	18,399,344
Other assets	83,840	–	74	1,775	14,220	99,909
Total financial assets	₱459,988,584	₱91,855,018	₱46,237,748	₱51,758,826	₱682,274,229	₱1,332,114,405
Financial Liabilities						
Deposit liabilities:						
Demand	₱203,249,771	₱–	₱–	₱–	₱–	₱203,249,771
Savings	291,773,202	–	–	–	–	291,773,202
Time and LTNCDs	218,590,031	93,745,837	15,129,795	17,667,067	60,032,618	405,165,348
Financial liabilities at FVTPL:						
Derivative liabilities:						
Gross contractual payable	35,770,287	12,482,054	11,301,481	1,516,703	122,084	61,192,609
Gross contractual receivable	(35,497,003)	(12,425,675)	(11,063,446)	(1,476,432)	(165,268)	(60,627,824)
Bills and acceptances payable	45,293,030	25,985,275	237,141	1,552,830	14,242,031	87,310,307
Bonds Payable	–	218,453	15,147,938	1,057,058	58,700,049	75,123,498
Accrued interest payable and accrued other expenses payable	222,243	668,159	415,940	501,250	775,241	2,582,833
Other liabilities	9,341,792	207,577	509,323	460,831	1,877,917	12,397,440
Total financial liabilities	₱768,743,353	₱120,881,680	₱31,678,172	₱21,279,307	₱135,584,672	₱1,078,167,184

	Parent Company					
	2021					
	Up to 1 Month	**More than 1 Month to 3 Months**	**More than 3 Months to 6 Months**	**More than 6 Months to 1 Year**	**Beyond 1 year**	**Total**
Financial Assets						
COCI	₱27,454,459	₱–	₱–	₱–	₱–	₱27,454,459
Due from BSP and other banks	185,028,359	–	–	–	–	185,028,359
Interbank loans receivable	18,525,861	10,555,921	667,490	568,146	–	30,317,418
Securities held under agreements to resell	15,802,951	–	–	–	–	15,802,951
Financial assets at FVTPL:						
Government securities	57,054	18,448	34,500	11,385,854	4,781,166	16,277,022
Private debt securities	186	16,568	174,279	27,688	2,415,238	2,633,959
Equity securities	–	–	–	–	–	–
Derivative assets:						
Gross contractual receivable	61,530,679	14,896,451	7,909,765	4,589,910	13,210	88,940,015
Gross contractual payable	(60,680,112)	(14,704,947)	(7,645,129)	(4,534,606)	–	(87,564,794)
Financial assets at FVOCI:						
Government securities	78,586,305	4,636,909	3,109,299	1,613,622	148,755,225	236,701,360
Private debt securities	3,444,953	1,412,324	8,989,090	854,325	45,106,745	59,807,437
Equity securities	–	–	–	22,989,975	1,283,856	24,273,831
Investment securities at amortized cost:						
Government securities	6,361,583	214,935	6,969,499	6,040,436	54,925,559	74,512,012
Private debt securities	5,269,632	2,317,994	25,944,968	33,115,292	61,667,118	128,315,004
Financial assets at amortized cost:						
Receivables from customers	85,985,911	76,497,759	43,568,177	17,225,437	523,447,491	746,724,775
Other receivables	5,992,211	176,561	744,595	110,020	9,764,687	16,788,074
Other assets	134,840	–	–	–	1,502	136,342
Total financial assets	₱433,494,872	₱96,038,923	₱90,466,533	₱93,986,099	₱852,161,797	₱1,566,148,224

(Forward)

	Parent Company					
	2021					
	Up to 1 Month	**More than 1 Month to 3 Months**	**More than 3 Months to 6 Months**	**More than 6 Months to 1 Year**	**Beyond 1 year**	**Total**
Financial Liabilities						
Deposit liabilities:						
Demand	₱218,277,561	₱–	₱–	₱–	₱–	₱218,277,561
Savings	330,484,688	–	–	–	–	330,484,688
Time and LTNCDs	191,793,693	96,312,545	16,617,361	22,101,239	30,269,130	357,093,968
Financial liabilities at FVTPL:						
Derivative liabilities:						
Gross contractual receivable	20,904,918	30,667,331	17,594,655	254,995	–	69,421,899
Gross contractual payable	(20,620,440)	(30,260,033)	(17,395,227)	(254,853)	–	(68,530,553)
Bills and acceptances payable	35,960,884	12,204,336	741,537	1,590,756	647,075	51,144,588
Bonds payable	–	–	952,406	952,406	55,263,239	57,168,051
Accrued interest payable and accrued other expenses payable	747,875	417,706	436,059	60,189	1,027,742	2,689,571
Other liabilities	5,422,424	987,104	236,490	233,850	2,029,972	8,909,840
Total financial liabilities	₱782,971,603	₱110,328,989	₱19,183,281	₱24,938,582	₱89,237,158	₱1,026,659,613

	Parent Company					
	2020					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial Assets						
COCI	₱25,038,434	₱–	₱–	₱–	₱–	₱25,038,434
Due from BSP and other banks	215,736,563	–	–	–	–	215,736,563
Interbank loans receivable	32,985,081	4,260,745	9,989	386,223	–	37,642,038
Securities held under agreements to resell	15,824,546	–	–	–	–	15,824,546
Financial assets at FVTPL:						
Government securities	76,701	179,570	219,267	365,452	21,495,821	22,336,811
Private debt securities	–	–	53,099	53,099	2,813,834	2,920,032
Equity securities	186	16,568	4,774	21,529	1,155,708	1,198,765
Derivative assets:						
Gross contractual receivable	44,836,134	9,153,035	354,183	28,133	143,294	54,514,779
Gross contractual payable	(44,728,121)	(9,045,098)	(347,351)	(35,742)	(165,268)	(54,321,580)
Financial Assets at FVOCI:						
Government securities	46,236,478	4,117,205	499,054	4,497,027	66,545,692	121,895,456
Private debt securities	506,752	424,064	1,485,767	3,327,820	18,901,182	24,645,585
Equity securities	–	–	–	–	440,899	440,899
Investment securities at amortized cost:						
Government securities	4,876,830	743,372	5,577,997	2,239,307	31,997,363	45,434,869
Private debt securities	132,997	3,995,388	4,245,417	16,980,507	43,692,410	69,046,719
Financial assets at amortized cost:						
Receivables from customers	90,855,723	75,469,612	31,519,717	21,543,002	478,960,310	698,348,364
Other receivables	9,715,666	173,800	696,113	124,133	7,438,848	18,148,560
Other assets	85,672	–	74	–	527	86,273
Total financial assets	₱442,179,642	₱89,488,261	₱44,318,100	₱49,530,490	₱673,420,620	₱1,298,937,113
Financial Liabilities						
Deposit liabilities:						
Demand	₱202,489,354	₱–	₱–	₱–	₱–	₱202,489,354
Savings	290,560,463	–	–	–	–	290,560,463
Time and LTNCDs	226,707,265	91,019,585	12,065,239	17,198,950	59,980,452	406,971,491
Financial liabilities at FVTPL:						
Derivative liabilities:						
Gross contractual payable	35,770,120	12,482,054	11,301,212	1,516,703	122,084	61,192,173
Gross contractual receivable	(35,497,003)	(12,425,675)	(11,063,446)	(1,476,432)	(165,268)	(60,627,824)
Bills and acceptances payable	45,191,980	24,161,984	10,337	914	13,636,850	83,002,065
Bonds payable	–	218,453	15,147,938	1,057,058	58,700,049	75,123,498
Accrued interest payable and accrued other expenses payable	253,983	628,398	400,089	471,966	772,420	2,526,856
Other liabilities	8,588,232	145,192	87,867	418,972	1,485,536	10,725,799
Total financial liabilities	₱774,064,394	₱116,229,991	₱27,949,236	₱19,188,131	₱134,532,123	₱1,071,963,875

BSP reporting for liquidity positions and leverage
To promote short-term resilience of banks' liquidity risk profile, BSP requires banks and other regulated entities to maintain:

- over a 30-calendar day horizon, an adequate level of unencumbered high-quality liquid assets (HQLA) that consist of cash or assets that can be converted into cash to offset the net cash outflows they could encounter under a liquidity stress scenario; and
- a stable funding profile in relation to the composition of their assets and off-balance sheet activities.

To monitor the liquidity levels, the Group computes for its Liquidity Coverage Ratio (LCR), which is the ratio of HQLA to the total net cash outflows. As of December 31, 2021 and 2020, LCR reported to the BSP with certain adjustments is shown in the table below:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
LCR	**188.31%**	174.72%	**177.54%**	167.92%

The Group also computes for its Net Stable Funding Ratio (NSFR), which is the ratio of the available stable funding to the required stable funding. Both LCR and NSFR should be maintained no lower than 100.00% on a daily basis under normal situations. As of December 31, 2021 and 2020, NSFR reported to the BSP with certain adjustments is shown in the table below (amounts, except ratios, are expressed in millions):

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Available stable funding	**₱867,468**	₱845,749	**₱862,121**	₱838,677
Required stable funding	**630,819**	617,061	**639,013**	623,071
NSFR	**137.51%**	137.06%	**134.91%**	134.60%

Market Risk
Market risk is the risk to earnings or capital arising from adverse movements in factors that affect the market value of instruments, products, and transactions in an institutions' overall portfolio. Market risk arises from market making, dealing, and position taking in interest rate, foreign exchange and equity markets. The succeeding sections provide discussion on the impact of market risk on the Parent Company's trading and structural portfolios.

Trading market risk
Trading market risk exists in the Parent Company as the values of its trading positions are sensitive to changes in market rates such as interest rates, foreign exchange rates and equity prices. The Parent Company is exposed to trading market risk in the course of market making as well as from taking advantage of market opportunities. For internal monitoring of the risks in the trading portfolio, the Parent Company uses the Value at Risk (VaR) as a primary risk measurement tool. It adopts both the Parametric VaR methodology and Historical Simulation Methodology (with 99.00% confidence level) to measure the Parent Company's trading market risk. Both the Parametric models and Historical Simulation models were validated by an external independent validator. Volatilities used in the parametric are updated on a daily basis and are based on historical data for a rolling 400-day period while yields and prices in the historical VaR approach are also updated daily. The RMG reports the VaR utilization and breaches to limits to the risk taking personnel on a daily basis and to the ALCO and ROC on a monthly basis. All risk reports discussed in the ROC meeting are noted by the BOD. The VaR figures are back tested to validate the robustness of the VaR model. Results of backtesting on a rolling one year period are reported also to the ROC.

Objectives and limitations of the VaR methodology
The VaR models are designed to measure market risk in a normal market environment. The models assume that any changes occurring in the risk factors affecting the normal market environment will follow a normal distribution. The use of VaR has limitations because it is based on historical volatilities in market prices and assumes that future price movements will follow a statistical distribution. Due to the fact that VaR relies heavily on historical data to provide information and may not clearly predict the future changes and modifications of the risk factors, the probability of large market movements may be under-estimated if changes in risk factors fail to align with the normal distribution assumption. VaR may also be under- or over- estimated due to the assumptions placed on risk factors and the relationship between such factors for specific instruments. Even though positions may change throughout the day, the VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99.00% confidence level.

VaR assumptions/parameters
VaR estimates the potential loss on the current portfolio assuming a specified time horizon and level of confidence at 99.00%. The use of a 99.00% confidence level means that, within a one day horizon, losses exceeding the VaR figure should occur, on average, not more than once every one hundred days.

Backtesting
The validity of the assumptions underlying the Parent Company's VaR models can only be checked by appropriate backtesting procedures. Backtesting is a formal statistical framework that consists of verifying that actual losses are within the projected VaR approximations. The Parent Company adopts both the clean backtesting and dirty backtesting approaches approach in backtesting. Clean backtesting, consists of comparing the VaR estimates with some hypothetical P&L values of the portfolio, having kept its composition unchanged. In this case, the same portfolio is repriced or marked-to-market at the end of the time interval and the hypothetical P&L is then compared with the VaR. The other method, called dirty backtesting, consists of comparing the VaR estimates with the actual P&L values at the end of the time horizon. This method, however, may pose a problem if the portfolio has changed drastically because of trading activities between the beginning and the end of the time horizon since VaR models assume that the portfolio is "frozen" over the horizon. The Parent Company uses the regulatory 3-zone (green, yellow and red) boundaries in evaluating the backtesting results. For the years 2021 and 2020, the number of observations which fell outside the VaR is within the allowable number of exceptions in the green and yellow zones to conclude that there is no problem with the quality and accuracy of the VaR models at 99.00% confidence level. Nonetheless, closer monitoring and regular review of the model's parameters and assumptions are being conducted.

Stress testing
To complement the VaR approximations, the Parent Company conducts stress testing on a quarterly basis, the results of which are being reported to the BOD. Scenarios used in the conduct of stress test are event driven and represent the worst one-off event of a specific risk factor. Results of stress testing are analyzed in terms of the impact to earnings and capital.

VaR limits
Since VaR is an integral part of the Parent Company's market risk management, VaR limits have been established annually for all financial trading activities and exposures. Calculated VaR compared against the VaR limits are monitored. Limits are based on the tolerable risk appetite of the Parent Company. VaR is computed on an undiversified basis; hence, the Parent Company does not consider the correlation effects of the three trading portfolios.

The tables below show the trading VaR (in millions):

Trading Portfolio	**Foreign Exchange***	**Interest Rate**	**Equities Price**	**Total VaR****
December 31, 2021	**₱3.67**	**₱87.21**	**₱42.28**	**₱133.17**
Average Daily	**6.93**	**401.78**	**39.50**	**448.21**
Highest	**24.90**	**670.75**	**48.48**	**701.79**
Lowest	**0.88**	**87.21**	**23.49**	**133.17**

*   *FX VaR is the bankwide foreign exchange risk*
** *The high and low for the total portfolio may not equal the sum of the individual components as the highs and lows of the individual trading portfolios may have occurred on different trading days*

Trading Portfolio	Foreign Exchange*	Interest Rate	Equities Price	Total VaR**
December 29, 2020	₱9.85	₱491.44	₱22.92	₱524.22
Average Daily	9.92	245.63	28.16	346.53
Highest	26.22	608.54	36.81	746.44
Lowest	1.40	46.64	22.92	141.28

*   *FX VaR is the bankwide foreign exchange risk*
** *The high and low for the total portfolio may not equal the sum of the individual components as the highs and lows of the individual trading portfolios may have occurred on different trading days*

Structural Market Risk

Non-trading Market Risk
Interest rate risk
The Group seeks to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. Interest margins may increase as a result of such changes but may be reduced or may create losses in the event that unexpected movements arise.

Repricing mismatches will expose the Group to interest rate risk. The Group measures the sensitivity of its assets and liabilities to interest rate fluctuations by way of a "repricing gap" analysis using the repricing characteristics of its financial instrument positions tempered with approved assumptions. To evaluate earnings exposure, interest rate sensitive liabilities in each time band are subtracted from the corresponding interest rate assets to produce a "repricing gap" for that time band. The difference in the amount of assets and liabilities maturing or being repriced over a one year period would then give the Group an indication of the extent to which it is exposed to the risk of potential changes in net interest income. A negative gap occurs when the amount of interest rate sensitive liabilities exceeds the amount of interest rate sensitive assets. Vice versa, positive gap occurs when the amount of interest rate sensitive assets exceeds the amount of interest rate sensitive liabilities.

During a period of rising interest rates, a company with a positive gap is better positioned because the company's assets are refinanced at increasingly higher interest rates increasing the net interest margin of the company over time. During a period of falling interest rates, a company with a positive gap would show assets repricing at a faster rate than one with a negative gap, which may restrain the growth of its net income or result in a decline in net interest income.

For risk management purposes, the loan accounts are assessed based on next repricing date, thus as an example, if a loan account is scheduled to reprice three years from year-end report date, slotting of the account will be based on the date of interest repricing. Deposits with no specific maturity dates are excluded in the one-year repricing gap except for the portion of volatile regular savings deposits which are assumed to be withdrawn during the one year period and assumed to be replaced by a higher deposit rate.

The Group uses the Earnings at Risk (EaR) methodology to measure the likely interest margin compression in case of adverse change in interest rates given the Group repricing gap. The repricing gap covering the one-year period is multiplied by an assumed change in interest rates to yield an approximation of the change in net interest income that would result from such an interest rate movement. The Group BOD sets a limit on the level of EaR exposure tolerable to the Group. EaR exposure and compliance to the EaR limit is monitored monthly by the RMG and subject to a quarterly stress test.

The following table sets forth the repricing gap position of the Group and the Parent Company:

	Consolidated 2021					
	Up to 1 Month	**More than 1 Month to 3 Months**	**More than 3 Months to 6 Months**	**More than 6 Months to 1 Year**	**Beyond 1 year**	**Total**
Financial Assets*						
Due from BSP and other banks	**₱125,574,144**	**₱12,580,589**	**₱4,001,191**	**₱7,196,019**	**₱38,758,402**	**₱188,110,345**
Interbank loans receivable and securities held under agreements to resell	**34,549,285**	**10,771,927**	**1,466,248**	**1,115,301**	**–**	**47,902,761**
Receivables from customers and other receivables - gross**	**128,716,224**	**64,304,858**	**18,404,771**	**30,948,461**	**103,944,768**	**346,319,082**
Total financial assets	**₱288,839,653**	**₱87,657,374**	**₱23,872,210**	**₱39,259,781**	**₱142,703,170**	**₱582,332,188**
Financial Liabilities*						
Deposit liabilities:						
Savings	**₱135,672,175**	**₱68,263,209**	**₱23,605,886**	**₱49,986,458**	**₱220,893,955**	**₱498,421,683**
Time***	**93,532,161**	**43,039,858**	**4,787,996**	**3,235,736**	**7,133,803**	**151,729,554**
Bonds payable	**–**	**–**		**–**	**53,383,421**	**53,383,421**
Bills and acceptances payable	**42,931,168**	**8,030,146**	**43,984**	**259,804**	**1,688,695**	**52,953,797**
Total financial liabilities	**₱272,135,504**	**₱119,333,213**	**₱28,437,866**	**₱53,481,998**	**₱283,099,874**	**₱756,488,455**
Repricing gap	**₱16,704,149**	**(₱31,675,839)**	**(₱4,565,656)**	**(₱14,222,217)**	**(₱140,396,704)**	**(₱174,156,267)**
Cumulative gap	**16,704,149**	**(14,971,690)**	**(19,537,346)**	**(33,759,563)**	**(174,156,267)**	

*   *Financial instruments that are not subject to repricing/rollforward were excluded.*
** *Receivables from customers excludes residual value of leased assets (Note 10).*
****Excludes LTNCD.*

	Consolidated 2020					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial Assets*						
Due from BSP and other banks	₱138,408,279	₱1,393,036	₱440,735	₱461,478	₱81,169,026	₱221,872,554
Interbank loans receivable and securities held under agreements to resell	49,388,997	4,272,415	1,107,414	754,311	–	55,523,137
Receivables from customers and other receivables - gross**	118,843,373	79,871,415	18,556,843	15,140,373	129,523,589	361,935,593
Total financial assets	₱306,640,649	₱85,536,866	₱20,104,992	₱16,356,162	₱210,692,615	₱639,331,284
Financial Liabilities*						
Deposit liabilities:						
Savings	₱79,342,400	₱46,276,884	₱13,997,944	₱20,351,168	₱265,643,369	₱425,611,765
Time***	158,208,607	60,633,884	5,073,362	4,599,658	8,178,530	236,694,041
Bonds payable	–	–	13,852,539	–	50,203,796	64,056,335
Bills and acceptances payable	53,199,286	32,133,862	353,740	224,989	1,247,573	87,159,450
Total financial liabilities	₱290,750,293	₱139,044,630	₱33,277,585	₱25,175,815	₱325,273,268	₱813,521,591
Repricing gap	₱15,890,356	(₱53,507,764)	(₱13,172,593)	(₱8,819,653)	(₱114,580,653)	(₱174,190,307)
Cumulative gap	15,890,356	(37,617,408)	(50,790,001)	(59,609,654)	(174,190,307)	

*   *Financial instruments that are not subject to repricing/rollforward were excluded.*
** *Receivables from customers excludes residual value of leased assets (Note 10).*
****Excludes LTNCD.*

	Parent Company 2021					
	Up to 1 Month	**More than 1 Month to 3 Months**	**More than 3 Months to 6 Months**	**More than 6 Months to 1 Year**	**Beyond 1 year**	**Total**
Financial Assets*						
Due from BSP and other banks	**₱121,537,698**	**₱10,920,763**	**₱3,158,864**	**₱7,169,884**	**₱37,294,450**	**₱180,081,659**
Interbank loans receivable and securities held under repurchase agreement	**33,268,898**	**10,642,100**	**1,066,128**	**1,115,301**	**–**	**46,092,427**
Receivable from customers and other receivables - gross**	**128,716,224**	**64,304,858**	**18,404,771**	**30,948,461**	**103,944,768**	**346,319,082**
Total financial assets	**₱283,522,820**	**₱85,867,721**	**₱22,629,763**	**₱39,233,646**	**₱141,239,218**	**₱572,493,168**
Financial Liabilities*						
Deposit liabilities:						
Savings	**₱134,107855**	**₱68,263,209**	**₱23,605,886**	**₱49,986,458**	**₱221,049,602**	**₱497,013,010**
Time***	**95,172,643**	**44,321,054**	**5,379,430**	**6,190,653**	**7,002,570**	**158,066,350**
Bonds payable	**–**	**–**	**–**	**–**	**53,383,421**	**53,383,421**
Bills and acceptances payable	**42,808,063**	**7,284,147**	**–**	**–**	**1,020,808**	**51,113,018**
Total financial liabilities	**₱272,088,561**	**₱119,868,410**	**₱28,985,316**	**₱56,177,111**	**₱282,456,401**	**₱759,575,799**
Repricing gap	**₱11,434,259**	**(₱34,000,689)**	**(₱6,355,553)**	**(₱16,943,465)**	**(₱141,217,183)**	**(₱187,082,631)**
Cumulative gap	**11,434,259**	**(22,566,430)**	**(28,921,983)**	**(45,865,448)**	**(187,082,631)**	

* *Financial instruments that are not subject to repricing/rollforward were excluded.*
** *Receivable from customers excludes residual value of leased assets (Note 10).*
****Excludes LTNCD.*

	Parent Company 2020					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial Assets*						
Due from BSP and other banks	₱134,231,726	₱–	₱–	₱–	₱80,039,230	₱214,270,956
Interbank loans receivable and securities held under repurchase agreement	48,028,366	4,157,978	1,107,414	387,068	–	53,680,826
Receivable from customers and other receivables - gross**	118,343,373	79,871,415	18,556,843	15,140,373	129,523,589	361,435,593
Total financial assets	₱300,603,465	₱84,029,393	₱19,664,257	₱15,527,441	₱209,562,819	₱629,387,375
Financial Liabilities*						
Deposit liabilities:						
Savings	₱78,109,443	₱46,276,885	₱13,997,944	₱20,351,168	₱265,902,504	₱424,637,944
Time***	157,099,835	57,907,631	7,664,018	9,786,753	8,126,364	240,584,601
Bonds payable	–	–	13,852,539	–	50,203,796	64,056,335
Bills and acceptances payable	52,786,239	32,021,244	9,877	–	–	84,817,360
Total financial liabilities	₱287,995,517	₱136,205,760	₱35,524,378	₱30,137,921	₱324,232,664	₱814,096,240
Repricing gap	₱12,607,948	(₱52,176,367)	(₱15,860,121)	(₱14,610,480)	(₱114,669,845)	(₱184,708,865)
Cumulative gap	12,607,948	(39,568,419)	(55,428,540)	(70,039,020)	(184,708,865)	

* *Financial instruments that are not subject to repricing/rollforward were excluded.*
** *Receivables from customers excludes residual value of leased assets (Note 10).*
****Excludes LTNCD.*

The following table sets forth, for the year indicated, the impact of changes in interest rates on the Group's and the Parent Company's repricing gap for the years ended December 31, 2021 and 2020:

	Consolidated			
	2021		2020	
	Statement of Income	**Equity**	Statement of Income	Equity
+50bps	**(₱75,953)**	**(₱75,953)**	(₱189,181)	(₱189,181)
-50bps	**75,953**	**75,953**	189,181	189,181
+100bps	**(151,907)**	**(151,907)**	(378,363)	(378,363)
-100bps	**151,907**	**151,907**	378,363	378,363

	Parent Company			
	2021		2020	
	Statement of Income	**Equity**	Statement of Income	Equity
+50bps	**(₱118,226)**	**(₱118,226)**	(₱209,911)	(₱209,911)
-50bps	**118,226**	**118,226**	209,911	209,911
+100bps	**(236,452)**	**(236,452)**	(419,823)	(419,823)
-100bps	**236,452**	**236,452**	419,823	419,823

As one of the long-term goals in the risk management process, the Group has also implemented the adoption of the economic value approach in measuring the impact of the interest rate risk in the banking books to complement the earnings at risk approach using the modified duration approach. Cognizant of this requirement, the Group has undertaken the initial activities such as identification of the business requirement and design of templates for each account and the inclusion of this requirement in the Asset Liability Management business requirement definition.

Foreign currency risk

Foreign exchange is the risk to earnings or capital arising from changes in foreign exchange rates. The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financials and cash flows.

Foreign currency liabilities generally consist of foreign currency deposits in the Parent Company's FCDU books, accounts made in the Philippines or which are generated from remittances to the Philippines by Filipino expatriates and overseas Filipino workers who retain for their own benefit or for the benefit of a third party, foreign currency deposit accounts with the Parent Company and foreign currency-denominated borrowings appearing in the regular books of the Parent Company.

Foreign currency deposits are generally used to fund the Parent Company's foreign currency-denominated loan and investment portfolio in the FCDU. Banks are required by the BSP to match the foreign currency liabilities with the foreign currency assets held through FCDUs. In addition, the BSP requires a 30.00% liquidity reserve on all foreign currency liabilities held through FCDUs. Outside the FCDU, the Parent Company has additional foreign currency assets and liabilities in its foreign branch network.

The Group's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines. The Group believes that its profile of foreign currency exposure on its assets and liabilities is within conservative limits for a financial institution engaged in the type of business in which the Group is involved.

The table below summarizes the exposure to foreign exchange rate risk, categorized by currency (amounts in Philippine peso equivalent).

	Consolidated					
	2021			2020		
	USD	**Others***	**Total**	USD	Others*	Total
Assets						
COCI and due from BSP	**₱215,072**	**₱493,719**	**₱708,791**	₱150,688	₱467,319	₱618,007
Due from other banks	**14,159,849**	**4,403,189**	**18,563,038**	10,191,235	5,295,532	15,486,767
Interbank loans receivable and securities held under agreements to resell	**1,824,404**	**2,314,037**	**4,138,441**	4,134,791	429,804	4,564,595
Loans and receivables	**27,522,800**	**11,002,833**	**38,525,633**	24,025,901	11,426,030	35,451,931
Financial Assets at FVTPL	**171,178**	**1,506**	**172,684**	176,502	–	176,502
Financial Assets at FVOCI	**519,881**	**1,569,257**	**2,089,138**	1,948,155	1,302,355	3,250,510
Investment securities at amortized cost	**133,824**	**174,946**	**308,770**	125,883	1,085,208	1,211,091
Other assets	**17,128,279**	**1,223,698**	**18,351,977**	11,341,675	1,175,289	12,516,964
Total assets	**61,675,287**	**21,183,185**	**82,858,472**	52,094,830	21,181,537	73,276,367

(Forward)

	Consolidated					
	2021			2020		
	USD	**Others***	**Total**	USD	Others*	Total
Liabilities						
Deposit liabilities	**₱8,006,094**	**₱7,778,145**	**₱15,784,239**	₱7,198,330	₱7,474,422	₱14,672,752
Derivative liabilities	**130**	**93**	**223**	7,031	6,814	13,845
Bills and acceptances payable	**49,117,805**	**276,958**	**49,394,763**	62,015,195	285,734	62,300,929
Accrued interest payable	**53,461**	**14,072**	**67,533**	95,373	10,284	105,657
Other liabilities	**1,115,069**	**2,211,066**	**3,326,135**	3,952,102	2,011,291	5,963,393
Total liabilities	**58,292,559**	**10,280,334**	**68,572,893**	73,268,031	9,788,545	83,056,576
Net Exposure	**₱3,382,728**	**₱10,902,851**	**₱14,285,579**	(₱21,173,201)	₱11,392,992	(₱9,780,209)

* *Other currencies include UAE Dirham (AED,) Australia dollar (AUD), Bahrain dollar (BHD), Brunei dollar (BND), Canada dollar (CAD), Swiss franc (CHF), China Yuan (CNY), Denmark kroner (DKK), Euro (EUR), UK pound (GBP), Hong Kong dollar (HKD), Indonesia rupiah (IDR), Japanese yen (JPY), New Zealand dollar (NZD), Saudi Arabia riyal (SAR), Sweden kroner (SEK), Singapore dollar (SGD), South Korean won (SKW), Thailand baht (THB) and Taiwan dollar (TWD).*

	Parent Company					
	2021			2020		
	USD	**Others***	**Total**	USD	Others*	Total
Assets						
COCI and due from BSP	**₱36,108**	**₱236,932**	**₱273,040**	₱46,609	₱180,870	₱227,479
Due from other banks	**8,612,030**	**1,123,695**	**9,735,725**	6,818,795	899,761	7,718,556
Interbank loans receivable and securities held under agreements to resell	**1,825,466**	**473,239**	**2,298,705**	3,428,109	73,449	3,501,558
Loans and receivables	**24,993,494**	**993,679**	**25,987,173**	19,816,024	929,981	20,746,005
Financial assets at FVTPL	**169,672**	**–**	**169,672**	176,502	–	176,502
Financial assets at FVOCI	**519,881**	**1,410,078**	**1,929,959**	1,948,155	1,229,185	3,177,340
Investment securities at amortized cost	**5,875**	**174,946**	**180,821**	5,532	1,085,208	1,090,740
Other assets	**17,127,983**	**–**	**17,127,983**	11,341,675	–	11,341,675
Total assets	**53,290,509**	**4,412,569**	**57,703,078**	43,581,401	4,398,454	47,979,855
Liabilities						
Deposit liabilities	**₱2,198,873**	**₱4,037,877**	**₱6,236,750**	₱2,030,840	₱3,407,186	₱5,438,026
Derivative liabilities	**37**	**–**	**37**	217	–	217
Bills and acceptances payable	**48,863,921**	**–**	**48,863,921**	61,697,679	–	61,697,679
Accrued interest payable	**48,907**	**262**	**49,169**	80,607	226	80,833
Other liabilities	**822,886**	**1,695,641**	**2,518,527**	2,658,432	1,142,058	3,800,490
Total liabilities	**51,934,624**	**5,733,780**	**57,668,404**	66,467,775	4,549,470	71,017,245
Net Exposure	**₱1,355,885**	**(₱1,321,211)**	**₱34,674**	(₱22,886,374)	(₱151,016)	(₱23,037,390)

* *Other currencies include AED, AUD, BHD, BND, CAD, CHF, CNY, DKK, EUR, GBP, HKD, IDR, JPY, NZD, PHP, SAR, SEK, SGD, SKW, THB and TWD.*

The exchange rates used to convert the Group and the Parent Company's US dollar-denominated assets and liabilities into Philippine peso were ₱51.00 to USD1.00 as of December 31, 2021 and ₱48.02 to USD1.00 as of December 31, 2020.

The following tables set forth the impact of the range of reasonably possible changes in the USD:PHP exchange rate on the Group and the Parent Company's income before income tax and equity (due to the revaluation of monetary assets and liabilities) for the years ended December 31, 2021 and 2020:

	2021			
	Consolidated		**Parent Company**	
	Statement of Income	**Equity**	**Statement of Income**	**Equity**
+1.00%	**₱28,628**	**(₱33,827)**	**₱8,360**	**(₱13,559)**
-1.00%	**(28,628)**	**33,827**	**(8,360)**	**13,559**

	2020			
	Consolidated		Parent Company	
	Statement of Income	Equity	Statement of Income	Equity
+1.00%	(₱233,394)	₱213,913	(₱248,345)	₱228,864
-1.00%	233,394	(213,913)	248,345	(228,864)

The Group and the Parent Company do not expect the impact of the volatility on other currencies to be material.

5. Fair Value Measurement

The Group used the following methods and assumptions in estimating the fair value of its assets and liabilities:

Assets and Liabilities	Fair value methodologies
Cash equivalents	At carrying amounts due to their relatively short-term maturity
Derivatives	Based on either: • quoted market prices; • prices provided by independent parties; or • prices derived using acceptable valuation models
Debt securities	For quoted securities – based on market prices from debt exchanges For unquoted securities [1] – estimated using either: • quoted market prices of comparable investments; or • discounted cash flow methodology
Equity securities	For quoted securities – based on market prices from stock exchanges For unquoted securities – estimated using either: • quoted market prices of comparable investments [2]; or • net asset value method [3] and applying a discount for lack of marketability
Investments in UITFs	Based on their published net asset value per share
Loans and receivables	For loans with fixed interest rates – estimated using the discounted cash flow methodology [4] For loans with floating interest rates – at their carrying amounts
Investment properties	Appraisal by independent external and in-house appraisers based on highest and best use of the property (i.e., current use of the properties) [5] using either: • market data approach [6]; or • replacement cost approach [7]
Short-term financial liabilities	At carrying amounts due to their relatively short-term maturity
Long-term financial liabilities	For quoted debt issuances – based on market prices from debt exchanges For unquoted debt issuances – estimated using the discounted cash flow methodology [8]

Notes:
[1] *using interpolated PHP BVAL rates provided by the Philippine Dealing and Exchange Corporation (for government securities) and PHP BVAL rates plus additional credit spread (for corporate/private securities)*
[2] *using the most relevant multiples (e.g., earnings, book value)*
[3] *measures the company's value by adjusting the carrying value of its assets to their fair values, and then subtracting the fair value of its liabilities*
[4] *using the current incremental lending rates for similar loans*
[5] *considering other factors such as size, shape and location of the properties, price per square meter, reproduction costs new, time element, discount, among others*
[6] *using recent sales of similar properties within the same vicinity and considering the economic conditions prevailing at the time of the valuations and comparability of similar properties sold*
[7] *estimating the investment required to duplicate the property in its present condition*
[8] *using the current incremental borrowing rates for similar borrowings*

Fair value hierarchy

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

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

The Group and the Parent Company held the following assets and liabilities measured at fair value and at cost but for which fair values are disclosed:

	Consolidated				
	2021				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Measured at fair value:					
Financial Assets					
Financial assets at FVTPL:					
Government securities	**₱7,956,013**	**₱3,309,163**	**₱4,646,850**	**₱–**	**₱7,956,013**
Private debt securities	**1,841,548**	**949,208**	**892,340**	**–**	**1,841,548**
Derivative assets	**1,365,051**	**–**	**1,365,051**	**–**	**1,365,051**
Equity securities	**5,045**	**5,045**	**–**	**–**	**5,045**
Financial assets at FVOCI:					
Government securities	**120,453,593**	**63,357,650**	**57,095,943**	**–**	**120,453,593**
Equity securities	**24,418,218**	**252,902**	**500,259**	**23,665,057**	**24,418,218**
Private debt securities	**23,115,479**	**10,175,734**	**12,939,745**	**–**	**23,115,479**
	₱179,154,947	**₱78,049,702**	**₱77,440,188**	**₱23,665,057**	**₱179,154,947**
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	**₱891,531**	**₱–**	**₱891,531**	**₱–**	**₱891,531**
Fair values are disclosed:					
Financial Assets					
Financial assets at amortized cost:					
Investment securities at amortized cost*	**₱89,455,843**	**₱17,676,548**	**₱77,195,379**	**₱–**	**₱94,871,927**
Receivables from customers**	**593,615,093**	**–**	**–**	**627,304,434**	**627,304,434**
	₱683,070,936	**₱17,676,548**	**₱77,195,379**	**₱627,304,434**	**₱722,176,361**
Nonfinancial Assets					
Investment property:					
Land***	**₱9,582,916**	**₱–**	**₱–**	**₱26,914,713**	**₱26,914,713**
Buildings and improvements***	**1,152,980**	**–**	**–**	**3,030,859**	**3,030,859**
	₱10,735,896	**₱–**	**₱–**	**₱29,945,572**	**₱29,945,572**
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	**₱151,729,554**	**₱–**	**₱–**	**₱151,729,554**	**₱151,729,554**
LTNCDs	**28,245,390**	**–**	**28,314,622**	**–**	**28,314,622**
Bonds payable	**53,383,421**	**38,997,788**	**15,727,174**	**–**	**54,724,962**
Bills payable	**45,843,901**	**–**	**–**	**45,860,995**	**45,860,995**
	₱279,202,266	**₱38,997,788**	**₱44,041,796**	**₱197,590,549**	**₱280,630,133**

* *Net of expected credit losses (Note 9)*
** *Net of expected credit losses and unearned and other deferred income (Note 10)*
*** *Net of impairment losses (Note 13)*

	Consolidated				
	2020				
	Carrying Value	Level 1	Level 2	Level 3	Total
Measured at fair value:					
Financial Assets					
Financial assets at FVTPL:					
Government securities	₱18,136,391	₱17,657,777	₱478,614	₱–	₱18,136,391
Private debt securities	4,296,100	3,198,949	1,097,151	–	4,296,100
Equity securities	1,019,626	1,019,626	–	–	1,019,626
Derivative assets	370,653	–	370,653	–	370,653
Investment in UITFs	2,938	–	2,938	–	2,938
Financial assets at FVOCI:					
Government securities	110,846,766	67,513,412	43,333,354	–	110,846,766
Private debt securities	21,418,534	9,773,253	11,645,281	–	21,418,534
Equity securities	1,450,052	302,340	540,109	607,603	1,450,052
	₱157,541,060	₱99,465,357	₱57,468,100	₱607,603	₱157,541,060
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	₱701,239	₱–	₱701,239	₱–	₱701,239
Fair values are disclosed:					
Financial Assets					
Financial assets at amortized cost:					
Investment securities at amortized cost*	₱95,235,993	₱12,712,144	₱86,656,274	₱–	₱99,368,418
Receivables from customers**	585,855,937	–	–	622,821,007	622,821,007
	₱681,091,930	₱12,712,144	₱86,656,274	₱622,821,007	₱722,189,425
Nonfinancial Assets					
Investment property:					
Land***	₱12,488,869	₱–	₱–	₱26,970,597	₱26,970,597
Buildings and improvements***	1,956,887	–	–	3,947,077	3,947,077
	₱14,445,756	₱–	₱–	₱30,917,674	₱30,917,674
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	₱236,694,042	₱–	₱–	₱236,694,042	₱236,694,042
LTNCDs	28,212,034	–	28,541,261	–	28,541,261
Bonds payable	64,056,335	38,225,468	29,503,486	–	67,728,954
Bills payable	83,598,532	–	–	83,600,018	83,600,018
	₱412,560,943	₱38,225,468	₱58,044,747	₱320,294,060	₱416,564,275

* *Net of expected credit losses (Note 9)*
** *Net of expected credit losses and unearned and other deferred income (Note 10)*
*** *Net of impairment losses (Note 13)*

	Parent Company				
	2021				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Measured at fair value:					
Financial Assets					
Financial assets at FVTPL:					
Government securities	**₱7,956,013**	**₱3,309,163**	**₱4,646,850**	**₱–**	**₱7,956,013**
Private debt securities	**1,692,224**	**799,884**	**892,340**	**–**	**1,692,224**
Derivative assets	**1,362,041**	**–**	**1,362,041**	**–**	**1,362,041**
Financial assets at FVOCI:					
Government securities	**120,466,974**	**63,198,471**	**57,268,503**	**–**	**120,466,974**
Equity securities	**23,963,897**	**252,732**	**452,259**	**23,258,906**	**23,963,897**
Private debt securities	**23,115,479**	**10,175,734**	**12,939,745**	**–**	**23,115,479**
	₱178,556,628	**₱77,735,984**	**₱77,561,738**	**₱23,258,906**	**₱178,556,628**

(Forward)

	Parent Company 2021				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	**₱891,346**	**₱–**	**₱891,346**	**₱–**	**₱891,346**
Fair values are disclosed:					
Financial Assets					
Financial assets at amortized cost					
Investment securities at amortized cost*	**₱89,327,894**	**₱17,548,599**	**₱77,195,379**	**₱–**	**₱94,743,978**
Receivables from customers**	**579,021,317**	**–**	**–**	**612,711,110**	**612,711,110**
	₱668,349,211	**₱17,548,599**	**₱77,195,379**	**₱612,711,110**	**₱707,455,088**
Nonfinancial Assets					
Investment property:					
Land***	**₱9,053,906**	**₱–**	**₱–**	**₱25,982,290**	**₱25,982,290**
Buildings and improvements***	**1,124,421**	**–**	**–**	**2,761,872**	**2,761,872**
	₱10,178,327	**₱–**	**₱–**	**₱28,744,162**	**₱28,744,162**
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	**₱158,066,350**	**₱–**	**₱–**	**₱158,066,350**	**₱158,066,350**
LTNCDs	**28,245,390**	**–**	**28,314,622**	**–**	**28,314,622**
Bonds payable	**53,383,421**	**38,997,788**	**15,727,174**	**–**	**54,724,962**
Bills payable	**44,003,122**	**–**	**–**	**44,020,216**	**44,020,216**
	₱283,698,283	**₱38,997,788**	**₱44,041,796**	**₱202,086,566**	**₱285,126,150**

** Net of expected credit losses (Note 9)*
*** Net of expected credit losses and unearned and other deferred income (Note 10)*
**** Net of impairment losses (Note 13)*

	Parent Company 2020				
	Carrying Value	Level 1	Level 2	Level 3	Total
Measured at fair value:					
Financial Assets					
Financial assets at FVTPL:					
Government securities	₱18,136,391	₱17,657,777	₱478,614	₱–	₱18,136,391
Equity securities	2,433,904	1,336,753	1,097,151	–	2,433,904
Private debt securities	1,011,787	1,011,787	–	–	1,011,787
Derivative assets	365,558	–	365,558	–	365,558
Financial assets at FVOCI:					
Government securities	110,935,025	67,428,205	43,506,820	–	110,935,025
Private debt securities	21,418,534	9,773,253	11,645,281	–	21,418,534
Equity securities	910,199	302,170	421,109	186,920	910,199
	₱155,211,398	₱97,509,945	₱57,514,533	₱186,920	₱155,211,398
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	₱700,802	₱–	₱700,802	₱–	₱700,802
Fair values are disclosed:					
Financial Assets					
Financial assets at amortized cost					
Investment securities at amortized cost*	₱95,115,642	₱12,591,794	₱86,656,274	₱–	₱99,248,068
Receivables from customers**	572,237,603	–	–	609,202,673	609,202,673
	₱667,353,245	₱12,591,794	₱86,656,274	₱609,202,673	₱708,450,741
Nonfinancial Assets					
Investment property:					
Land***	₱11,971,463	₱–	₱–	₱26,430,230	₱26,430,230
Buildings and improvements***	1,950,335	–	–	3,642,298	3,642,298
	₱13,921,798	₱–	₱–	₱30,072,528	₱30,072,528

(Forward)

	Parent Company 2020				
	Carrying Value	Level 1	Level 2	Level 3	Total
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	₱240,584,601	₱–	₱–	₱240,584,601	₱240,584,601
LTNCDs	28,212,034	–	28,541,261	–	28,541,261
Bonds payable	64,056,335	38,225,468	29,503,485	–	67,728,953
Bills payable	81,256,442	–	–	81,257,927	81,257,927
	₱414,109,412	₱38,225,468	₱58,044,746	₱321,842,528	₱418,112,742

** Net of expected credit losses (Note 9)*
*** Net of expected credit losses and unearned and other deferred income (Note 10)*
**** Net of impairment losses (Note 13)*

As of December 31, 2021 and 2020, there were no transfers between Level 1 and Level 2 fair value measurements. Transfers into Level 3 reflect changes in market conditions as a result of which instruments become less liquid.

The following table summarizes the significant unobservable inputs used to calculate the fair value of Level 3 financial assets at FVOCI of the Group and the Parent Company as of December 31, 2021 and the range of values indicating the highest and lowest level input used in the valuation techniques.

	Significant Unobservable Input	**-2%**	**+2%**
Equity securities	Discount for lack of marketability	₱550,659	(₱550,659)

Discount for lack of marketability
For certain unquoted equity securities, the Group imputes a discount for lack of marketability which is a valuation consideration often based on observed data and empirical evidence. Certain valuation studies suggest that private companies typically sell at lower transaction pricing multiples than similar public companies.

6. Segment Information

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;
- Global Banking and Market - principally providing money market, trading and treasury services, as well as the management of the Group's funding operations by use of Treasury-bills, government securities and placements and acceptances with other banks, through treasury and wholesale banking; and
- Other Segments - include, but not limited to, trust, leasing, remittances and other support services. Other support services of the Group comprise of operations and finance.

Transactions between segments are conducted at estimated market rates on an arm's length basis. Interest is credited to or charged against business segments based on pool rate which approximates 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 the Regulatory Accounting Principles (RAP) of the BSP, which differ from PFRS due to the manner of provisioning for impairment and credit losses, measurement of investment properties, and the fair value measurement of financial instruments. The report submitted to CODM represents only the results of operation for each of the reportable segment.

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

Segment liabilities are those operating liabilities that result from the operating activities of a segment and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

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

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

Business segment information of the Group follows:

	2021					
	Retail Banking	**Corporate Banking**	**Global Banking and Market**	**Others**	**Adjustments and Eliminations***	**Total**
Net interest margin						
Third party	**₱471,810**	**₱28,638,348**	**₱5,631,755**	**₱128,036**	**(₱25,122)**	**₱34,844,827**
Inter-segment	**17,316,847**	**(15,099,161)**	**(2,217,686)**	–	–	–
Net interest margin after inter-segment transactions	**17,788,657**	**13,539,187**	**3,414,069**	**128,036**	**(25,122)**	**34,844,827**
Other income	**4,774,488**	**325,327**	**1,071,713**	**36,632,015**	**399,445**	**43,202,988**
Segment revenue	**22,563,145**	**13,864,514**	**4,485,782**	**36,760,051**	**374,323**	**78,047,815**
Other expenses	**15,835,760**	**11,135,265**	**28,780**	**1,872,452**	**374,323**	**29,246,580**
Segment result	**₱6,727,385**	**₱2,729,249**	**₱4,457,002**	**₱34,887,599**	**₱–**	**48,801,235**
Unallocated expenses						**10,830,638**
Income before income tax						**37,970,597**
Income tax						**5,545,194**
Net income from continuing operations						**32,425,403**
Net income from discontinued operations						**(735,365)**
Net income						**31,690,038**
Non-controlling interests						**59,412**
Net income for the year attributable to equity holders of the Parent Company						**₱31,630,626**
Other segment information:						
Capital expenditures	**₱253,520**	**₱22,288**	**₱47,096**	**₱436,928**	**₱–**	**₱759,832**
Unallocated capital expenditure						**1,016,364**
Total capital expenditure						**₱1,776,196**

(Forward)

	2021					
	Retail Banking	**Corporate Banking**	**Global Banking and Market**	**Others**	**Adjustments and Eliminations***	**Total**
Depreciation and amortization	**₱810,644**	**₱341,467**	**₱21,707**	**₱452,128**	**₱–**	**₱1,625,946**
Unallocated depreciation and amortization						**1,219,771**
Total depreciation and amortization						**₱2,845,717**
Provision for (reversal of) impairment, credit and other losses	**₱4,355,124**	**₱8,171,174**	**(₱600,974)**	**₱953,687**	**₱–**	**₱12,879,011**

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

	2020 (As restated – Note 36)					
	Retail Banking	Corporate Banking	Global Banking and Market	Others	Adjustments and Eliminations*	Total
Net interest margin						
Third party	₱103,187	₱30,817,596	₱4,802,612	₱140,191	(₱43,123)	₱35,820,463
Inter-segment	17,402,385	(17,307,550)	(94,835)	–	–	–
Net interest margin after inter-segment transactions	17,505,572	13,510,046	4,707,777	140,191	(43,123)	35,820,463
Other income	3,431,422	2,194,121	3,976,885	1,252,087	(383,782)	10,470,733
Segment revenue	20,936,994	15,704,167	8,684,662	1,392,278	(426,905)	46,291,196
Other expenses	14,579,502	18,655,970	1,152,761	739,242	(426,905)	34,700,570
Segment result	₱6,357,492	(₱2,951,803)	₱7,531,901	₱653,036	₱–	11,590,626
Unallocated expenses						11,042,209
Income before income tax						548,417
Income tax						(1,866,402)
Net income from continuing operations						2,414,819
Net income from discontinued operations						210,669
Net income						2,625,488
Non-controlling interests						10,835
Net income for the year attributable to equity holders of the Parent Company						₱2,614,653
Other segment information:						
Capital expenditures	₱631,935	₱3,521	₱12,986	₱202,179	₱–	₱850,621
Unallocated capital expenditure						664,098
Total capital expenditure						₱1,514,719
Depreciation and amortization	₱949,266	₱102,145	₱3,281	₱503,681	₱–	₱1,558,373
Unallocated depreciation and amortization						1,596,195
Total depreciation and amortization						₱3,154,568
Provision for impairment, credit and other losses	₱3,054,829	₱13,223,352	₱269,915	₱334,525	₱–	₱16,882,621

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

	2019 (As restated – Note 36)					
	Retail Banking	Corporate Banking	Global Banking and Market	Others	Adjustments and Eliminations*	Total
Net interest margin						
Third party	(₱5,844,018)	₱31,918,140	₱5,733,291	₱425,212	₱125,140	₱32,357,765
Inter-segment	23,647,539	(23,030,539)	(617,000)	–	–	–
Net interest margin after inter-segment transactions	17,803,521	8,887,601	5,116,291	425,212	125,140	32,357,765
Other income	3,211,234	2,685,445	1,772,206	1,133,641	604,081	9,406,607
Segment revenue	21,014,755	11,573,046	6,888,497	1,558,853	729,221	41,764,372
Other expenses	11,881,474	5,636,497	472,000	907,645	729,221	19,626,837
Segment result	₱9,133,281	₱5,936,549	₱6,416,497	₱651,208	₱–	22,137,535

(Forward)

	2019 (As restated – Note 36)					
	Retail Banking	Corporate Banking	Global Banking and Market	Others	Adjustments and Eliminations*	Total
Unallocated expenses						₱10,023,610
Income before income tax						12,113,925
Income tax						2,452,207
Net income from continuing operations						9,661,718
Net income from discontinued operations						99,488
Net income						9,761,206
Non-controlling interests						79,726
Net income for the year attributable to equity holders of the Parent Company						₱9,681,480
Other segment information:						
Capital expenditures	₱1,134,511	₱2,327	₱35,242	₱421,317	₱–	₱1,593,397
Unallocated capital expenditure						1,040,436
Total capital expenditure						₱2,633,833
Depreciation and amortization	₱1,201,558	₱138,114	₱1,850	₱585,804	₱–	₱1,927,326
Unallocated depreciation and amortization						867,185
Total depreciation and amortization						₱2,794,511
Provision for (reversal of) impairment, credit and other losses	₱1,671,154	₱1,289,340	₱–	(₱50,312)	₱–	₱2,910,182

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

	As of December 31, 2021					
	Retail Banking	**Corporate Banking**	**Global Banking and Market**	**Others**	**Adjustments and Eliminations***	**Total**
Segment assets	**₱730,811,300**	**₱264,879,265**	**₱113,978,883**	**₱95,128,444**	**(₱21,793,763)**	**₱1,183,004,129**
Unallocated assets						**7,780,533**
Total assets						**₱1,190,784,662**
Segment liabilities	**₱726,607,402**	**₱214,925,795**	**₱15,636,431**	**₱85,879,581**	**(₱21,417,503)**	**₱1,021,631,706**
Unallocated liabilities						**7,930,000**
Total liabilities						**₱1,029,561,706**

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

	As of December 31, 2020					
	Retail Banking	Corporate Banking	Global Banking and Market	Others	Adjustments and Eliminations*	Total
Segment assets	₱710,168,556	₱245,602,089	₱188,310,761	₱95,801,439	(₱16,089,256)	₱1,223,793,589
Unallocated assets						7,340,210
Total assets						₱1,231,133,799
Segment liabilities	₱695,809,767	₱180,732,406	₱125,848,434	₱78,210,224	(₱12,440,292)	₱1,068,160,539
Unallocated liabilities						6,990,252
Total liabilities						₱1,075,150,791

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

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 items and revenues by geographic region of the Group follows:

	Non-current Assets*		**Liabilities**		**Capital Expenditures**	
	2021	2020	**2021**	2020	**2021**	2020
Philippines	**₱634,529,203**	₱510,574,534	**₱980,065,000**	₱1,037,677,448	**₱1,728,280**	₱1,511,914
Asia (excluding Philippines)	**21,099,162**	11,632,923	**39,749,446**	35,588,190	**45,649**	1,726
USA and Canada	**1,593,358**	107,862,854	**9,629,585**	1,793,735	**2,267**	1,079
United Kingdom	**1,002**	1,096,326	**117,675**	91,418	**–**	–
	₱657,222,725	₱631,166,637	**₱1,029,561,706**	₱1,075,150,791	**₱1,776,196**	₱1,514,719

** Gross of allowance for impairment and credit losses (Note 16), unearned and other deferred income (Note 10), and accumulated amortization and depreciation (Notes 11, 13, and 14)*

	Credit Commitments		**Revenues**		
	2021	2020	**2021**	2020 (As restated – Note 36)	2019 (As restated – Note 36)
Philippines	**₱45,038,930**	₱44,036,152	**₱83,243,604**	₱56,002,435	₱57,458,293
Asia (excluding Philippines)	**–**	90,715	**1,561,499**	867,185	1,614,370
USA and Canada	**–**	–	**694,003**	348,775	717,489
United Kingdom	**–**	–	**106,259**	202,787	129,534
	₱45,038,930	₱44,126,867	**₱85,605,365**	₱57,421,182	₱59,919,686

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

The areas of operations include all the primary business segments.

7. Due from Bangko Sentral ng Pilipinas

This account consists of:

	Consolidated		**Parent Company**	
	2021	2020	**2021**	2020
Demand deposit (Note 17)	**₱81,273,307**	₱80,029,356	**₱81,273,307**	₱80,029,356
Term deposit facility (TDF)	**79,728,605**	122,100,000	**79,728,605**	122,100,000
	₱161,001,912	₱202,129,356	**₱161,001,912**	₱202,129,356

TDFs bear annual interest rates ranging from to 1.50% to 1.88% in 2021, from 1.62% to 3.80% in 2020 and 3.50% to 5.23% in 2019.

8. Interbank Loans Receivable and Securities Held Under Agreements to Resell

Interbank Loans Receivables

Interbank loans receivables of the Group and the Parent Company bear interest ranging from:

	Consolidated			**Parent Company**		
	2021	2020	2019	**2021**	2020	2019
Peso-denominated	**1.0% - 2.0%**	0.0% - 3.7%	N/A	**1.0% - 2.0%**	0.0% - 3.7%	N/A
Foreign currency-denominated	**0.0% - 1.5%**	0.0% - 2.2%	0.0% - 5.0%	**0.0% - 1.5%**	0.0% - 2.2%	0.0% - 5.0%

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

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Interbank loans receivable	**₱32,112,667**	₱39,703,864	**₱30,302,334**	₱37,861,553
Less: Allowance for credit losses (Note 16)	**6,579**	2,883	**6,579**	2,883
	32,106,088	39,700,981	**30,295,755**	37,858,670
Less: Interbank loans receivable not considered as cash and cash equivalents	**1,652,710**	761,409	**1,253,379**	394,166
	₱30,453,378	₱38,939,572	**₱29,042,376**	₱37,464,504

Securities Held under Agreements to Resell

Securities held under agreements to resell bear interest ranging from 1.50% to 2.50%, from 2.00% to 3.25%, and from 4.00% to 4.75% in 2021, 2020 and 2019, respectively. As of December 31, 2021 and 2020, allowance for credit losses on securities held under agreements to resell amounted to ₱3.6 million and nil, respectively (Note 16).

The fair value of the treasury bills pledged under these agreements as of December 31, 2021 and 2020 amounted to ₱16.0 billion and ₱16.5 billion, respectively, for the Group, and ₱16.0 billion and ₱16.5 billion, respectively, for the Parent Company (Note 35).

In 2021, 2020 and 2019, interest income on interbank loans receivable and securities held under agreements to resell amounted to ₱83.3 million, ₱244.0 million, and ₱668.2 million, respectively, for the Group and ₱31.0 million, ₱186.2 million, and ₱568.1 million, respectively, for the Parent Company.

9. Trading and Investment Securities

This account consists of:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Financial assets at FVTPL	**₱11,167,657**	₱23,825,708	**₱11,010,278**	₱21,947,640
Financial assets at FVOCI	**167,987,290**	133,715,352	**167,546,350**	133,263,758
Investment securities at amortized cost	**89,455,843**	95,235,993	**89,327,894**	95,115,642
	₱268,610,790	₱252,777,053	**₱267,884,522**	₱250,327,040

Financial Assets at FVTPL

This account consists of:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Government securities	**₱7,956,013**	₱18,136,391	**₱7,956,013**	₱18,136,391
Private debt securities	**1,841,548**	4,296,100	**1,692,224**	2,433,904
Derivative assets (Notes 23 and 35)	**1,365,051**	370,653	**1,362,041**	365,558
Equity securities	**5,045**	1,019,626	**–**	1,011,787
Investment in UITFs	**–**	2,938	**–**	–
	₱11,167,657	₱23,825,708	**₱11,010,278**	₱21,947,640

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

	Consolidated			Parent Company		
	2021	2020	2019	**2021**	2020	2019
Government securities	**1.4% - 9.5%**	2.6% - 8.0%	2.8% - 9.5%	**1.4% - 9.5%**	2.6% - 8.0%	2.8% - 9.5%
Private debt securities	**4.9% - 6.9%**	4.9% - 7.0%	5.5% - 7.4%	**4.9% - 6.9%**	4.9% - 7.0%	5.5% - 7.4%

Financial Assets at FVOCI

This account consists of:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Government securities (Note 19)	**₱120,453,593**	₱110,846,766	**₱120,466,974**	₱110,935,025
Private debt securities (Note 19)	**23,115,479**	21,418,534	**23,115,479**	21,418,534
Equity securities				
Quoted	**669,585**	707,358	**621,415**	588,188
Unquoted	**23,748,633**	742,694	**23,342,482**	322,011
	₱167,987,290	₱133,715,352	**₱167,546,350**	₱133,263,758

Unquoted equity securities include the Parent Company's retained 49.00% interest in PNB Holdings Corporation (PNB Holdings) amounting to ₱23.0 billion as of December 31, 2021 (Note 12). The fair value was determined using the net asset value method as discussed in Note 5. Further, the Parent Company applied 16.50% discount for lack of marketability by referring to a number of recent initial public offerings.

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

	Consolidated			Parent Company		
	2021	2020	2019	**2021**	2020	2019
Government securities	**0.1% - 18.3%**	0.2% - 18.3%	0.2% - 18.3%	**0.1% - 18.3%**	0.2% - 18.3%	0.2% - 18.3%
Private debt securities	**0.4% - 6.9%**	2.0% - 6.9%	3.5% - 6.9%	**0.4% - 6.9%**	2.0% - 6.9%	3.5% - 6.9%

As of December 31, 2021 and 2020, the fair value of financial assets at FVOCI in the form of government bonds pledged to fulfill its collateral requirements with securities sold under repurchase agreement transactions amounted to ₱32.8 billion and ₱42.1 billion, respectively (Note 19). In 2020, the fair value of financial assets at FVOCI in the form of private bonds pledged as collateral amounted to ₱2.5 billion (Note 19).

The counterparties have an obligation to return the securities to the Parent Company once the obligations have been settled. In case of default, the counterparties have the right to hold the securities and sell them as settlement of the repurchase agreement.

The movements in ‘Net unrealized gains (losses) on financial assets at FVOCI’ of the Group and the Parent Company are as follows:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Balance at the beginning of the year	**₱3,054,403**	₱3,250,651	**₱3,054,403**	₱3,250,651
Changes in fair values:				
Debt securities	**(1,617,239)**	1,872,952	**(1,594,699)**	1,815,304
Equity securities	**(21,809)**	(251,071)	**63,722**	(83,882)
Provisions for credit losses (Note 16)	**66,752**	19,163	**64,122**	15,760
Realized gains	**(1,540,192)**	(2,455,264)	**(1,540,192)**	(2,454,697)
Share in net unrealized gains (losses) of subsidiaries and an associate (Note 12)	**(558,030)**	662,951	**(663,471)**	556,246
Effect of disposal group classified as held-for-sale (Note 36)	–	(29,209)	–	(29,209)
	(616,115)	3,070,173	**(616,115)**	3,070,173
Income tax effect (Note 30)	**(87,622)**	(15,770)	**(87,622)**	(15,770)
	(₱703,737)	₱3,054,403	**(₱703,737)**	₱3,054,403

As of December 31, 2021 and 2020, the ECL on debt securities at FVOCI (included in ‘Net unrealized gain (loss) on financial assets at FVOCI’) amounted to ₱134.2 million and ₱67.4 million and ₱131.5 million and ₱67.4 million, respectively, for the Group and the Parent Company (Note 16). Movements in ECL on debt securities at FVOCI are mostly driven by movements in the corresponding gross figures.

Investment Securities at Amortized Cost

This account consists of:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Government securities (Notes 19 and 32)	**₱34,133,294**	₱42,713,634	**₱34,005,345**	₱42,593,283
Private debt securities	**59,144,715**	56,504,757	**59,144,715**	56,504,757
	93,278,009	99,218,391	**93,150,060**	99,098,040
Less allowance for credit losses (Note 16)	**3,822,166**	3,982,398	**3,822,166**	3,982,398
	₱89,455,843	₱95,235,993	**₱89,327,894**	₱95,115,642

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

	Consolidated			Parent Company		
	2021	2020	2019	**2021**	2020	2019
Government securities	**0.1% - 7.4%**	0.1% - 7.8%	0.5% - 7.6%	**0.1% - 7.4%**	0.1% - 7.8%	0.5% - 7.6%
Private debt securities	**0.4% - 6.9%**	0.3% - 8.3%	0.3% - 8.3%	**0.4% - 6.9%**	0.3% - 8.3%	0.3% - 8.3%

In 2021 and 2020, movements in allowance for expected credit losses on investment securities at amortized cost are mostly driven by newly originated assets which remained in Stage 1.

As of December 31, 2021 and 2020, the fair value of investment securities at amortized cost in the form of government bonds pledged to fulfill its collateral requirements with securities sold under repurchase agreements transactions amounted to ₱5.6 billion and ₱27.6 billion, respectively (Note 19).

Interest Income on Investment Securities at Amortized Cost and FVOCI

This account consists of:

	Consolidated			Parent Company		
	2021	2020 (As restated – Note 36)	2019 (As restated – Note 36)	**2021**	2020	2019
Continuing operations:						
Financial assets at FVOCI	**₱3,015,328**	₱2,746,017	₱4,221,198	**₱3,015,524**	₱2,699,477	₱4,076,597
Investment securities at amortized cost	**3,265,371**	3,750,255	4,515,879	**3,264,195**	3,748,623	4,472,466
	6,280,699	6,496,272	8,737,077	**6,279,719**	6,448,100	8,549,063
Discontinued operations (Note 36):						
Financial assets at FVOCI	**11,135**	38,756	68,208	–	–	–
Investment securities at amortized cost	**8,695**	43,478	–	–	–	–
	19,830	82,234	68,208	–	–	–
	₱6,300,529	₱6,578,506	₱8,805,285	**₱6,279,719**	₱6,448,100	₱8,549,063

Trading and Investment Securities Gains - net

This account consists of:

	Consolidated			Parent Company		
	2021	2020 (As restated – Note 36)	2019 (As restated – Note 36)	**2021**	2020	2019
Continuing operations:						
Financial assets at FVTPL						
Government securities	**₱–**	₱395,156	₱1,199,840	**₱–**	₱395,156	₱1,199,934
Private debt securities	**(825,476)**	561,385	122,502	**(954,145)**	673,706	102,524
Equity securities	**2,323**	(71,685)	36,689	**–**	(64,507)	35,827
Derivatives (Note 23)	**(23,472)**	(2,532)	(3,733)	**(23,472)**	(2,532)	(3,733)
Investment in UITFs	**–**	–	181	**–**	–	–
Financial assets at FVOCI						
Government securities	**1,510,133**	2,031,425	(317,244)	**1,510,133**	2,031,425	(317,609)
Private debt securities	**30,057**	423,839	35,904	**30,057**	423,272	–
Equity securities	**2**	–	–	**2**	–	–
Investment securities at amortized cost	**38,005**	1	212	**38,005**	1	212
	731,572	3,337,589	1,074,351	**600,580**	3,456,521	1,017,155
Discontinued operations (Note 36):						
Financial assets at FVTPL						
Investment in UITFs	**–**	43	28	**–**	–	–
Equity securities	**–**	7	5	**–**	–	–
Government securities	**–**	–	94	**–**	–	–
Financial assets at FVOCI						
Government securities	**–**	8,829	–	**–**	–	–
Investment securities at amortized cost	**–**	294	–	**–**	–	–
	–	9,173	127	**–**	–	–
	₱731,572	₱3,346,762	₱1,074,478	**₱600,580**	₱3,456,521	₱1,017,155

10. Loans and Receivables

This account consists of:

	Consolidated 2021	Consolidated 2020	Parent Company 2021	Parent Company 2020
Receivables from customers:				
Loans and discounts	**₱597,979,601**	₱587,478,355	**₱586,259,980**	₱576,156,244
Credit card receivables	**13,156,945**	12,530,569	**13,156,945**	12,530,569
Customers' liabilities on letters of credit and trust receipts	**8,315,300**	7,675,028	**8,143,281**	7,548,855
Customers' liabilities on acceptances (Note 19)	**7,109,896**	3,560,917	**7,109,896**	3,560,917
Lease contracts receivable (Note 29)	**2,615,992**	3,000,395	**5,850**	5,876
Bills purchased (Note 22)	**1,364,543**	1,815,653	**1,087,961**	1,583,648
	630,542,277	616,060,917	**615,763,913**	601,386,109
Less unearned and other deferred income	**1,118,244**	1,464,726	**856,408**	1,132,928
	629,424,033	614,596,191	**614,907,505**	600,253,181
Other receivables:				
Accrued interest receivable	**6,053,656**	6,636,538	**5,962,235**	6,546,063
Sales contract receivables (Note 33)	**6,029,384**	6,548,300	**5,980,029**	6,497,901
Accounts receivable	**4,191,402**	4,196,666	**3,579,515**	3,835,436
Miscellaneous	**596,037**	431,704	**1,295,454**	1,269,161
	16,870,479	17,813,208	**16,817,233**	18,148,561
	646,294,512	632,409,399	**631,724,738**	618,401,742
Less allowance for credit losses (Note 16)	**39,340,761**	32,414,651	**39,225,977**	31,499,881
	₱606,953,751	₱599,994,748	**₱592,498,761**	₱586,901,861

Included in 'Surplus reserves' is the amount of ₱4.5 billion and ₱4.4 billion as of December 31, 2021 and 2020, respectively, which pertains to the excess of 1.00% general loan loss provisions over the computed ECL for Stage 1 accounts as prescribed by BSP Circular 1011, *Guidelines on the Adoption of PFRS 9* (Note 25).

Below is the reconciliation of loans and receivables as to classes:

Consolidated 2021

	Corporate Loans	LGU	Credit Cards	Retail SMEs	Housing Loans	Auto Loans	Other Loans	Other Receivables	Total
Receivables from customers:									
Loans and discounts	₱537,441,467	₱4,332,372	₱–	₱7,551,964	₱30,917,379	₱8,838,908	₱8,897,511	₱–	₱597,979,601
Credit card receivables	–	–	13,156,945	–	–	–	–	–	13,156,945
Customers' liabilities on letters of credit and trust receipts	8,236,285	–	–	79,015	–	–	–	–	8,315,300
Customers' liabilities on acceptances (Note 19)	7,107,448	–	–	2,448	–	–	–	–	7,109,896
Lease contracts receivable (Note 29)	768,872	–	–	1,841,270	–	–	5,850	–	2,615,992
Bills purchased (Note 22)	1,123,658	–	–	48,973	–	–	191,912	–	1,364,543
	554,677,730	4,332,372	13,156,945	9,523,670	30,917,379	8,838,908	9,095,273	–	630,542,277
Other receivables:									
Accrued interest receivable	–	–	–	–	–	–	–	6,053,656	6,053,656
Sales contract receivables (Note 33)	–	–	–	–	–	–	–	6,029,384	6,029,384
Accounts receivable	–	–	–	–	–	–	–	4,191,402	4,191,402
Miscellaneous	–	–	–	–	–	–	–	596,037	596,037
	554,677,730	4,332,372	13,156,945	9,523,670	30,917,379	8,838,908	9,095,273	16,870,479	647,412,756
Less: Unearned and other deferred income	603,496	12,659	–	184,765	(190)	74,135	240,624	2,755	1,118,244
Allowance for credit losses (Note 16)	25,630,373	78,695	2,407,927	1,815,980	3,432,766	1,478,746	967,208	3,529,066	39,340,761
	₱528,443,861	₱4,241,018	₱10,749,018	₱7,522,925	₱27,484,803	₱7,286,027	₱7,887,441	₱13,338,658	₱606,953,751

Consolidated 2020

	Corporate Loans	LGU	Credit Cards	Retail SMEs	Housing Loans	Auto Loans	Other Loans	Other Receivables	Total
Receivables from customers:									
Loans and discounts	₱513,285,506	₱6,422,388	₱–	₱10,396,965	₱25,344,170	₱11,199,499	₱20,829,827	₱–	₱587,478,355
Credit card receivables	–	–	12,530,569	–	–	–	–	–	12,530,569
Customers' liabilities on letters of credit and trust receipts	6,806,450	–	–	192,544	–	–	676,034	–	7,675,028
Customers' liabilities on acceptances (Note 19)	3,560,917	–	–	–	–	–	–	–	3,560,917
Lease contracts receivable (Note 29)	950,542	–	–	2,043,976	–	–	5,877	–	3,000,395
Bills purchased (Note 22)	1,106,246	–	–	37,502	–	–	671,905	–	1,815,653
	525,709,661	6,422,388	12,530,569	12,670,987	25,344,170	11,199,499	22,183,643	–	616,060,917
Other receivables:									
Accrued interest receivable	–	–	–	–	–	–	–	6,636,538	6,636,538
Sales contract receivables (Note 33)	–	–	–	–	–	–	–	6,548,300	6,548,300
Accounts receivable	–	–	–	–	–	–	–	4,196,666	4,196,666
Miscellaneous	–	–	–	–	–	–	–	431,704	431,704
	525,709,661	6,422,388	12,530,569	12,670,987	25,344,170	11,199,499	22,183,643	17,813,208	633,874,125
Less: Unearned and other deferred income	611,704	–	–	232,078	231,866	111,788	257,424	19,866	1,464,726
Allowance for credit losses (Note 16)	19,220,256	50,693	2,587,668	1,808,192	2,373,886	1,032,804	2,054,765	3,286,387	32,414,651
	₱505,877,701	₱6,371,695	₱9,942,901	₱10,630,717	₱22,738,418	₱10,054,907	₱19,871,454	₱14,506,955	₱599,994,748

Parent Company 2021

	Corporate Loans	LGU	Credit Cards	Retail SMEs	Housing Loans	Auto Loans	Other Loans	Other Receivables	Total
Receivables from customers:									
Loans and discounts	₱529,367,021	₱4,332,372	₱–	₱6,281,693	₱30,022,079	₱8,838,908	₱7,417,907	₱–	₱586,259,980
Credit card receivables	–	–	13,156,945	–	–	–	–	–	13,156,945
Customers' liabilities on letters of credit and trust receipts	8,064,266	–	–	79,015	–	–	–	–	8,143,281
Customers' liabilities on acceptances (Note 19)	7,107,448	–	–	2,448	–	–	–	–	7,109,896
Lease contracts receivable (Note 29)	–	–	–	–	–	–	5,850	–	5,850
Bills purchased (Note 22)	847,077	–	–	48,973	–	–	191,911	–	1,087,961
	545,385,812	4,332,372	13,156,945	6,412,129	30,022,079	8,838,908	7,615,668	–	615,763,913
Other receivables:									
Accrued interest receivable	–	–	–	–	–	–	–	5,962,235	5,962,235
Sales contract receivables	–	–	–	–	–	–	–	5,980,029	5,980,029
Accounts receivable	–	–	–	–	–	–	–	3,579,515	3,579,515
Miscellaneous	–	–	–	–	–	–	–	1,295,454	1,295,454
	545,385,812	4,332,372	13,156,945	6,412,129	30,022,079	8,838,908	7,615,668	16,817,233	632,581,146
Less: Unearned and other deferred income	518,725	12,659	–	8,150	(190)	74,135	240,624	2,305	856,408
Allowance for credit losses (Note 16)	26,900,880	78,695	2,407,927	653,014	3,414,969	1,478,746	954,262	3,337,484	39,225,977
	₱517,966,207	₱4,241,018	₱10,749,018	₱5,750,965	₱26,607,300	₱7,286,027	₱6,420,782	₱13,477,444	₱592,498,761

Parent Company 2020

	Corporate Loans	LGU	Credit Cards	Retail SMEs	Housing Loans	Auto Loans	Other Loans	Other Receivables	Total
Receivables from customers:									
Loans and discounts	₱506,062,142	₱6,422,388	₱–	₱8,606,447	₱24,719,056	₱11,199,499	₱19,146,712	₱–	₱576,156,244
Credit card receivables	–	–	12,530,569	–	–	–	–	–	12,530,569
Customers' liabilities on letters of credit and trust receipts	6,680,277	–	–	192,544	–	–	676,034	–	7,548,855
Customers' liabilities on acceptances (Note 19)	3,560,917	–	–	–	–	–	–	–	3,560,917
Lease contracts receivable (Note 29)	–	–	–	–	–	–	5,876	–	5,876
Bills purchased (Note 22)	874,240	–	–	37,502	–	–	671,906	–	1,583,648
	517,177,576	6,422,388	12,530,569	8,836,493	24,719,056	11,199,499	20,500,528	–	601,386,109
Other receivables:									
Accrued interest receivable	–	–	–	–	–	–	–	6,546,063	6,546,063
Sales contract receivables	–	–	–	–	–	–	–	6,497,901	6,497,901
Accounts receivable	–	–	–	–	–	–	–	3,835,436	3,835,436
Miscellaneous	–	–	–	–	–	–	–	1,269,161	1,269,161
	517,177,576	6,422,388	12,530,569	8,836,493	24,719,056	11,199,499	20,500,528	18,148,561	619,534,670
Less: Unearned and other deferred income	516,988	–	–	12,826	231,866	111,788	257,424	2,036	1,132,928
Allowance for credit losses (Note 16)	19,027,613	50,693	2,587,668	906,590	2,367,615	1,032,804	2,042,594	3,484,304	31,499,881
	₱497,632,975	₱6,371,695	₱9,942,901	₱7,917,077	₱22,119,575	₱10,054,907	₱18,200,510	₱14,662,221	₱586,901,861

Lease Contract Receivables

An analysis of the Group's and the Parent Company's lease contract receivables follows:

	Consolidated 2021	Consolidated 2020	Parent Company 2021	Parent Company 2020
Minimum lease payments				
Due within one year	₱1,232,961	₱1,364,058	₱5,850	₱3,926
Due beyond one year but not over five years	643,821	906,513	–	1,950
Due beyond five years	14,344	31,845	–	–
	1,891,126	2,302,416	5,850	5,876
Residual value of leased equipment				
Due within one year	505,784	374,959	–	–
Due beyond one year but not over five years	219,082	323,020	–	–
	724,866	697,979	–	–
Gross investment in lease contract receivables (Note 29)	₱2,615,992	₱3,000,395	₱5,850	₱5,876

Interest Income on Loans and Receivables

As of December 31, 2021 and 2020, 69.4% and 68.8%, respectively, of the total receivables from customers of the Group were subject to interest repricing. As of December 31, 2021 and 2020, 68.3% and 68.7%, respectively, of the total receivables from customers of the Parent Company were subject to interest repricing. Remaining receivables carry annual fixed interest rates ranging from 1.0% to 9.0% in 2021, from 1.1% to 9.0% in 2020 and from 1.0% to 9.0% in 2019 for foreign currency-denominated receivables, and from 1.1% to 31.5% in 2021, from 1.1% to 21.0% in 2020 and from 2.5% to 19.4% in 2019 for peso-denominated receivables. Sales contract receivables bear fixed interest rates per annum ranging from 3.3% to 21.0% in 2021, 2020 and 2019.

11. Property and Equipment

The composition of and movements in property and equipment follow:

Consolidated 2021

	Land	Building	Furniture, Fixtures and Equipment	Long-term Leasehold Land	Construction in-progress	Leasehold Improvements	Right-of-Use Asset – Bank Premises	Total
Cost								
Balance at beginning of year	₱11,681,540	₱7,306,064	₱8,021,090	₱558,206	₱450,453	₱1,831,386	₱2,402,907	₱32,251,646
Additions	–	52,562	958,466	–	21,483	88,230	3,352,354	4,473,095
Disposals	(6,903,931)	(4,996,308)	(227,513)	–	–	–	–	(12,127,752)
Transfers/others	365,633	1,271,705	(32,808)	13,700	(93,377)	89,140	(364,540)	1,249,453
Balance at end of year	5,143,242	3,634,023	8,719,235	571,906	378,559	2,008,756	₱5,390,721	25,846,442
Accumulated Depreciation and Amortization								
Balance at beginning of year	–	3,539,412	4,729,038	51,455	–	1,707,836	1,176,303	11,204,044
Depreciation and amortization	–	377,186	1,000,213	5,362	–	191,025	564,168	2,137,954
Disposals	–	(2,313,920)	(129,362)	–	–	–	–	(2,443,282)
Transfers/others	–	450,992	(41,839)	6,065	–	(13,052)	(95,647)	306,519
Balance at end of year	–	2,053,670	5,558,050	62,882	–	1,885,809	1,644,824	11,205,235
Allowance for Impairment Losses (Note 16)	543,175	625,712	–	–	–	–	–	1,168,887
Net Book Value at End of Year	₱4,600,067	₱954,641	₱3,161,185	₱509,024	₱378,559	₱122,947	₱3,745,897	₱13,472,320

Consolidated 2020

	Land	Building	Furniture, Fixtures and Equipment	Long-term Leasehold Land	Construction in-progress	Leasehold Improvements	Right-of-Use Asset – Bank Premises	Total
Cost								
Balance at beginning of year	₱11,677,104	₱7,026,901	₱7,801,970	₱570,456	₱793,698	₱1,510,890	₱2,279,267	₱31,660,286
Additions	–	228,386	839,396	–	–	163,465	122,420	1,353,667
Disposals	–	–	(306,808)	–	–	(2,143)	–	(308,951)
Transfers/others	4,436	50,777	(267,198)	(12,250)	(343,245)	165,412	67,053	(335,015)
Effect of disposal group classified as held for sale (Note 36)	–	–	(46,270)	–	–	(6,238)	(65,833)	(118,341)
Balance at end of year	11,681,540	7,306,064	8,021,090	558,206	450,453	1,831,386	2,402,907	32,251,646

(Forward)

Consolidated 2020

	Land	Building	Furniture, Fixtures and Equipment	Long-term Leasehold Land	Construction in-progress	Leasehold Improvements	Right-of-Use Asset – Bank Premises	Total
Accumulated Depreciation and Amortization								
Balance at beginning of year	₱–	₱3,210,442	₱4,257,395	₱51,093	₱–	₱1,289,338	₱568,067	₱9,376,335
Depreciation and amortization	–	339,006	586,637	5,561	–	231,862	1,159,449	2,322,515
Disposals	–	–	(278,069)	–	–	(1,909)	–	(279,978)
Transfers/others	–	(10,036)	203,287	(5,199)	–	194,362	(527,337)	(144,923)
Effect of disposal group classified as held for sale (Note 36)	–	–	(40,212)	–	–	(5,817)	(23,876)	(69,905)
Balance at end of year	–	3,539,412	4,729,038	51,455	–	1,707,836	1,176,303	11,204,044
Allowance for Impairment Losses (Note 16)	543,175	625,712	–	–	–	–	–	1,168,887
Net Book Value at End of Year	₱11,138,365	₱3,140,940	₱3,292,052	₱506,751	₱450,453	₱123,550	₱1,226,604	₱19,878,715

Parent Company 2021

	Land	Building	Furniture, Fixtures and Equipment	Construction in-progress	Leasehold Improvements	Right-of-Use Asset – Bank Premises	Total
Cost							
Balance at beginning of year	₱11,681,540	₱7,234,289	₱6,217,199	₱450,452	₱1,733,319	₱2,335,489	₱29,652,288
Additions	–	52,562	514,992	21,483	86,693	3,350,486	4,026,216
Disposals	(6,903,931)	(4,996,308)	(42,151)	–	–	–	(11,942,390)
Transfers/others	365,633	1,269,732	(42,371)	(93,375)	82,557	126,531	1,708,707
Balance at end of year	5,143,242	3,560,275	6,647,669	378,560	1,902,569	5,812,506	23,444,821
Accumulated Depreciation and Amortization							
Balance at beginning of year	–	3,529,281	3,797,886	–	1,645,854	1,103,399	10,076,420
Depreciation and amortization	–	376,090	764,403	–	184,959	510,723	1,836,175
Disposals	–	(2,313,920)	(42,105)	–	–	–	(2,356,025)
Transfers/others	–	449,990	(46,024)	–	(17,393)	519,800	906,373
Balance at end of year	–	2,041,441	4,474,160	–	1,813,420	2,133,922	10,462,943
Allowance for Impairment Losses (Note 16)	543,175	625,712	–	–	–	–	1,168,887
Net Book Value at End of Year	₱4,600,067	₱893,122	₱2,173,509	₱378,560	₱89,149	₱ 3,678,584	₱11,812,991

Parent Company 2020

	Land	Building	Furniture, Fixtures and Equipment	Construction in-progress	Leasehold Improvements	Right-of-Use Asset – Bank Premises	Total
Cost							
Balance at beginning of year	₱11,473,905	₱6,795,026	₱5,637,147	₱793,697	₱1,498,124	₱2,032,318	₱ 28,230,217
Additions	–	228,386	636,785	–	162,500	122,420	1,150,091
Disposals	–	–	(210,854)	–	–	–	(210,854)
Transfers/others	207,635	210,877	154,121	(343,245)	72,695	180,751	482,834
Balance at end of year	11,681,540	7,234,289	6,217,199	450,452	1,733,319	2,335,489	29,652,288
Accumulated Depreciation and Amortization							
Balance at beginning of year	–	3,152,505	3,686,338	–	990,738	488,171	8,317,752
Depreciation and amortization	–	337,780	277,477	–	216,061	1,066,601	1,897,919
Disposals	–	–	(210,829)	–	–	–	(210,829)
Transfers/others	–	38,996	44,900	–	439,055	(451,373)	71,578
Balance at end of year	–	3,529,281	3,797,886	–	1,645,854	1,103,399	10,076,420
Allowance for Impairment Losses (Note 16)	543,175	625,712	–	–	–	–	1,168,887
Net Book Value at End of Year	₱11,138,365	₱3,079,296	₱ 2,419,313	₱450,452	₱87,465	₱1,232,090	₱18,406,981

The total recoverable value of certain property and equipment of the Group and the Parent Company for which impairment loss has been recognized or reversed amounted to ₱1.5 billion as of December 31, 2021 and 2020.

Certain property and equipment of the Parent Company with carrying amount of ₱92.6 million are temporarily idle as of December 31, 2021 and 2020. As of December 31, 2021 and 2020, property and equipment of the Parent Company with gross carrying amount of ₱9.8 billion and ₱8.3 billion are fully depreciated but are still being used.

Gain (loss) on disposal of property and equipment in 2021, 2020 and 2019 amounted to ₱8.4 million, ₱7.8 million, and (₱9.0 million), respectively, for the Group and (₱0.8 million), ₱1.3 million and ₱1.0 million, respectively, for the Parent Company (Note 26).

Depreciation and amortization consists of:

	Consolidated			Parent Company		
	2021	2020 (As restated – Note 36)	2019 (As restated – Note 36)	2021	2020	2019
Continuing operations:						
Depreciation						
Property and equipment	**₱2,137,954**	₱2,322,515	₱2,112,689	**₱1,836,175**	₱1,897,919	₱1,616,928
Investment properties (Note 13)	**76,575**	259,128	178,908	**55,337**	167,536	120,604
Chattel mortgage properties	**2,717**	14,188	17,024	**–**	–	–
Amortization of intangible assets (Note 14)	**628,471**	558,737	485,890	**607,559**	541,814	469,539
	2,845,717	3,154,568	2,794,511	**2,499,071**	2,607,269	2,207,071
Discontinued operations (Note 36):						
Investment properties	**42,450**	711	711	**–**	–	–
Property and equipment	**6,592**	26,761	6,634	**–**	–	–
Intangible assets	**–**	2,101	2,267	**–**	–	–
	49,042	29,573	9,612	**–**	–	–
	₱2,894,759	₱3,184,141	₱2,804,123	**₱2,499,071**	₱2,607,269	₱2,207,071

The Parent Company is undertaking a series of transactions to monetize its low-earning assets. On September 10, 2020, the Parent Company's BOD approved the plan to realize the market value of certain real estate properties of the Parent Company with a total carrying value of ₱12.6 billion. The plan aims to reduce the low-earning assets of the Parent Company to strengthen its financial position. As part of a series of transactions which will be carried out to meet the objectives of the said plan, on September 25, 2020, the Parent Company's BOD approved the subscription of additional 466,770,000 shares of PNB Holdings with a par value of ₱100 per share, to be issued out of an increase in the authorized capital stock of PNB Holdings, at a subscription price of ₱100 per share in exchange for the above real estate properties, subject to regulatory approvals (Note 12).

12. Investments in Subsidiaries and an Associate

The consolidated financial statements of the Group include:

	Industry	Principal Place of Business/Country of Incorporation	Functional Currency	Percentage of Ownership: Direct	Percentage of Ownership: Indirect
Subsidiaries					
Allied Integrated Holdings, Inc. (AIHI)	Holding Company	Philippines	Php	**100.00**	–
PNB Capital and Investment Corporation (PNB Capital)	Investment	- do -	Php	**100.00**	–
PNB Securities, Inc. (PNB Securities)	Securities Brokerage	- do -	Php	**100.00**	–
PNB Corporation – Guam [(a)]	Remittance	USA	USD	**100.00**	–
PNB International Investments Corporation (PNB IIC)	Investment	- do -	USD	**100.00**	–
PNB Remittance Centers, Inc. (PNB RCI) [(b)]	Remittance	- do -	USD	–	**100.00**
PNB Remittance Co. (Nevada) [(c)]	Remittance	-do-	USD	–	**100.00**
PNB RCI Holding Co. Ltd. (PNB RHCL)	Holding Company	- do -	USD	–	**100.00**
PNB Remittance Co. (Canada) [(d)]	Remittance	Canada	CAD	–	**100.00**
PNB Europe PLC	Banking	United Kingdom	GBP	**100.00**	–
Allied Commercial Bank (ACB)	Banking	China	CNY	**99.04**	–
PNB-Mizuho Leasing and Finance Corporation (PMLFC)	Leasing/Financing	Philippines	Php	**75.00**	–
PNB-Mizuho Equipment Rentals Corporation [(e)]	Rental	- do -	Php	–	**75.00**
PNB Global Remittance & Financial Co. (HK) Ltd. (PNB GRF)	Remittance	Hong Kong	HKD	**100.00**	–
Allied Banking Corporation (Hong Kong) Limited (ABCHKL)	Banking	- do -	HKD	**51.00**	–
ACR Nominees Limited [(f)]	Service	- do -	HKD	–	**51.00**
Oceanic Holding (BVI) Ltd.	Holding Company	British Virgin Islands	USD	**27.78**	–
Associate					
Allianz-PNB Life Insurance, Inc. (APLII)	Insurance	- do -	Php	**44.00**	–

(a) *Ceased operations on June 30, 2012 and license status became dormant thereafter*
(b) *Owned through PNB IIC*
(c) *Owned through PNB RCI*
(d) *Owned through PNB RHCL*
(e) *Owned through PMLFC*
(f) *Owned through ABCHKL*

The details of this account follow:

	Consolidated		Parent Company	
	2021	2020	2021	2020
Investment in Subsidiaries				
AIHI	**₱–**	₱–	**₱10,935,041**	₱10,935,041
ACB	**–**	–	**6,087,520**	6,087,520
PNB IIC	**–**	–	**2,028,202**	2,028,202
PNB Europe PLC	**–**	–	**1,327,393**	1,327,393
ABCHKL	**–**	–	**947,586**	947,586
PNB Capital	**–**	–	**850,000**	850,000
PNB GRF	**–**	–	**753,061**	753,061
PMLFC	**–**	–	**481,943**	481,943
OHBVI	**–**	–	**291,841**	291,841
PNB Securities	**–**	–	**62,351**	62,351
PNB Corporation – Guam	**–**	–	**7,672**	7,672
PNB Holdings	**–**	–	**–**	377,876
	–	–	**23,772,610**	24,150,486
Investment in an Associate – APLII	**2,973,089**	2,728,089	**2,973,089**	2,728,089
Accumulated equity in net earnings (losses) of subsidiaries and an associate:				
Balance at beginning of year	**164,150**	75,674	**63,633**	(155,888)
Equity in net earnings (losses) for the year	**50,789**	88,476	**(650,134)**	95,939
Cash dividends declared by a subsidiary	**–**	–	**(300,000)**	–
Effect of loss of control over PNB Holdings	**–**	–	**616,231**	–
Effect of disposal group classified as held for sale (Note 36)	**–**	–	**32,987**	123,582
	214,939	164,150	**(237,283)**	63,633
Accumulated share in:				
Aggregate losses on life insurance policies	**(626,394)**	(1,038,838)	**(626,394)**	(1,038,838)
Net unrealized gains (losses) on financial assets at FVOCI (Note 9)	**(93,926)**	464,105	**(66,165)**	561,453
Accumulated translation adjustments	**–**	–	**1,381,305**	478,711
Remeasurement gain (loss) on retirement plan	**399**	(7,096)	**78,289**	73,400
Reserves of a disposal group classified as held for sale (Note 36)	**–**	–	**–**	88,616
	(719,921)	(581,829)	**767,035**	163,342
	₱2,468,107	₱2,310,410	**₱27,275,451**	₱27,105,550

In 2002, the Parent Company underwent a quasi-reorganization which was approved by the SEC on November 7, 2002. As of December 31, 2021 and 2020, the acquisition cost of the investments in the Parent Company's separate financial statements includes the balance of ₱2.1 billion consisting of the translation adjustment and accumulated equity in net earnings, net of dividends subsequently received from the quasi-reorganization date, that were closed to deficit on restructuring date and are not available for dividend declaration.

Investment in AIHI (formerly PNB Savings Bank or PNBSB)
On March 1, 2020, the integration of PNBSB to the Parent Company took effect through acquisition of the former's assets and assumption of its liabilities in exchange for cash, equivalent to the fair values of the net assets acquired. The integration was accounted for using the pooling of interests method since it involves business combination between entities under common control. Accordingly, the Parent Company recognized the net assets of PNBSB at their carrying values, and the excess of the carrying values of the net assets acquired over the settlement price amounting to ₱390.5 million is accounted for as 'Other equity reserves' in the parent company financial statements.

On March 5, 2020, PNBSB surrendered its banking license to the BSP.

On October 28, 2020, the BOD of PNBSB approved the following amendments to its Amended Articles of Incorporation and Amended By-Laws:

- Change in the name of the corporation from "PNB Savings Bank" to "Allied Integrated Holdings, Inc."
- Change in the primary purpose of the corporation from banking to a holding company
- Change in all references to, and use of, the word "bank" in the Articles of Incorporation and By-Laws to "corporation"
- Removal of provisions that are related to banking, unless such provision has already been previously amended and approved by the BOD and stockholders of PNBSB
- Shortening of the corporation's term to December 31, 2022

On December 3, 2020, the Monetary Board (MB) of the BSP approved the conversion of PNBSB to a holding company, a non-bank corporation, under the new name as discussed above.

On February 23, 2021, the SEC approved the change of the corporate name of PNB Savings Bank to Allied Integrated Holdings, Inc.

On July 28, 2021, the BOD and stockholder of AIHI approved the Amendments of the Articles of Incorporation and By-Laws and the decrease of the authorized capital stock of AIHI. On February 18, 2022, capital of AIHI amounting to ₱7.5 billion was returned to the Parent Company (Note 37).

<u>Investment in PNB Holdings</u>
On December 28, 2020, the MB of the BSP approved the request of the Parent Company for temporary exemption from prudential limits on its equity investments in PNB Holdings.

On January 13, 2021, the SEC approved the increase in the authorized capital stock of PNB Holdings from ₱500.0 million divided into 5,000,000 shares with par value of ₱100 per share, to ₱50.5 billion divided into 505,000,000 shares with the same par value. On the same date, the Parent Company proceeded with the subscription of additional 466,770,000 shares of PNB Holdings shares in exchange for certain real estate properties with fair values of ₱46.7 billion (Notes 11 and 13).

On April 23, 2021, the Parent Company's BOD approved the property dividend declaration of up to 239,353,710 common shares of PNB Holdings, representing 51.00% ownership, with a par value of ₱100 per share, to all stockholders of record as of May 18, 2021, or ₱23.9 billion.

On May 21, 2021, the Parent Company's BOD approved the issuance of a proxy in favor of LTG to vote all shares registered in the name of the Parent Company on any and all matters in the Annual Stockholders' Meeting of PNB Holdings (Note 33).

On December 24, 2021, the SEC approved the property dividend declaration. On the same date, the Parent Company assessed that it has lost control over PNB Holdings, and accordingly classified its retained interest of 49.00% in PNB Holdings as financial asset at FVOCI with no recycling to profit or loss, in accordance with PFRS 9. Such investment was remeasured from its carrying amount of ₱6.6 billion to its fair value as of December 24, 2021 of ₱23.0 billion, resulting in a gain on remeasurement of ₱16.5 billion and ₱16.4 billion in the consolidated and parent company financial statements, respectively (Note 33).

Further, the Group and the Parent Company recognized gain on loss of control over PNB Holdings of ₱17.0 billion and ₱17.1 billion in the consolidated and parent company financial statements, respectively. On December 21, 2021, the Parent Company was able to secure ruling from the Bureau of Internal Revenue (BIR) that the transfer of properties to PNB Holdings is not subject to tax, except for documentary stamps tax (DST). Further, on March 10, 2022, the Parent Company was able to secure another ruling from the BIR that the property dividends distribution is exempt from tax, except for DST.

The Parent Company was able to demonstrate loss of control over PNB Holdings because of the following:

- Declaration of 51.00% ownership in PNB Holdings as property dividends
- Execution of proxy in favor of LTG for the remaining 49.00% held by the Group
- Election of new BOD made by the stockholders of PNB Holdings in January 2021, effectively resulting in the Group having no representations in the BOD of PNB Holdings
- Appointment of key management personnel by the BOD of PNB Holdings, resulting in the Group having no officers and staff participating in the day-to-day operations of PNB Holdings
- Approval of the SEC of the property dividend declaration and distribution to all stockholders as of May 18, 2021

The foregoing corporate actions were taken by PNB and LTG to allow PNB to focus on its core banking business.

Accordingly, these factors demonstrate that the Group no longer exercises control over PNB Holdings as certain elements of control under PFRS 10, *Consolidated Financial Statements*, are no longer demonstrated.

Further, the Group no longer has a significant influence over PNB Holdings given the execution of proxy forms in favor of LTG and the fact that the latter controls both the Parent Company and PNB Holdings.

<u>Investment in PNB General Insurers Co., Inc. (PNB Gen)</u>
On October 9 and December 11, 2020, the respective BODs of PNB Holdings and the Parent Company approved the sale of all their respective shareholdings in PNB Gen to Alliedbankers Insurance Corporation (ABIC), an affiliate, for a total purchase price of ₱1.5 billion (the Purchase Price), subject to regulatory and other necessary approvals.

Under the Sale and Purchase Agreement (SPA), the Purchase Price shall be payable as follows:

- PNB Holdings Purchase Price (₱521.8 million) – payable in full on PNB Holdings Closing Date (i.e., the completion of the purchase of PNB Holdings Shares by ABIC, which shall be December 28, 2020, or such other date subsequently agreed upon by the parties)
- PNB Purchase Price (₱1.0 billion) – payable in three tranches (10%, 45% and 45%) on January 21, March 21, and June 21, 2021, respectively

The SPA also provides for a grant of an exclusive bancassurance arrangement for the non-life insurance business of the Group to ABIC with a minimum guaranteed term of 15 years. As an additional consideration, ABIC shall pay the Group ₱50.0 million on PNB Closing Date (i.e., the completion of the purchase of PNB Shares by ABIC to coincide with the payment of PNB Tranche 3 or such final installment of the PNB Purchase Price), subject to regulatory approvals. For the PNB Purchase Price, ABIC shall also pay interest on each payment date on each payment tranche date at the rate of 6.00% per annum, which shall commence to run after the PNB Holdings Closing Date and be based on the outstanding amount of the PNB Purchase Price, as adjusted after each payment made to the Parent Company.

On December 29, 2020, the Insurance Commission approved the above acquisition of ABIC. As of December 31, 2020, only the sale of PNB Holdings of its shares in PNB Gen met all the closing conditions for the sale. Accordingly, PNB Holdings closed and completed the sale of its 34.25% shareholdings in PNB Gen, recognizing gain on sale of ₱344.7 million, which is included under 'Equity in net earnings of subsidiaries' in the parent company financial statements, but treated as an equity transaction in the consolidated financial statements as 'Other equity reserves'. The Group also reclassified the assets and liabilities of PNB Gen to 'Assets and liabilities of disposal group classified as held for sale' in the consolidated statement of financial position as of December 31, 2020 (Note 36).

On January 21 and March 19, 2021, the Parent Company received from ABIC the first two tranches representing 10.00% and 45.00%, respectively, of the selling price for the sale of PNB's shares in PNB Gen). On March 31, 2021, ABIC advanced 80.00% of the last tranche of the selling price. On April 30, 2021, the Parent Company received from ABIC the remaining 20.00% of the last tranche of the selling price for the sale of its shares in PNB Gen. In 2021, the Group and the Parent Company recognized loss on sale of its shares in PNB Gen amounting to ₱149.5 million and ₱134.9 million, respectively, recorded under 'Gain on loss of control of subsidiaries - net'. The Parent Company also received interest income of ₱14.1 million from ABIC for this transaction.

Investments in PMLFC

On February 19, 2021, the Parent Company's BOD approved the infusion of additional capital of up to ₱515.0 million to PMLFC, subject to regulatory and other necessary approvals. The infusion of additional capital will increase the Parent Company shareholdings in PMLFC from 75.00% to 83.50%. On July 2, 2021, the BSP approved such additional equity investment in PMLFC. As of December 31, 2021, the additional capital infusion is still subject to discussions with the foreign partner of the Group.

As of December 31, 2021, the carrying value of the Parent Company's equity investment in PMLFC is already reduced to nil. However, by virtue of the Parent Company's commitment to provide further funding in PMLFC, the Parent Company recognized additional losses amounting to ₱164.5 million representing its share in the accumulated net losses of PMLFC. Further, the Parent Company recognized provision for liability amounting to ₱125.1 million relating to the undrawn loan commitments of PMLFC. These provisions were recorded under 'Miscellaneous expenses' in the statement of income (Notes 27 and 33).

Material Non-controlling Interests

Proportion of equity interest held by material NCI follows:

		Equity interest of NCI		Accumulated balances of material NCI		Profit allocated to material NCI	
	Principal Activities	**2021**	2020	**2021**	2020	**2021**	2020
ABCHKL	Banking	**49.00%**	49.00%	**₱1,912,800**	₱1,760,176	**₱65,399**	₱81,187
OHBVI	Holding Company	**72.22%**	72.22%	**985,794**	928,071	**201**	4,667
PNB Gen	Insurance	–	34.25%	–	519,278	–	–

The following table presents financial information of ABCHKL as of December 31, 2021 and 2020:

	2021	2020
Statement of Financial Position		
Current assets	**₱8,426,632**	₱7,162,167
Non-current assets	**2,583,273**	3,180,314
Current liabilities	**6,299,157**	5,924,195
Non-current liabilities	**807,075**	826,090
Statement of Comprehensive Income		
Revenues	**₱374,407**	₱406,294
Expenses	**240,940**	240,606
Net income	**133,467**	165,688
Total comprehensive income	**320,506**	3,915
Statement of Cash Flows		
Net cash provided by (used in) operating activities	**₱543,634**	(₱142,489)
Net cash used in investing activities	**(320)**	(782)
Net cash used in financing activities	**(6,768)**	(6,411)

The following table presents financial information of OHBVI as of December 31, 2021 and 2020:

	2021	2020
Statement of Financial Position		
Current assets	**₱1,364,988**	₱1,285,061
Statement of Comprehensive Income		
Revenues/Net income/Total comprehensive income	**278**	6,463
Statement of Cash Flows		
Net cash provided by (used in) operating activities	**79,927**	(63,383)

The Parent Company determined that it controls OHBVI through its combined voting rights of 70.56% which arises from its direct ownership of 27.78% and voting rights of 42.78% assigned by certain stockholders of OHBVI to the Parent Company through a voting trust agreement.

Investment in APLII

On June 6, 2016, the Parent Company entered into agreements with Allianz SE (Allianz), a German company engaged in insurance and asset management, for the sale of the 51.00% interest in PNB Life Insurance, Inc. (PNB Life) for a total consideration of USD66.0 million to form a new joint venture company named "Allianz-PNB Life Insurance, Inc."; and a 15-year exclusive distribution access to the branch network of the Parent Company and PNBSB (Exclusive Distribution Rights or EDR).

The purchase consideration of USD66.0 million was allocated between the sale of the 51.00% interest in PNB Life and the EDR amounting to USD44.9 million (₱2.1 billion) and USD21.1 million (₱1.0 billion), respectively. The consideration allocated to the EDR was recognized as 'Deferred revenue – Bancassurance' (Note 22) and is amortized to income over 15 years from date of sale. The Parent Company also receives variable annual and fixed bonus earn-out payments based on milestones achieved over the 15-year term of the distribution agreement.

On March 26, 2021, the Parent Company's BOD approved and confirmed the infusion of additional capital of up to ₱245.0 million to APLII subject to regulatory and other necessary approvals. On June 14, 2021, the BSP approved the capital infusion, and the Parent Company recorded the additional investment in APLII in the same month.

Summarized financial information of APLII as of December 31, 2021 and 2020 follows:

	2021	2020
Current assets	**₱2,189,208**	₱1,697,490
Noncurrent assets	**76,895,902**	50,584,277
Total assets	**79,085,110**	52,281,767
Current liabilities	**3,217,567**	2,636,733
Noncurrent liabilities	**73,827,220**	47,905,927
Total liabilities	**77,044,787**	50,542,660
Net assets	**2,040,323**	1,739,107
Percentage of ownership of the Group	**44%**	44%
Share in the net assets of the associate	**₱897,742**	₱765,207

The difference between the share in the net assets of APLII and the carrying value of the investments represents premium on acquisition/retained interest.

Summarized statement of comprehensive income of APLII in 2021 and 2020 follows:

	2021	2020
Revenues	**₱3,729,488**	₱3,132,745
Costs and expenses	**3,614,058**	2,846,825
Net income	**115,430**	285,920
Other comprehensive income (loss)	**(313,853)**	297,095
Total comprehensive income (loss)	**(₱198,423)**	₱583,015
Group's share in comprehensive income (loss) for the year	**(₱87,306)**	₱256,527

Significant Restrictions

The Group does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the regulatory supervisory frameworks within which insurance and banking subsidiaries operate.

13. Investment Properties

This account consists of real properties as follows:

	Consolidated		Parent Company	
	2021	2020	2021	2020
Foreclosed or acquired in settlement of loans	**₱10,556,014**	₱10,046,604	**₱9,998,445**	₱9,522,646
Held for lease	**179,882**	4,399,152	**179,882**	4,399,152
Total	**₱10,735,896**	₱14,445,756	**₱10,178,327**	₱13,921,798

The composition of and movements in this account follow:

	Consolidated		
	2021		
	Land	Buildings and Improvements	Total
Cost			
Beginning balance	**₱14,840,368**	**₱4,354,738**	**₱19,195,106**
Additions	**280,030**	**244,693**	**524,723**
Disposals	**(3,600,962)**	**(1,324,806)**	**(4,925,768)**
Transfers/others	**12,089**	**(148,120)**	**(136,031)**
Balance at end of year	**11,531,525**	**3,126,505**	**14,658,030**
Accumulated Depreciation			
Balance at beginning of year	**–**	**2,165,680**	**2,165,680**
Depreciation (Note 11)	**–**	**76,575**	**76,575**
Disposals	**–**	**(502,878)**	**(502,878)**
Transfers/others	**–**	**(22,065)**	**(22,065)**
Balance at end of year	**–**	**1,717,312**	**1,717,312**
Allowance for Impairment Losses (Note 16)	**1,948,609**	**256,213**	**2,204,822**
Net Book Value at End of Year	**₱9,582,916**	**₱1,152,980**	**₱10,735,896**

	Consolidated		
	2020		
	Land	Buildings and Improvements	Total
Cost			
Beginning balance	₱14,849,087	₱4,377,277	₱19,226,364
Additions	44,736	41,957	86,693
Disposals	(10,827)	(12,341)	(23,168)
Transfers/others	(42,628)	(52,155)	(94,783)
Balance at end of year	14,840,368	4,354,738	19,195,106
Accumulated Depreciation			
Balance at beginning of year	–	2,033,630	2,033,630
Depreciation (Note 11)	–	259,128	259,128
Disposals	–	(8,075)	(8,075)
Transfers/others	–	(119,003)	(119,003)
Balance at end of year	–	2,165,680	2,165,680
Allowance for Impairment Losses (Note 16)	2,351,499	232,171	2,583,670
Net Book Value at End of Year	₱12,488,869	₱1,956,887	₱14,445,756

	Parent Company		
	2021		
	Land	Buildings and Improvements	Total
Cost			
Beginning balance	**₱14,322,250**	**₱4,215,771**	**₱18,538,021**
Additions	**280,030**	**54,381**	**334,411**
Disposals	**(3,600,962)**	**(1,324,806)**	**(4,925,768)**
Transfers/others	**485**	**1,999**	**2,484**
Balance at end of year	**11,001,803**	**2,947,345**	**13,949,148**
Accumulated Depreciation			
Balance at beginning of year	**–**	**2,042,691**	**2,042,691**
Depreciation (Note 11)	**–**	**55,337**	**55,337**
Disposals	**–**	**(502,877)**	**(502,877)**
Balance at end of year	**–**	**1,595,151**	**1,595,151**
Allowance for Impairment Losses (Note 16)	**1,947,897**	**227,773**	**2,175,670**
Net Book Value at End of Year	**₱9,053,906**	**₱1,124,421**	**₱10,178,327**

	Parent Company		
	2020		
	Land	Buildings and Improvements	Total
Cost			
Beginning balance	₱14,478,418	₱4,344,378	₱18,822,796
Additions	51,053	26,973	78,026
Disposals	(10,827)	(12,341)	(23,168)
Transfers/others	(196,394)	(143,239)	(339,633)
Balance at end of year	14,322,250	4,215,771	18,538,021
Accumulated Depreciation			
Balance at beginning of year	–	1,992,096	1,992,096
Depreciation (Note 11)	–	167,536	167,536
Disposals	–	(8,075)	(8,075)
Transfers/others	–	(108,866)	(108,866)
Balance at end of year	–	2,042,691	2,042,691
Allowance for Impairment Losses (Note 16)	2,350,787	222,745	2,573,532
Net Book Value at End of Year	₱11,971,463	₱1,950,335	₱13,921,798

Included in the real estate properties transferred to PNB Holdings in exchange for 466,770,000 shares of PNB Holdings are investment properties with carrying value amounting to ₱4.2 billion (Note 12).

Foreclosed properties of the Parent Company still subject to redemption period by the borrowers amounted to ₱229.8 million and ₱181.2 million, as of December 31, 2021 and 2020, respectively. Valuations were derived on the basis of recent sales of similar properties in the same area as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made. The Group and the Parent Company are exerting continuing efforts to dispose these properties.

The total recoverable value of certain investment properties of the Group and the Parent Company that were impaired amounted to ₱4.7 billion and ₱4.2 billion as of December 31, 2021 and 2020, respectively.

For the Group and the Parent Company, direct operating expenses on investment properties that generated rental income during the year (other than depreciation and amortization), included under ‘Miscellaneous expenses’, amounted to ₱28.2 million, ₱6.0 million and ₱12.3 million in 2021, 2020, and 2019, respectively. Direct operating expenses on investment properties that did not generate rental income included under ‘Miscellaneous expenses’, amounted to ₱173.3 million, ₱204.6 million and ₱190.7 million in 2021, 2020, and 2019, respectively.

14. Goodwill and Intangible Assets

These accounts consist of:

	Consolidated				
	2021				
	Intangible Assets with Finite Lives				
	CDI	**CRI**	**Software Cost**	**Total**	**Goodwill**
Cost					
Balance at beginning of year	**₱1,897,789**	**₱391,943**	**₱4,134,403**	**₱6,424,135**	**₱13,375,407**
Additions	**–**	**–**	**655,455**	**655,455**	**–**
Others	**–**	**–**	**(84,225)**	**(84,225)**	**–**
Balance at end of year	**1,897,789**	**391,943**	**4,705,633**	**6,995,365**	**13,375,407**

(Forward)

	Consolidated				
	2021				
	Intangible Assets with Finite Lives				
	CDI	**CRI**	**Software Cost**	**Total**	**Goodwill**
Accumulated Amortization					
Balance at beginning of year	**₱1,498,199**	**₱391,943**	**₱2,021,980**	**₱3,912,122**	**₱–**
Amortization (Note 11)	**189,779**	**–**	**438,692**	**628,471**	**–**
Others	**–**	**–**	**25,338**	**25,338**	**–**
Balance at end of year	**1,687,978**	**391,943**	**2,486,010**	**4,565,931**	**–**
Accumulated Impairment Losses (Note 16)	**–**	**–**	**–**	**–**	**2,153,997**
Net Book Value at End of Year	**₱209,811**	**₱–**	**₱2,219,623**	**₱2,429,434**	**₱11,221,410**

	Consolidated				
	2020				
	Intangible Assets with Finite Lives				
	CDI	CRI	Software Cost	Total	Goodwill
Cost					
Balance at beginning of year	₱1,897,789	₱391,943	₱3,918,769	₱6,208,501	₱13,375,407
Additions	–	–	283,472	283,472	–
Others	–	–	(47,517)	(47,517)	–
Effect of disposal group classified as held for sale (Note 36)	–	–	(20,321)	(20,321)	–
Balance at end of year	1,897,789	391,943	4,134,403	6,424,135	13,375,407
Accumulated Amortization					
Balance at beginning of year	1,308,420	391,943	1,666,149	3,366,512	–
Amortization (Note 11)	189,779	–	368,958	558,737	–
Others	–	–	2,060	2,060	–
Effect of disposal group classified as held for sale (Note 36)	–	–	(15,187)	(15,187)	–
Balance at end of year	1,498,199	391,943	2,021,980	3,912,122	–
Net Book Value at End of Year	₱399,590	₱–	₱2,112,423	₱2,512,013	₱13,375,407

	Parent Company				
	2021				
	Intangible Assets with Finite Lives				
	CDI	**CRI**	**Software Cost**	**Total**	**Goodwill**
Cost					
Balance at beginning of year	**₱1,897,789**	**₱391,943**	**₱5,167,531**	**₱7,457,263**	**₱13,515,765**
Additions	**–**	**–**	**612,515**	**612,515**	**–**
Others	**–**	**–**	**(100,120)**	**(100,120)**	**–**
Balance at end of year	**1,897,789**	**391,943**	**5,679,926**	**7,969,658**	**13,515,765**
Accumulated Amortization					
Balance at beginning of year	**1,498,199**	**391,943**	**3,128,461**	**5,018,603**	**–**
Amortization (Note 11)	**189,779**	**–**	**417,780**	**607,559**	**–**
Others	**–**	**–**	**14,539**	**14,539**	**–**
Balance at end of year	**1,687,978**	**391,943**	**3,560,780**	**5,640,701**	**–**
Accumulated Impairment Losses (Note 16)	**–**	**–**	**–**	**–**	**2,153,997**
Net Book Value at End of Year	**₱209,811**	**₱–**	**₱2,119,146**	**₱2,328,957**	**₱11,361,768**

	Parent Company				
	2020				
	Intangible Assets with Finite Lives				
	CDI	CRI	Software Cost	Total	Goodwill
Cost					
Balance at beginning of year	₱1,897,789	₱391,943	₱4,886,120	₱7,175,852	₱13,515,765
Additions	–	–	268,768	268,768	–
Others	–	–	12,643	12,643	–
Balance at end of year	1,897,789	391,943	5,167,531	7,457,263	13,515,765
Accumulated Amortization					
Balance at beginning of year	1,308,420	391,943	2,776,335	4,476,698	–
Amortization (Note 11)	189,779	–	352,035	541,814	–
Others	–	–	91	91	–
Balance at end of year	1,498,199	391,943	3,128,461	5,018,603	–
Net Book Value at End of Year	₱399,590	₱–	₱2,039,070	₱2,438,660	₱13,515,765

CDI and CRI
CDI and CRI are the intangible assets acquired through the merger of the Parent Company with Allied Banking Corporation (ABC). CDI includes the stable level of deposit liabilities of ABC which is considered as favorably priced source of funds by the Parent Company. CRI pertains to ABC's key customer base which the Parent Company expects to bring more revenue through loan availments. CDI is allocated to Retail Banking CGU while CRI is allocated to Corporate Banking CGU. CDI and CRI are assessed for impairment where indicator(s) of objective evidence of impairment has been identified.

Software cost
Software cost as of December 31, 2021 and 2020 includes capitalized development costs amounting to ₱2.0 billion, related to the Parent Company's new core banking system.

Goodwill
The Parent Company accounted for the business combination with ABC under the acquisition method of PFRS 3. The Group has elected to measure the NCI in the acquiree at proportionate share of identifiable assets and liabilities. The business combination resulted in the recognition of goodwill amounting to ₱13.4 billion, allocated to the three CGUs which are also reportable segments. As of December 31, 2021 and 2020, goodwill for each CGU amounted to:

	2021	2020
Retail Banking	**₱6,110,312**	₱6,110,312
Global Banking and Market	**3,074,730**	3,074,730
Corporate Banking	**2,036,368**	4,190,365
	₱11,221,410	₱13,375,407

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. The impairment test is done by comparing the recoverable amount of each CGU with its carrying amount. The carrying amount of a CGU is derived based on its net assets plus the amount of goodwill allocated to the CGU. The recoverable amount is the higher of a CGU's fair value less costs to sell and its VIU. As of December 31, 2021, the goodwill impairment test performed by the Parent Company resulted in an impairment loss of ₱2.2 billion in the Corporate Banking segment (recorded under 'Provision for impairment, credit and other losses') with the recoverable amount being lower than its carrying amount.

The recoverable amounts of the CGUs have been determined on the basis of the VIU calculation using the discounted cash flows (DCF) model. The DCF model uses earnings projections based on financial budgets approved by senior management and the BOD of the Parent Company covering a three-year period and are discounted to their present value. Estimating future earning involves judgment which takes into account past and actual performance and expected developments in the respective markets and in the overall macro-economic environment.

The following rates were applied to the cash flow projections:

	2021			2020		
	Retail Banking	**Corporate Banking**	**Global Banking and Market**	Retail Banking	Corporate Banking	Global Banking and Market
Pre-tax discount rate	**10.48%**	**10.48%**	**8.32%**	10.83%	10.83%	6.95%
Projected growth rate	**6.60%**	**6.60%**	**6.60%**	5.00%	5.00%	5.00%

The calculation of VIU is most sensitive to estimates of future cash flows from the business, interest margin, discount rates, projected long-term growth rates (derived based on the forecast local gross domestic product) used to extrapolate cash flows beyond the budget period.

The discount rate applied have been determined based on cost of equity for Retail and Corporate Banking segments and weighted average cost of capital (WACC) for Global Banking and Market segment. WACC is computed by multiplying the cost of equity and the post-tax cost of debt by their relevant weights using debt-equity mix of comparable listed banks, and adding the products together. The cost of equity is derived using the capital asset pricing model which is comprised of a market risk premium, risk-free interest rate and the beta factor, all of which were obtained from external sources of information. The post-tax cost of debt is comprised of the risk-free interest rate and the Group's credit spread, after applying the prevailing corporate income tax.

15. Other Assets

This account consists of:

	Consolidated		**Parent Company**	
	2021	2020	**2021**	2020
Financial				
Return checks and other cash items	**₱133,631**	₱78,589	**₱133,631**	₱78,589
Security deposits	**12,984**	13,080	**–**	–
Receivable from special purpose vehicle (SPV)	**500**	500	**500**	500
Checks for clearing	**–**	4,904	**–**	4,904
Miscellaneous	**2,907**	2,836	**2,211**	2,280
	150,022	99,909	**136,342**	86,273
Non-financial				
Creditable withholding taxes	**1,686,145**	2,397,473	**1,436,059**	2,144,781
Deferred charges	**1,065,090**	1,095,022	**1,053,876**	989,748
Prepaid expenses	**645,222**	491,796	**587,871**	431,722
Real estate inventories held under development (Note 33)	**638,875**	638,875	**638,875**	638,875
Documentary stamps on hand	**357,884**	988,610	**356,586**	986,410
Dividends receivable (Note 12)	**–**	–	**300,000**	–
Chattel mortgage properties – net of depreciation	**227,187**	115,356	**99,691**	111,817
Input value added tax	**119,762**	104,096	**–**	–
Stationeries and supplies	**87,651**	81,337	**87,476**	80,924
Other investments	**30,760**	28,617	**27,270**	25,397
Miscellaneous (Note 28)	**868,538**	1,337,715	**847,524**	492,000
	5,727,114	7,278,897	**5,435,228**	5,901,674
	5,877,136	7,378,806	**5,571,570**	5,987,947
Less allowance for credit and impairment losses (Note 16)	**1,069,216**	1,040,596	**1,046,072**	1,040,213
	₱4,807,920	₱6,338,210	**₱4,525,498**	₱4,947,734

Deferred charges
This account includes the share of the Group in the cost of transportation equipment acquired under the Group's car plan which shall be amortized monthly.

Real estate inventories held under development
This represents parcels of land contributed by the Parent Company under joint arrangements with real estate developers to be developed as residential condominium units and subdivision lots.

Prepaid expenses
This represents expense prepayments expected to benefit the Group for a future period not exceeding one year, such as insurance premiums and taxes.

Chattel mortgage properties
As of December 31, 2021 and 2020, accumulated depreciation on chattel mortgage properties acquired by the Group in settlement of loans amounted to ₱241.8 million and ₱140.1 million, respectively. As of December 31, 2021 and 2020, accumulated depreciation on chattel mortgage properties acquired by the Parent Company in settlement of loans amounted to ₱227.5 million and ₱130.3 million, respectively. As of December 31, 2021 and 2020, the total recoverable value of certain chattel mortgage properties of the Group and the Parent Company that were impaired is at ₱0.9 million.

Receivable from SPV
This represents fully provisioned subordinated notes received by the Parent Company from Golden Dragon Star Equities and its assignee, Opal Portfolio Investing, Inc. (an SPV), relative to the sale of certain non-performing assets of the Group.

Miscellaneous
Other financial assets include revolving fund, petty cash fund and miscellaneous cash and other cash items. Other nonfinancial assets include postages, refundable deposits, notes taken for interest and sundry debits.

16. Allowance for Impairment and Credit Losses

Provision for Impairment, Credit and Other Losses
This account consists of:

	Consolidated			Parent Company		
	2021	2020 (As restated – Note 36)	2019 (As restated – Note 36)	**2021**	2020	2019
Continuing operations:						
Provision for credit losses	**₱10,980,450**	₱16,054,991	₱2,481,965	**₱11,220,504**	₱15,723,927	₱1,648,491
Provision for (reversal of) impairment and other losses	**1,898,561**	827,630	428,217	**1,905,233**	810,408	(55,272)
	12,879,011	16,882,621	2,910,182	**13,125,737**	16,534,335	1,593,219
Discontinued operations (Note 36):						
Provision for (reversal of) credit and impairment losses	**88,141**	29,781	(324)	**–**	–	–
	₱12,967,152	₱16,912,402	₱2,909,858	**₱13,125,737**	₱16,534,335	₱1,593,219

Changes in the allowance for impairment and credit losses on financial assets follow:

	Consolidated 2021							
	Securities Held Under Agreements to Resell	**Due from Other Banks**	**Interbank Loans Receivable**	**Financial Assets at FVOCI**	**Investment Securities at Amortized Cost**	**Loans and Receivables**	**Other Assets**	**Total**
Balance at beginning of year	**₱–**	**₱9,898**	**₱2,883**	**₱67,399**	**₱3,982,398**	**₱32,414,652**	**₱500**	**₱36,477,730**
Provisions (reversals)	**3,644**	**695**	**3,696**	**66,752**	**(142,249)**	**11,047,912**	**–**	**10,980,450**
Accounts charged-off	**–**	**–**	**–**	**–**	**–**	**(1,439,313)**	**–**	**(1,439,313)**
Sale of receivables (Note 26)	**–**	**–**	**–**	**–**	**–**	**(2,520,236)**	**–**	**(2,520,236)**
Transfers and others	**–**	**–**	**–**	**–**	**(17,983)**	**(162,254)**	**–**	**(180,237)**
Balance at end of year	**₱3,644**	**₱10,593**	**₱6,579**	**₱134,151**	**₱3,822,166**	**₱39,340,761**	**₱500**	**₱43,318,394**

	Consolidated 2020							
	Securities Held Under Agreements to Resell	Due from Other Banks	Interbank Loans Receivable	Financial Assets at FVOCI	Investment Securities at Amortized Cost	Loans and Receivables	Other Assets	Total
Balance at beginning of year	₱1,912	₱3,359	₱6,719	₱51,639	₱3,785,196	₱18,413,228	₱500	₱22,262,553
Provisions:								
Continuing operations	–	6,338	1,610	19,163	197,405	15,830,475	–	16,054,991
Discontinued operation	–	–	–	–	28	30,280	–	30,308
Accounts charged-off	–	–	–	–	–	(749,829)	–	(749,829)
Transfers and others	(1,912)	201	(5,446)	(3,403)	(203)	(849,334)	–	(860,097)
Effect of discontinued operations	–	–	–	–	(28)	(260,168)	–	(260,196)
Balance at end of year	₱–	₱9,898	₱2,883	₱67,399	₱3,982,398	₱32,414,652	₱500	₱36,477,730

	Parent Company 2021							
	Securities Held Under Agreements to Resell	**Due from Other Banks**	**Interbank Loans Receivable**	**Financial Assets at FVOCI**	**Investment Securities at Amortized Cost**	**Loans and Receivables**	**Other Assets**	**Total**
Balance at beginning of year	**₱–**	**₱9,873**	**₱2,883**	**₱67,399**	**₱3,982,398**	**₱31,499,881**	**₱500**	**₱35,562,934**
Provisions (reversals)	**3,644**	**–**	**3,696**	**64,122**	**(142,249)**	**11,291,291**	**–**	**11,220,504**
Accounts charged-off	**–**	**–**	**–**	**–**	**–**	**(1,439,313)**	**–**	**(1,439,313)**
Sale of receivables (Note 26)	**–**	**–**	**–**	**–**	**–**	**(2,520,236)**	**–**	**(2,520,236)**
Transfers and others	**–**	**–**	**–**	**–**	**(17,983)**	**394,354**	**–**	**376,371**
Balance at end of year	**₱3,644**	**₱9,873**	**₱6,579**	**₱131,521**	**₱3,822,166**	**₱39,225,977**	**₱500**	**₱43,200,260**

	Parent Company 2020						
	Due from Other Banks	Interbank Loans Receivable	Financial Assets at FVOCI	Investment Securities at Amortized Cost	Loans and Receivables	Other Assets	Total
Balance at beginning of year	₱3,359	₱1,293	₱51,639	₱3,728,243	₱14,292,784	₱500	₱18,077,818
Provisions	6,334	1,610	15,760	197,405	15,502,818	–	15,723,927
Accounts charged-off	–	–	–	–	(749,829)	–	(749,829)
Transfers and others	180	(20)	–	56,750	2,454,108	–	2,511,018
Balance at end of year	₱9,873	₱2,883	₱67,399	₱3,982,398	₱31,499,881	₱500	₱35,562,934

Movements in the allowance for impairment losses on nonfinancial assets follow:

	Consolidated								
	2021					2020			
	Property and Equipment	**Investment Properties**	**Other Assets**	**Goodwill**	**Total**	Property and Equipment	Investment Properties	Other Assets	Total
Balance at beginning of year	**₱1,168,887**	**₱2,583,670**	**₱1,040,096**	**₱–**	**₱4,792,653**	₱1,115,157	₱2,148,908	₱1,057,623	₱4,321,688
Provisions (reversals):									
Continuing operations	**–**	**(238,052)**	**(17,384)**	**2,153,997**	**1,898,561**	–	423,952	403,678	827,630
Discontinued operation	**–**	**–**	**88,141**	**–**	**88,141**	–	–	(527)	(527)
Disposals	**–**	**(197,986)**	**(4,772)**	**–**	**(202,758)**	–	–	–	–
Transfers and others	**–**	**57,190**	**(37,365)**	**–**	**19,825**	53,730	10,810	(391,085)	(326,545)
Effect of discontinued operations	**–**	**–**	**–**	**–**	**–**	–	–	(29,593)	(29,593)
Balance at end of year	**₱1,168,887**	**₱2,204,822**	**₱1,068,716**	**₱2,153,997**	**₱6,596,422**	₱1,168,887	₱2,583,670	₱1,040,096	₱4,792,653

	Parent Company								
	2021					2020			
	Property and Equipment	**Investment Properties**	**Other Assets**	**Goodwill**	**Total**	Property and Equipment	Investment Properties	Other Assets	Total
Balance at beginning of year	**₱1,168,887**	**₱2,573,532**	**₱1,039,713**	**₱–**	**₱4,782,132**	₱1,115,157	₱2,154,313	₱1,027,852	₱4,297,322
Provisions (reversals)	**–**	**(238,051)**	**(10,712)**	**2,153,997**	**1,905,233**	–	419,219	391,189	810,408
Disposals	**–**	**(197,986)**	**(4,772)**	**–**	**(202,758)**	–	–	–	–
Transfers and others	**–**	**38,175**	**21,343**	**–**	**59,518**	53,730	–	(379,328)	(325,598)
Balance at end of year	**₱1,168,887**	**₱2,175,670**	**₱1,045,572**	**₱2,153,997**	**₱6,544,125**	₱1,168,887	₱2,573,532	₱1,039,713	₱4,782,132

The reconciliation of allowance for loans and receivables are shown below:

	Consolidated							
	2021				2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Corporate Loans								
Beginning Balance	**₱437,633**	**₱690,482**	**₱18,092,141**	**₱19,220,256**	₱1,351,699	₱862,403	₱5,838,830	₱8,052,932
Transfers to Stage 1	**1,375,088**	**(51,070)**	**(1,324,018)**	**–**	127,422	(104,193)	(23,229)	–
Transfers to Stage 2	**(21,796)**	**170,627**	**(148,831)**	**–**	(49,891)	74,188	(24,297)	–
Transfers to Stage 3	**(41,035)**	**(97,886)**	**138,921**	**–**	(201,545)	(65,790)	267,335	–
Accounts charged off	**–**	**–**	**(1,100)**	**(1,100)**	–	–	–	–
Provisions (reversals)	**1,136,551**	**501,195**	**10,381,492**	**12,019,238**	(741,893)	(77,013)	12,041,160	11,222,254
Sale of receivables (Note 26)	**–**	**–**	**(2,520,236)**	**(2,520,236)**	–	–	–	–
Effect of collections and other movements	**(2,427,218)**	**(353,595)**	**(306,972)**	**(3,087,785)**	(48,159)	887	(7,658)	(54,930)
Ending Balance	**459,223**	**859,753**	**24,311,397**	**25,630,373**	437,633	690,482	18,092,141	19,220,256
LGU								
Beginning Balance	**24,040**	**1,737**	**24,916**	**50,693**	30,089	11,092	26,469	67,650
Provisions (reversals)	**22,642**	**3,902**	**2,296**	**28,840**	(1,196)	(1,226)	–	(2,422)
Effect of collections and other movements	**(46,417)**	**4,993**	**40,586**	**(838)**	(4,853)	(8,129)	(1,553)	(14,535)
Ending Balance	**265**	**10,632**	**67,798**	**78,695**	24,040	1,737	24,916	50,693
Credit Cards								
Beginning Balance	**38,224**	**26,246**	**2,523,198**	**2,587,668**	37,867	41,397	1,526,487	1,605,751
Transfers to Stage 1	**39,251**	**(6,432)**	**(32,819)**	**–**	14,459	(8,245)	(6,214)	–
Transfers to Stage 2	**(2,254)**	**5,721**	**(3,467)**	**–**	(631)	701	(70)	–
Transfers to Stage 3	**(9,135)**	**(9,282)**	**18,417**	**–**	(5,473)	(28,914)	34,387	–
Accounts charged off	**–**	**–**	**(1,399,465)**	**(1,399,465)**	(1,077)	(4,023)	(603,693)	(608,793)
Provisions (reversals)	**(98,840)**	**17,705**	**1,085,746**	**1,004,611**	61,271	21,095	1,495,684	1,578,050
Effect of collections and other movements	**94,226**	**(7,272)**	**128,159**	**215,113**	(68,192)	4,235	76,617	12,660
Ending Balance	**61,472**	**26,686**	**2,319,769**	**2,407,927**	38,224	26,246	2,523,198	2,587,668
Retail SMEs								
Beginning Balance	**361,274**	**20,786**	**1,426,132**	**1,808,192**	377,435	73,581	1,031,436	1,482,452
Transfers to Stage 1	**7,502**	**(1,634)**	**(5,868)**	**–**	13,826	(706)	(13,120)	–
Transfers to Stage 2	**(351)**	**2,151**	**(1,800)**	**–**	(20,257)	31,634	(11,377)	–
Transfers to Stage 3	**(5,680)**	**(6,204)**	**11,884**	**–**	(3,530)	(3,036)	6,566	–
Accounts charged off	**–**	**–**	**–**	**–**	–	–	(2,477)	(2,477)
Provisions (reversals)	**31,995**	**(1,617)**	**42,831**	**73,209**	249,043	(7,814)	305,381	546,610
Effect of collections and other movements	**(238,017)**	**2,520**	**170,076**	**(65,421)**	(255,243)	(72,873)	109,723	(218,393)
Ending Balance	**156,723**	**16,002**	**1,643,255**	**1,815,980**	361,274	20,786	1,426,132	1,808,192
Housing Loans								
Beginning Balance	**99,896**	**107,786**	**2,166,204**	**2,373,886**	889,425	547,589	114,407	1,551,421
Transfers to Stage 1	**395,713**	**(45,005)**	**(350,708)**	**–**	24,929	(6,896)	(18,033)	
Transfers to Stage 2	**(2,061)**	**35,012**	**(32,951)**	**–**	(1,780)	5,252	(3,472)	–
Transfers to Stage 3	**(11,394)**	**(53,478)**	**64,872**	**–**	(5,524)	(12,767)	18,291	–
Accounts charged off	**–**	**–**	**–**	**–**	–	–	–	–
Provisions (reversals)	**391,794**	**(7,381)**	**(888,382)**	**(503,969)**	(66,831)	83,538	1,109,858	1,126,565
Effect of collections and other movements	**(616,995)**	**17,433**	**2,162,411**	**1,562,849**	(740,323)	(508,930)	945,153	(304,100)
Ending Balance	**256,953**	**54,367**	**3,121,446**	**3,432,766**	99,896	107,786	2,166,204	2,373,886
Auto Loans								
Beginning Balance	**146,165**	**43,152**	**843,487**	**1,032,804**	154,130	45,312	44,401	243,843
Transfers to Stage 1	**58,625**	**(2,965)**	**(55,660)**	**–**	4,234	(800)	(3,434)	–
Transfers to Stage 2	**(113)**	**8,396**	**(8,283)**	**–**	(1,876)	2,199	(323)	–
Transfers to Stage 3	**(615)**	**(3,229)**	**3,844**	**–**	(4,139)	(3,506)	7,645	–
Accounts charged off	**–**	**–**	**(9,133)**	**(9,133)**	–	–	(1,488)	(1,488)
Provisions (reversals)	**73,402**	**6,628**	**(708,378)**	**(628,348)**	(6,271)	2,916	770,300	766,945
Effect of collections and other movements	**(268,468)**	**(49,816)**	**1,401,707**	**1,083,423**	87	(2,969)	26,386	23,504
Ending Balance	**8,996**	**2,166**	**1,467,584**	**1,478,746**	146,165	43,152	843,487	1,032,804
Other Loans								
Beginning Balance	**72,427**	**59,443**	**1,922,895**	**2,054,765**	8,924	62,189	998,074	1,069,187
Transfers to Stage 1	**222,313**	**(12,979)**	**(209,334)**	**–**	10,769	(2,287)	(8,482)	–
Transfers to Stage 2	**(875)**	**90,473**	**(89,598)**	**–**	(958)	15,050	(14,092)	–
Transfers to Stage 3	**(4,109)**	**(20,370)**	**24,479**	**–**	(1,817)	(7,764)	9,581	–
Accounts charged off	**–**	**–**	**(20,328)**	**(20,328)**	–	–	(136,732)	(136,732)
Provisions (reversals)	**(131,066)**	**(583)**	**(333,647)**	**(465,296)**	(26,947)	29,844	(141,644)	(138,747)
Effect of collections and other movements	**84,250**	**(107,748)**	**(578,435)**	**(601,933)**	82,456	(37,589)	1,216,190	1,261,057
Ending Balance	**242,940**	**8,236**	**716,032**	**967,208**	72,427	59,443	1,922,895	2,054,765

(Forward)

	Consolidated							
	2021				2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Other Receivables								
Beginning Balance	**₱69,326**	**₱19,486**	**₱3,197,574**	**₱3,286,386**	₱77,497	₱21,915	₱4,240,580	₱4,339,992
Transfers to Stage 1	**1,295**	**(15)**	**(1,280)**	**–**	186	(23)	(163)	–
Transfers to Stage 2	**(967)**	**22,649**	**(21,682)**	**–**	(1,739)	1,741	(2)	–
Transfers to Stage 3	**(12,748)**	**(67,882)**	**80,630**	**–**	(51,149)	(2,811)	53,960	–
Accounts charged off	**–**	**–**	**(9,287)**	**(9,287)**	–	–	336	336
Provisions (reversals)	**(598,194)**	**(13,427)**	**131,248**	**(480,373)**	44,946	12,167	674,108	731,221
Effect of collections and other movements	**622,795**	**72,548**	**36,997**	**732,340**	(415)	(13,503)	(1,771,245)	(1,785,163)
Ending Balance	**81,507**	**33,359**	**3,414,200**	**3,529,066**	69,326	19,486	3,197,574	3,286,386
Total Loans and Receivables								
Beginning Balance	**1,248,985**	**969,118**	**30,196,547**	**32,414,650**	2,927,066	1,665,478	13,820,684	18,413,228
Transfers to Stage 1	**2,099,787**	**(120,100)**	**(1,979,687)**	**–**	195,825	(123,150)	(72,675)	–
Transfers to Stage 2	**(28,417)**	**335,029**	**(306,612)**	**–**	(77,132)	130,765	(53,633)	–
Transfers to Stage 3	**(84,716)**	**(258,331)**	**343,047**	**–**	(273,177)	(124,588)	397,765	–
Accounts charged off	**–**	**–**	**(1,439,313)**	**(1,439,313)**	(1,077)	(4,023)	(744,054)	(749,154)
Provisions (reversals)	**828,284**	**506,422**	**9,713,206**	**11,047,912**	(487,878)	63,507	16,254,847	15,830,476
Sale of receivables (Note 26)	**–**	**–**	**(2,520,236)**	**(2,520,236)**	–	–	–	–
Effect of collections and other movements	**(2,795,844)**	**(420,937)**	**3,054,529**	**(162,252)**	(1,034,642)	(638,871)	593,613	(1,079,900)
Ending Balance	**₱1,268,079**	**₱1,011,201**	**₱37,061,481**	**₱39,340,761**	₱1,248,985	₱969,118	₱30,196,547	₱32,414,650

	Parent Company							
	2021				2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Corporate Loans								
Beginning Balance	**₱314,124**	**₱680,087**	**₱18,033,402**	**₱19,027,613**	₱1,223,420	₱814,289	₱5,635,394	₱7,673,103
Transferred loans	**–**	**–**	**–**	**–**	327	37,685	102,927	140,939
Transfers to Stage 1	**1,375,022**	**(51,067)**	**(1,323,955)**	**–**	127,731	(104,327)	(23,404)	–
Transfers to Stage 2	**(21,486)**	**170,317**	**(148,831)**	**–**	(49,902)	74,199	(24,297)	–
Transfers to Stage 3	**(41,034)**	**(97,886)**	**138,920**	**–**	(201,545)	(65,790)	267,335	–
Accounts charged off	**–**	**–**	**(1,100)**	**(1,100)**	–	–	–	–
Provisions (reversals)	**856,709**	**501,195**	**10,912,432**	**12,270,336**	(741,930)	(77,013)	12,083,198	11,264,255
Sale of receivables (Note 26)	**–**	**–**	**(2,520,236)**	**(2,520,236)**	–	–	–	–
Effect of collections and other movements	**(1,684,888)**	**(353,959)**	**163,114**	**(1,875,733)**	(43,977)	1,044	(7,751)	(50,684)
Ending Balance	**798,447**	**848,687**	**25,253,746**	**26,900,880**	314,124	680,087	18,033,402	19,027,613
LGU								
Beginning Balance	**24,040**	**1,737**	**24,916**	**50,693**	25,236	15,945	26,469	67,650
Provisions (reversals)	**22,642**	**3,902**	**2,296**	**28,840**	(1,196)	(1,226)	–	(2,422)
Effect of collections and other movements	**(46,417)**	**4,993**	**40,586**	**(838)**	–	(12,982)	(1,553)	(14,535)
Ending Balance	**265**	**10,632**	**67,798**	**78,695**	24,040	1,737	24,916	50,693
Credit Cards								
Beginning Balance	**38,224**	**26,246**	**2,523,198**	**2,587,668**	37,867	41,397	1,526,487	1,605,751
Transfers to Stage 1	**39,251**	**(6,432)**	**(32,819)**	**–**	14,459	(8,245)	(6,214)	–
Transfers to Stage 2	**(2,254)**	**5,721**	**(3,467)**	**–**	(631)	701	(70)	–
Transfers to Stage 3	**(9,135)**	**(9,282)**	**18,417**	**–**	(5,473)	(28,914)	34,387	–
Accounts charged off	**–**	**–**	**(1,399,465)**	**(1,399,465)**	(1,077)	(4,023)	(603,693)	(608,793)
Provisions (reversals)	**(98,840)**	**17,705**	**1,085,746**	**1,004,611**	61,271	21,095	1,495,684	1,578,050
Effect of collections and other movements	**94,226**	**(7,272)**	**128,159**	**215,113**	(68,192)	4,235	76,617	12,660
Ending Balance	**61,472**	**26,686**	**2,319,769**	**2,407,927**	38,224	26,246	2,523,198	2,587,668
Retail SMEs								
Beginning Balance	**336,912**	**10,289**	**559,389**	**906,590**	85,709	14,016	322,664	422,389
Transferred loans	**–**	**–**	**–**	**–**	22,197	83	336,854	359,134
Transfers to Stage 1	**7,502**	**(1,634)**	**(5,868)**	**–**	5,025	–	(5,025)	–
Transfers to Stage 2	**(351)**	**2,151**	**(1,800)**	**–**	(19,823)	27,019	(7,196)	–
Transfers to Stage 3	**(5,680)**	**(6,204)**	**11,884**	**–**	(2,290)	(3,036)	5,326	–
Accounts charged off	**–**	**–**	**–**	**–**	–	–	(2,477)	(2,477)
Provisions (reversals)	**31,995**	**(1,617)**	**42,831**	**73,209**	249,043	(7,814)	48,875	290,104
Effect of collections and other movements	**(219,177)**	**727**	**(108,335)**	**(326,785)**	(2,949)	(19,979)	(139,632)	(162,560)
Ending Balance	**151,201**	**3,712**	**498,101**	**653,014**	336,912	10,289	559,389	906,590

(Forward)

	Parent Company							
	2021				2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Housing Loans								
Beginning Balance	**₱90,814**	**₱104,984**	**₱2,171,817**	**₱2,367,615**	₱28,924	₱3,684	₱42,421	₱75,029
Transferred loans	–	–	–	–	115,826	98,765	952,480	1,167,071
Transfers to Stage 1	**395,354**	**(45,005)**	**(350,349)**	–	24,744	(6,711)	(18,033)	–
Transfers to Stage 2	**(2,061)**	**35,012**	**(32,951)**	–	(1,780)	3,851	(2,071)	–
Transfers to Stage 3	**(11,312)**	**(53,478)**	**64,790**	–	(5,450)	(12,767)	18,217	–
Accounts charged off	–	–	–	–	–	–	–	–
Provisions (reversals)	**384,586**	**(7,381)**	**(888,382)**	**(511,177)**	(67,773)	83,538	1,117,975	1,133,740
Effect of collections and other movements	**(616,523)**	**20,235**	**2,154,819**	**1,558,531**	(3,677)	(65,376)	60,828	(8,225)
Ending Balance	**240,858**	**54,367**	**3,119,744**	**3,414,969**	90,814	104,984	2,171,817	2,367,615
Auto Loans								
Beginning Balance	**22,525**	**6,943**	**1,003,336**	**1,032,804**	23,108	3,558	35,422	62,088
Transferred loans	–	–	–	–	7,382	5,545	168,829	181,756
Transfers to Stage 1	**58,625**	**(2,965)**	**(55,660)**	–	4,234	(800)	(3,434)	–
Transfers to Stage 2	**(113)**	**8,396**	**(8,283)**	–	(1,876)	2,199	(323)	–
Transfers to Stage 3	**(615)**	**(3,229)**	**3,844**	–	(4,139)	(3,506)	7,645	–
Accounts charged off	–	–	**(9,133)**	**(9,133)**	–	–	(1,488)	(1,488)
Provisions (reversals)	**73,402**	**6,628**	**(708,378)**	**(628,348)**	(6,271)	2,916	770,300	766,945
Effect of collections and other movements	**(144,828)**	**(13,607)**	**1,241,858**	**1,083,423**	87	(2,969)	26,385	23,503
Ending Balance	**8,996**	**2,166**	**1,467,584**	**1,478,746**	22,525	6,943	1,003,336	1,032,804
Other Loans								
Beginning Balance	**72,423**	**59,443**	**1,910,728**	**2,042,594**	4,565	11,318	1,385,452	1,401,335
Transferred loans	–	–	–	–	42,188	34,499	486,804	563,491
Transfers to Stage 1	**222,313**	**(12,979)**	**(209,334)**	–	10,769	(2,287)	(8,482)	–
Transfers to Stage 2	**(875)**	**90,473**	**(89,598)**	–	(958)	15,050	(14,092)	–
Transfers to Stage 3	**(4,109)**	**(20,370)**	**24,479**	–	(1,817)	(7,764)	9,581	–
Accounts charged off	–	–	**(20,328)**	**(20,328)**	–	–	(136,736)	(136,736)
Provisions (reversals)	**(131,066)**	**(583)**	**(333,615)**	**(465,264)**	(26,949)	29,844	(141,570)	(138,675)
Effect of collections and other movements	**84,250**	**(107,748)**	**(579,242)**	**(602,740)**	44,625	(21,217)	329,771	353,179
Ending Balance	**242,936**	**8,236**	**703,090**	**954,262**	72,423	59,443	1,910,728	2,042,594
Other Receivables								
Beginning Balance	**74,242**	**19,393**	**3,390,669**	**3,484,304**	59,453	9,761	2,916,225	2,985,439
Transferred receivables	–	–	–	–	6,614	2,152	641,639	650,405
Transfers to Stage 1	**1,295**	**(15)**	**(1,280)**	–	186	(23)	(163)	–
Transfers to Stage 2	**(967)**	**22,649**	**(21,682)**	–	(1,739)	1,741	(2)	–
Transfers to Stage 3	**(12,748)**	**(67,882)**	**80,630**	–	(51,149)	(2,811)	53,960	–
Accounts charged off	–	–	**(9,287)**	**(9,287)**	–	–	336	336
Provisions (reversals)	**(598,737)**	**(13,427)**	**131,248**	**(480,916)**	26,685	12,167	571,969	610,821
Effect of collections and other movements	**582,158**	**72,102**	**(310,877)**	**343,383**	34,192	(3,594)	(793,295)	(762,697)
Ending Balance	**45,243**	**32,820**	**3,259,421**	**3,337,484**	74,242	19,393	3,390,669	3,484,304
Total Loans and Receivables								
Beginning Balance	**973,304**	**909,122**	**29,617,455**	**31,499,881**	1,488,282	913,968	11,890,534	14,292,784
Transferred loans and receivables	–	–	–	–	194,534	178,729	2,689,533	3,062,796
Transfers to Stage 1	**2,099,362**	**(120,097)**	**(1,979,265)**	–	187,148	(122,393)	(64,755)	–
Transfers to Stage 2	**(28,107)**	**334,719**	**(306,612)**	–	(76,709)	124,760	(48,051)	–
Transfers to Stage 3	**(84,633)**	**(258,331)**	**342,964**	–	(271,863)	(124,588)	396,451	–
Accounts charged off	–	–	**(1,439,313)**	**(1,439,313)**	(1,077)	(4,023)	(744,058)	(749,158)
Provisions (reversals)	**540,691**	**506,422**	**10,244,178**	**11,291,291**	(507,120)	63,507	15,946,431	15,502,818
Sale of receivables (Note 26)	–	–	**(2,520,236)**	**(2,520,236)**				
Effect of collections and other movements	**(1,951,199)**	**(384,529)**	**2,730,082**	**394,354**	(39,891)	(120,838)	(448,630)	(609,359)
Ending Balance	**₱1,549,418**	**₱987,306**	**₱36,689,253**	**₱39,225,977**	₱973,304	₱909,122	₱29,617,455	₱31,499,881

Movements of the gross carrying amounts of loans and receivables are shown below:

	Consolidated							
	2021				2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Corporate Loans								
Beginning Balance	**₱444,131,392**	**₱30,217,054**	**₱50,749,511**	**₱525,097,957**	₱521,841,837	₱16,083,886	₱10,711,692	₱548,637,415
Newly originated assets which remained in Stage 1 at yearend	**227,012,002**	–	–	**227,012,002**	224,883,356	–	–	224,883,356
Newly originated assets which moved to Stages 2 and 3 at yearend	–	**4,990,294**	**8,456,400**	**13,446,694**	–	11,908,018	7,094,061	19,002,079
Transfers to Stage 1	**11,278,904**	**(4,981,067)**	**(6,297,837)**	–	1,769,771	(1,711,336)	(58,435)	–
Transfers to Stage 2	**(7,592,547)**	**7,936,935**	**(344,388)**	–	(16,869,294)	16,926,407	(57,113)	–
Transfers to Stage 3	**(1,383,777)**	**(4,625,936)**	**6,009,713**	–	(32,541,294)	(974,321)	33,515,615	–
Accounts charged off	–	–	**(1,100)**	**(1,100)**	–	–	(3)	(3)
Sale of receivables (Note 26)	–	–	**(5,478,200)**	**(5,478,200)**	–	–	–	–
Effect of collections and other movements	**(199,733,587)**	**(8,604,137)**	**2,334,605**	**(206,003,119)**	(254,952,984)	(12,015,600)	(456,306)	(267,424,890)
Ending Balance	**473,712,387**	**24,933,143**	**55,428,704**	**554,074,234**	444,131,392	30,217,054	50,749,511	525,097,957
LGU								
Beginning Balance	**6,390,022**	**7,450**	**24,916**	**6,422,388**	6,703,842	65,674	26,986	6,796,502
Newly originated assets which remained in Stage 1 at yearend	**108,593**	–	–	**108,593**	759,563	–	–	759,563
Effect of collections and other movements	**(2,282,283)**	**38,704**	**32,311**	**(2,211,268)**	(1,073,383)	(58,224)	(2,070)	(1,133,677)
Ending Balance	**4,216,332**	**46,154**	**57,227**	**4,319,713**	6,390,022	7,450	24,916	6,422,388
Credit Cards								
Beginning Balance	**9,198,867**	**199,627**	**3,132,075**	**12,530,569**	13,641,354	420,109	1,808,483	15,869,946
Newly originated assets which remained in Stage 1 at yearend	**992,672**	–	–	**992,672**	749,939	–	–	749,939
Newly originated assets which moved to Stages 2 and 3 at yearend	–	**28,877**	**21,120**	**49,997**	–	21,356	40,779	62,135
Transfers to Stage 1	**105,067**	**(60,241)**	**(44,826)**	–	96,163	(87,508)	(8,655)	–
Transfers to Stage 2	**(192,298)**	**196,528**	**(4,230)**	–	(184,734)	184,821	(87)	–
Transfers to Stage 3	**(684,443)**	**(88,078)**	**772,521**	–	(1,464,762)	(291,121)	1,755,883	–
Accounts charged off	–	–	**(1,399,465)**	**(1,399,465)**	(209,128)	(38,141)	(778,559)	(1,025,828)
Effect of collections and other movements	**1,049,072**	**(7,300)**	**(58,600)**	**983,172**	(3,429,965)	(9,889)	314,231	(3,125,623)
Ending Balance	**10,468,937**	**269,413**	**2,418,595**	**13,156,945**	9,198,867	199,627	3,132,075	12,530,569
Retail SMEs								
Beginning Balance	**10,689,770**	**881,726**	**867,413**	**12,438,909**	18,808,671	207,750	2,063,029	21,079,450
Newly originated assets which remained in Stage 1 at yearend	**3,054,855**	–	–	**3,054,855**	5,714,334	–	–	5,714,334
Newly originated assets which moved to Stages 2 and 3 at yearend	–	**52,047**	**121,159**	**173,206**	–	15,702	2,311	18,013
Transfers to Stage 1	**192,038**	**(118,733)**	**(73,305)**	–	850,597	(69,149)	(781,448)	–
Transfers to Stage 2	**(119,746)**	**196,940**	**(77,194)**	–	(2,663,688)	2,964,354	(300,666)	–
Transfers to Stage 3	**(172,180)**	**(193,682)**	**365,862**	–	(201,733)	(13,065)	214,798	–
Accounts charged off	–	–	–	–	–	–	(2,477)	(2,477)
Effect of collections and other movements	**(7,212,621)**	**(659,286)**	**1,543,842**	**(6,328,065)**	(11,818,411)	(2,223,866)	(328,134)	(14,370,411)
Ending Balance	**6,432,116**	**159,012**	**2,747,777**	**9,338,905**	10,689,770	881,726	867,413	12,438,909
Housing Loans								
Beginning Balance	**15,883,951**	**1,257,045**	**7,971,308**	**25,112,304**	26,601,243	1,571,291	5,396,033	33,568,567
Newly originated assets which remained in Stage 1 as at yearend	**1,334,034**	–	–	**1,334,034**	1,729,048	–	–	1,729,048
Newly originated assets which moved to Stages 2 and 3 at yearend	–	**52,555**	**28,779**	**81,334**	–	77,373	177,191	254,564
Transfers to Stage 1	**1,842,273**	**(438,646)**	**(1,403,627)**	–	164,876	(95,262)	(69,614)	–
Transfers to Stage 2	**(254,573)**	**380,851**	**(126,278)**	–	(285,503)	401,919	(116,416)	–
Transfers to Stage 3	**(1,803,489)**	**(519,103)**	**2,322,592**	–	(819,124)	(143,488)	962,612	–
Effect of collections and other movements	**2,999,847**	**(245,959)**	**1,636,009**	**4,389,897**	(11,506,589)	(554,788)	1,621,502	(10,439,875)
Ending Balance	**20,002,043**	**486,743**	**10,428,783**	**30,917,569**	15,883,951	1,257,045	7,971,308	25,112,304

(Forward)

	Consolidated							
	2021				2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Auto Loans								
Beginning Balance	**₱7,794,010**	**₱600,641**	**₱2,693,060**	**₱11,087,711**	₱11,578,913	₱458,841	₱1,067,434	₱13,105,188
Newly originated assets which remained in Stage 1 at yearend	**1,568,420**	**–**	**–**	**1,568,420**	1,336,675	–	–	1,336,675
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**15,431**	**26,153**	**41,584**	–	90,892	128,170	219,062
Transfers to Stage 1	**531,091**	**(257,287)**	**(273,804)**	**–**	40,194	(25,262)	(14,932)	–
Transfers to Stage 2	**(184,128)**	**222,315**	**(38,187)**	**–**	(269,948)	271,949	(2,001)	–
Transfers to Stage 3	**(722,315)**	**(273,436)**	**995,751**	**–**	(537,277)	(95,211)	632,488	–
Accounts charged off	**–**	**–**	**(9,133)**	**(9,133)**	–	–	(1,488)	(1,488)
Effect of collections and other movements	**(3,118,712)**	**(144,749)**	**(660,348)**	**(3,923,809)**	(4,354,547)	(100,568)	883,389	(3,571,726)
Ending Balance	**5,868,366**	**162,915**	**2,733,492**	**8,764,773**	7,794,010	600,641	2,693,060	11,087,711
Other Loans								
Beginning Balance	**15,054,993**	**1,531,084**	**5,340,142**	**21,926,219**	9,065,874	705,435	2,195,359	11,966,668
Newly originated assets which remained in Stage 1 at yearend	**2,883,321**	**–**	**–**	**2,883,321**	4,833,867	–	–	4,833,867
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**20,323**	**236,874**	**257,197**	–	609,450	286,341	895,791
Transfers to Stage 1	**1,379,908**	**(552,924)**	**(826,984)**	**–**	54,147	(25,406)	(28,741)	–
Transfers to Stage 2	**(1,253,877)**	**1,419,173**	**(165,296)**	**–**	(109,736)	127,678	(17,942)	–
Transfers to Stage 3	**(642,400)**	**(183,343)**	**825,743**	**–**	(292,916)	(83,055)	375,971	–
Accounts charged off	**–**	**–**	**(20,328)**	**(20,328)**	–	–	(136,736)	(136,736)
Effect of collections and other movements	**(10,100,414)**	**(1,867,179)**	**(4,224,167)**	**(16,191,760)**	1,503,757	196,982	2,665,890	4,366,629
Ending Balance	**7,321,531**	**367,134**	**1,165,984**	**8,854,649**	15,054,993	1,531,084	5,340,142	21,926,219
Other Receivables								
Beginning Balance	**14,846,752**	**(1,417,280)**	**4,363,870**	**17,793,342**	16,365,625	5,351,013	3,596,611	25,313,249
Newly originated assets which remained in Stage 1 at yearend	**(11,596)**	**–**	**–**	**(11,596)**	644,270	–	–	644,270
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**21,867**	**19,079**	**40,946**	–	41,154	31,577	72,731
Transfers to Stage 1	**53,294**	**(45,655)**	**(7,639)**	**–**	6,091	(5,383)	(708)	–
Transfers to Stage 2	**(39,576)**	**448,866**	**(409,290)**	**–**	(174,011)	174,390	(379)	–
Transfers to Stage 3	**(39,376)**	**(97,570)**	**136,946**	**–**	(197,680)	(6,228)	203,908	–
Accounts charged off	**–**	**–**	**(9,287)**	**(9,287)**	–	–	336	336
Effect of collections and other movements	**(199,803)**	**(114,102)**	**(631,776)**	**(945,681)**	(1,797,543)	(6,972,226)	532,525	(8,237,244)
Ending Balance	**14,609,695**	**(1,203,874)**	**3,461,903**	**16,867,724**	14,846,752	(1,417,280)	4,363,870	17,793,342
Total Loans and Receivables								
Beginning Balance	**523,989,757**	**33,277,347**	**75,142,295**	**632,409,399**	624,607,359	24,863,999	26,865,627	676,336,985
Newly originated assets which remained in Stage 1 at yearend	**236,942,301**	**–**	**–**	**236,942,301**	240,651,052	–	–	240,651,052
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**5,181,394**	**8,909,564**	**14,090,958**	–	12,763,945	7,760,430	20,524,375
Transfers to Stage 1	**15,382,575**	**(6,454,553)**	**(8,928,022)**	**–**	2,981,839	(2,019,306)	(962,533)	–
Transfers to Stage 2	**(9,636,745)**	**10,801,608**	**(1,164,863)**	**–**	(20,556,914)	21,051,518	(494,604)	–
Transfers to Stage 3	**(5,447,980)**	**(5,981,148)**	**11,429,128**	**–**	(36,054,786)	(1,606,489)	37,661,275	–
Accounts charged off	**–**	**–**	**(1,439,313)**	**(1,439,313)**	(209,128)	(38,141)	(918,927)	(1,166,196)
Sale of receivables (Note 26)	**–**	**–**	**(5,478,200)**	**(5,478,200)**	–	–	–	–
Effect of collections and other movements	**(218,598,501)**	**(11,604,008)**	**(28,124)**	**(230,230,633)**	(287,429,665)	(21,738,179)	5,231,027	(303,936,817)
Ending Balance	**₱542,631,407**	**₱25,220,640**	**₱78,442,465**	**₱646,294,512**	₱523,989,757	₱33,277,347	₱75,142,295	₱632,409,399

	Parent Company							
	2021				2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Corporate Loans								
Beginning Balance	**₱435,934,894**	**₱30,214,439**	**₱50,511,255**	**₱516,660,588**	₱512,864,358	₱16,005,670	₱7,801,279	₱536,671,307
Transferred loans	**–**	**–**	**–**	**–**	745,960	269,729	220,192	1,235,881
Newly originated assets which remained in Stage 1 at yearend	**220,776,849**	**–**	**–**	**220,776,849**	219,584,230	–	–	219,584,230
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**4,988,831**	**8,456,400**	**13,445,231**	–	11,908,018	7,093,943	19,001,961
Transfers to Stage 1	**11,276,501**	**(4,980,418)**	**(6,296,083)**	**–**	1,743,067	(1,699,147)	(43,920)	–
Transfers to Stage 2	**(7,469,151)**	**7,813,539**	**(344,388)**	**–**	(16,856,122)	16,913,235	(57,113)	–
Transfers to Stage 3	**(1,383,777)**	**(4,625,936)**	**6,009,713**	**–**	(32,384,828)	(974,321)	33,359,149	–
Accounts charged off	**–**	**–**	**(1,100)**	**(1,100)**	–	–	–	–
Sale of receivables (Note 26)	**–**	**–**	**(5,478,200)**	**(5,478,200)**	–	–	–	–
Effect of collections and other movements	**(194,349,797)**	**(8,557,799)**	**2,371,315**	**(200,536,281)**	(249,761,771)	(12,208,745)	2,137,725	(259,832,791)
Ending Balance	**464,785,519**	**24,852,656**	**55,228,912**	**544,867,087**	435,934,894	30,214,439	50,511,255	516,660,588
LGU								
Beginning Balance	**6,390,022**	**7,450**	**24,916**	**6,422,388**	6,703,842	65,674	26,986	6,796,502
Newly originated assets which remained in Stage 1 at yearend	**108,593**	**–**	**–**	**108,593**	759,563	–	–	759,563
Effect of collections and other movements	**(2,282,283)**	**38,704**	**32,311**	**(2,211,268)**	(1,073,383)	(58,224)	(2,070)	(1,133,677)
Ending Balance	**4,216,332**	**46,154**	**57,227**	**4,319,713**	6,390,022	7,450	24,916	6,422,388
Credit Cards								
Beginning Balance	**9,198,867**	**199,627**	**3,132,075**	**12,530,569**	13,582,771	420,109	1,867,066	15,869,946
Newly originated assets which remained in Stage 1 at yearend	**992,672**	**–**	**–**	**992,672**	749,939	–	–	749,939
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**28,877**	**21,120**	**49,997**	–	21,356	40,779	62,135
Transfers to Stage 1	**105,067**	**(60,241)**	**(44,826)**	**–**	96,163	(87,508)	(8,655)	–
Transfers to Stage 2	**(192,298)**	**196,528**	**(4,230)**	**–**	(184,734)	184,821	(87)	–
Transfers to Stage 3	**(684,443)**	**(88,078)**	**772,521**	**–**	(1,464,762)	(291,121)	1,755,883	–
Accounts charged off	**–**	**–**	**(1,399,465)**	**(1,399,465)**	(209,128)	(38,141)	(778,559)	(1,025,828)
Effect of collections and other movements	**1,049,072**	**(7,300)**	**(58,600)**	**983,172**	(3,371,382)	(9,889)	255,648	(3,125,623)
Ending Balance	**10,468,937**	**269,413**	**2,418,595**	**13,156,945**	9,198,867	199,627	3,132,075	12,530,569
Retail SMEs								
Beginning Balance	**7,334,196**	**313,830**	**1,175,641**	**8,823,667**	11,681,560	101,084	668,104	12,450,748
Newly originated assets which remained in Stage 1 at yearend	**2,829,299**	**–**	**–**	**2,829,299**	3,834,534	3,063	366,384	4,203,981
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**35,119**	**79,327**	**114,446**	5,407,150	–	–	5,407,150
Transfers to Stage 1	**108,463**	**(70,731)**	**(37,732)**	**–**	5,046	–	(5,046)	–
Transfers to Stage 2	**(18,421)**	**30,420**	**(11,999)**	**–**	(2,623,980)	2,629,989	(6,009)	–
Transfers to Stage 3	**(135,027)**	**(173,631)**	**308,658**	**–**	(195,976)	(13,065)	209,041	–
Accounts charged off	**–**	**–**	**–**	**–**		–	(2,477)	(2,477)
Effect of collections and other movements	**(4,925,444)**	**(81,582)**	**(356,407)**	**(5,363,433)**	(10,774,138)	(2,407,241)	(54,356)	(13,235,735)
Ending Balance	**5,193,066**	**53,425**	**1,157,488**	**6,403,979**	7,334,196	313,830	1,175,641	8,823,667
Housing Loans								
Beginning Balance	**15,372,581**	**1,041,658**	**8,072,951**	**24,487,190**	3,698,821	37,277	111,670	3,847,768
Transferred loans	**–**	**–**	**–**	**–**	17,204,340	1,118,420	4,063,136	22,385,896
Newly originated assets which remained in Stage 1 at yearend	**1,222,996**	**–**	**–**	**1,222,996**	1,574,071	–	–	1,574,071
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**52,555**	**28,779**	**81,334**	–	77,373	177,191	254,564
Transfers to Stage 1	**1,840,598**	**(438,646)**	**(1,401,952)**	**–**	149,616	(80,001)	(69,615)	–
Transfers to Stage 2	**(254,573)**	**380,851**	**(126,278)**	**–**	(285,503)	294,225	(8,722)	–
Transfers to Stage 3	**(1,798,685)**	**(519,103)**	**2,317,788**	**–**	(811,796)	(143,488)	955,284	–
Effect of collections and other movements	**2,735,103**	**(30,572)**	**1,526,218**	**4,230,749**	(6,156,968)	(262,148)	2,844,007	(3,575,109)
Ending Balance	**19,118,020**	**486,743**	**10,417,506**	**30,022,269**	15,372,581	1,041,658	8,072,951	24,487,190

(Forward)

	Parent Company							
	2021				2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Auto Loans								
Beginning Balance	₱7,794,010	₱600,641	₱2,693,060	₱11,087,711	₱2,687,127	₱41,958	₱43,247	₱2,772,332
Transferred loans	–	–	–	–	8,254,512	393,457	943,922	9,591,891
Newly originated assets which remained in Stage 1 at yearend	1,568,420	–	–	1,568,420	1,336,675	–	–	1,336,675
Newly originated assets which moved to Stages 2 and 3 at yearend	–	15,431	26,153	41,584	–	90,892	128,170	219,062
Transfers to Stage 1	531,091	(257,287)	(273,804)	–	40,195	(25,262)	(14,933)	–
Transfers to Stage 2	(184,128)	222,315	(38,187)	–	(269,948)	271,949	(2,001)	–
Transfers to Stage 3	(722,315)	(273,436)	995,751	–	(537,277)	(95,211)	632,488	–
Accounts charged off	–	–	(9,133)	(9,133)	–	–	(1,488)	(1,488)
Effect of collections and other movements	(3,118,712)	(144,749)	(660,348)	(3,923,809)	(3,717,274)	(77,142)	963,655	(2,830,761)
Ending Balance	5,868,366	162,915	2,733,492	8,764,773	7,794,010	600,641	2,693,060	11,087,711
Other Loans								
Beginning Balance	13,385,322	1,531,084	5,326,698	20,243,104	3,447,590	420,820	1,443,059	5,311,469
Transferred loans					10,223,071	397,388	1,869,871	12,490,330
Newly originated assets which remained in Stage 1 at yearend	2,883,091	–	–	2,883,091	4,833,867	–	–	4,833,867
Newly originated assets which moved to Stages 2 and 3 at yearend	–	20,323	236,874	257,197	–	609,450	286,341	895,791
Transfers to Stage 1	1,379,908	(552,924)	(826,984)	–	54,147	(25,406)	(28,741)	–
Transfers to Stage 2	(1,253,877)	1,419,173	(165,296)	–	(109,736)	127,678	(17,942)	–
Transfers to Stage 3	(642,400)	(183,343)	825,743	–	(292,916)	(83,055)	375,971	–
Accounts charged off	–	–	(20,328)	(20,328)	–	–	(136,736)	(136,736)
Effect of collections and other movements	(9,896,193)	(1,867,179)	(4,224,648)	(15,988,020)	(4,770,701)	84,209	1,534,875	(3,151,617)
Ending Balance	5,855,851	367,134	1,152,059	7,375,044	13,385,322	1,531,084	5,326,698	20,243,104
Other Receivables								
Beginning Balance	13,610,734	304,633	4,231,158	18,146,525	14,046,122	1,210,740	2,561,746	17,818,608
Transferred receivables	–	–	–	–	882,153	64,670	985,295	1,932,118
Newly originated assets which remained in Stage 1 at yearend	696,937	–	–	696,937	576,857	–	–	576,857
Newly originated assets which moved to Stages 2 and 3 as at year-end	–	21,867	17,538	39,405	–	41,154	31,577	72,731
Transfers to Stage 1	53,270	(45,648)	(7,622)	–	6,092	(5,383)	(709)	–
Transfers to Stage 2	(39,322)	448,612	(409,290)	–	(174,011)	174,390	(379)	–
Transfers to Stage 3	(39,357)	(97,570)	136,927	–	(197,680)	(6,228)	203,908	–
Accounts charged off	–	–	(9,287)	(9,287)	–	–	336	336
Effect of collections and other movements	(1,274,938)	(116,161)	(667,553)	(2,058,652)	(1,528,799)	(1,174,710)	449,384	(2,254,125)
Ending Balance	13,007,324	515,733	3,291,871	16,814,928	13,610,734	304,633	4,231,158	18,146,525
Total Loans and Receivables								
Beginning Balance	509,020,626	34,213,362	75,167,754	618,401,742	568,712,191	18,303,332	14,523,157	601,538,680
Transferred Loans	–	–	–	–	37,310,036	2,243,664	8,082,416	47,636,116
Newly originated assets which remained in Stage 1 at yearend	231,078,857	–	–	231,078,857	233,249,736	3,063	366,384	233,619,183
Newly originated assets which moved to Stages 2 and 3 as at year-end	–	5,163,003	8,866,191	14,029,194	5,407,150	12,748,243	7,758,001	25,913,394
Transfers to Stage 1	15,294,898	(6,405,895)	(8,889,003)	–	2,094,326	(1,922,707)	(171,619)	–
Transfers to Stage 2	(9,411,770)	10,511,438	(1,099,668)	–	(20,504,034)	20,596,287	(92,253)	–
Transfers to Stage 3	(5,406,004)	(5,961,097)	11,367,101	–	(35,885,235)	(1,606,489)	37,491,724	–
Accounts charged off	–	–	(1,439,313)	(1,439,313)	(209,128)	(38,141)	(918,924)	(1,166,193)
Sale of receivables (Note 26)	–	–	(5,478,200)	(5,478,200)	–	–	–	–
Effect of collections and other movements	(212,063,192)	(10,766,638)	(2,037,712)	(224,867,542)	(281,154,416)	(16,113,890)	8,128,868	(289,139,438)
Ending Balance	₱528,513,415	₱26,754,173	₱76,457,150	₱631,724,738	₱509,020,626	₱34,213,362	₱75,167,754	₱618,401,742

17. Deposit Liabilities

As of December 31, 2021 and 2020, noninterest-bearing deposit liabilities amounted to ₱28.6 billion and ₱30.0 billion, respectively, for the Group, and ₱28.5 billion and ₱29.3 billion, respectively, for the Parent Company.

The remaining deposit liabilities of the Group and the Parent Company generally earn annual fixed interest rates ranging from:

	Consolidated			Parent Company		
	2021	2020	2019	2021	2020	2019
Peso-denominated	**0.10% - 6.75%**	0.10% - 10.00%	0.10% - 10.00%	**0.10% - 5.00%**	0.10% - 10.00%	0.10% - 10.00%
Foreign currency-denominated	**0.01% - 3.00%**	0.01% - 4.75%	0.01% - 8.00%	**0.01% - 3.00%**	0.01% - 4.75%	0.01% - 8.00%

As of December 31, 2021 and 2020, non-FCDU deposit liabilities of the Parent Company are subject to reserves equivalent to 12.00%.

Available reserves booked under 'Due from BSP' amounted to ₱81.3 billion and ₱80.0 billion as of December 31, 2021 and 2020, respectively.

LTNCDs issued by the Parent Company consist of:

				Interest Repayment	Carrying Value	
Issue Date	**Maturity Date**	**Face Value**	**Coupon Rate**	**Terms**	**2021**	2020
October 11, 2019	April 11, 2025	₱4,600,000	4.38%	Quarterly	**₱4,578,946**	₱4,573,124
February 27, 2019	August 27, 2024	8,220,000	5.75%	Quarterly	**8,187,523**	8,176,616
October 26, 2017	April 26, 2023	6,350,000	3.88%	Quarterly	**6,339,910**	6,332,653
April 27, 2017	October 27, 2022	3,765,000	3.75%	Quarterly	**3,761,261**	3,756,911
December 6, 2016	June 6, 2022	5,380,000	3.25%	Quarterly	**5,377,750**	5,372,730
		₱28,315,000			**₱28,245,390**	₱28,212,034

As of December 31, 2021 and 2020, peso-denominated LTNCDs of the Parent Company are subject to reserves equivalent to 4.00%.

Interest expense on deposit liabilities consists of:

	Consolidated			Parent Company		
	2021	2020	2019	2021	2020	2019
Savings	**₱1,942,687**	₱2,930,115	₱6,706,938	**₱2,014,705**	₱2,778,153	₱6,639,928
Time	**1,411,973**	2,852,325	5,870,981	**1,411,974**	2,852,325	4,127,553
LTNCDs	**1,269,356**	1,429,301	1,386,082	**1,269,356**	1,429,301	1,386,082
Demand	**189,750**	167,277	60,898	**189,750**	167,277	48,213
	₱4,813,766	₱7,379,018	₱14,024,899	**₱4,885,785**	₱7,227,056	₱12,201,776

In 2021, 2020 and 2019, interest expense on LTNCDs for both the Group and the Parent Company includes amortization of transaction costs amounting to ₱33.4 million, ₱59.9 million and ₱40.5 million, respectively. Unamortized transaction costs of the LTNCDs amounted to ₱69.6 million and ₱103.0 million as of December 31, 2021 and 2020, respectively.

18. Financial Liabilities at Fair Value Through Profit or Loss

As of December 31, 2021 and 2020, this account consists of derivative liabilities amounting to ₱891.5 million and ₱701.2 million, respectively, for the Group, and ₱891.3 million and ₱700.8 million, respectively, for the Parent Company (Notes 23 and 35).

19. Bills and Acceptances Payable

This account consists of:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Bills payable to:				
Foreign banks	**₱8,263,434**	₱50,482,387	**₱7,849,009**	₱49,874,309
BSP and local banks (Note 33)	**37,482,381**	33,116,145	**36,154,113**	31,382,133
Others	**98,086**	–	–	–
	45,843,901	83,598,532	**44,003,122**	81,256,442
Acceptances outstanding (Note 10)	**7,109,896**	3,560,918	**7,109,896**	3,560,918
	₱52,953,797	₱87,159,450	**₱51,113,018**	₱84,817,360

Bills payable of the Group and the Parent Company earn annual fixed interest rates ranging from:

	Consolidated			Parent Company		
	2021	2020	2019	**2021**	2020	2019
Peso-denominated	**1.0% - 2.0%**	4.0% - 6.5%	4.0% - 5.4%	**1.0% - 2.0%**	4.0% - 6.5%	4.0% - 5.4%
Foreign currency-denominated	**0.1% - 1.2%**	0.1% - 4.4%	0.2% - 4.4%	**0.1% -1.2 %**	0.1% - 4.4%	0.2% - 4.4%

As of December 31, 2021 and 2020, bills payable with a carrying amount of ₱38.5 billion and ₱69.9 billion are secured by a pledge of financial assets at FVOCI with fair values of ₱32.8 billion and ₱44.6 billion, respectively, and investment securities at amortized cost with carrying values of ₱5.3 billion and ₱26.1 billion, respectively, and fair values of ₱5.6 billion and ₱27.6 billion, respectively (Note 9).

Interest expense on bills payable and other borrowings consists of:

	Consolidated			Parent Company		
	2021	2020 (As restated – Note 36)	2019 (As restated – Note 36)	**2021**	2020	2019
Continuing operations:						
Bills payable	**₱391,404**	₱663,567	₱2,034,690	**₱315,097**	₱482,810	₱1,578,614
Lease liabilities (Note 29)	**112,591**	120,675	131,661	**107,052**	120,181	118,365
Others	**7,926**	62,198	18,567	**2,931**	34,487	43,643
	511,921	846,440	2,184,918	**425,080**	637,478	1,740,622
Discontinued operations (Note 36):						
Lease liabilities	**3,528**	2,900	128	**–**	–	–
	₱515,449	₱849,340	₱2,185,046	**₱425,080**	₱637,478	₱1,740,622

20. Accrued Taxes, Interest and Other Expenses

This account consists of:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Accrued taxes and other expenses	**₱7,106,616**	₱5,540,591	**₱6,865,474**	₱5,191,696
Accrued interest	**659,034**	908,435	**638,907**	883,320
	₱7,765,650	₱6,449,026	**₱7,504,381**	₱6,075,016

Accrued taxes and other expenses consist of:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Financial liabilities:				
Promotional expenses	**₱802,454**	₱905,470	**₱802,454**	₱905,470
Information technology-related expenses	**541,510**	331,627	**541,510**	331,627
Rent and utilities payable	**362,868**	267,559	**359,805**	264,193
Management, directors and other professional fees	**285,648**	88,652	**263,133**	61,831
Repairs and maintenance	**85,128**	81,090	**83,762**	80,415
	2,077,608	1,674,398	**2,050,664**	1,643,536
Nonfinancial liabilities:				
Monetary value of leave credits	**1,920,153**	1,859,275	**1,878,856**	1,829,251
PDIC insurance premiums	**970,140**	832,069	**954,662**	816,591
Other taxes and licenses	**477,917**	662,446	**428,290**	544,533
Employee benefits	**443,886**	155,450	**421,505**	128,113
Other expenses	**1,216,912**	356,953	**1,131,497**	229,672
	5,029,008	3,866,193	**4,814,810**	3,548,160
	₱7,106,616	₱5,540,591	**₱6,865,474**	₱5,191,696

'Other expenses' include janitorial, representation and entertainment, communication and other operating expenses.

21. Bonds Payable

This account consists of:

Issue Date	Maturity Date	Face Value	Coupon Rate	Interest Repayment Terms	Carrying Value 2021	Carrying Value 2020
Fixed rate medium term senior notes						
June 27, 2019	September 27, 2024	USD750,000	3.28%	Semi-annually	**₱38,117,754**	₱35,851,428
April 26, 2018	April 27, 2023	300,000	4.25%	Semi-annually	**15,265,667**	14,352,368
		USD1,050,000			**53,383,421**	50,203,796
Fixed rate bonds						
May 8, 2019	May 8, 2021	₱13,870,000	6.30%	Quarterly	**–**	13,852,539
					₱53,383,421	₱64,056,335

The fixed rate medium term senior notes are drawdowns from the Parent Company's Medium Term Note Programme (the MTN Programme), which was established on April 13, 2018 with an initial nominal size of US$1.0 billion. On June 14, 2019, the Parent Company increased the size of its MTN Programme to US$2.0 billion. Both issued fixed rate medium term senior notes are listed in the Singapore Exchange Securities Trading Limited.

The fixed rate bonds represent the Parent Company's maiden issuance of Philippine peso-denominated bonds in Philippine Dealing & Exchange Corp.

As of December 31, 2021 and 2020, the unamortized transaction costs of bonds payable amounted to ₱168.7 million and ₱252.2 million, respectively. In 2021 and 2020, amortization of transaction costs amounting to ₱83.5 million and ₱169.5 million, were charged to 'Interest expense on bonds payable' in the statements of income.

22. Other Liabilities

This account consists of:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Financial				
Accounts payable	**₱4,724,720**	₱5,789,144	**₱4,285,545**	₱5,472,811
Dormant credits	**1,303,713**	1,258,502	**1,272,553**	1,230,991
Manager's checks and demand drafts outstanding	**1,256,121**	1,302,745	**1,256,121**	1,302,745
Bills purchased - contra (Note 10)	**1,053,517**	1,548,226	**1,053,517**	1,548,226
Deposits on lease contracts	**593,903**	878,193	**53,774**	104,363
Accounts payable - electronic money	**408,858**	448,794	**408,858**	448,794
Margin deposits and cash letters of credit	**325,829**	329,432	**314,326**	267,564
Payment order payable	**196,718**	263,959	**196,206**	263,959
Due to other banks (Note 33)	**154,949**	537,116	**52,198**	69,484
Transmission liability	**58,308**	24,468	**–**	–
Deposit for keys on safety deposit boxes	**16,742**	16,861	**16,742**	16,861
	10,093,378	12,397,440	**8,909,840**	10,725,798
Nonfinancial				
Provisions (Note 34)	**1,095,325**	979,067	**685,230**	979,067
Retirement benefit liability (Note 28)	**926,259**	1,213,888	**923,116**	1,205,212
Due to Treasurer of the Philippines	**882,769**	675,835	**882,769**	675,835
Deferred revenue - Bancassurance (Note 12)	**573,674**	646,874	**573,674**	646,874
Deferred revenue - Credit card-related	**548,630**	489,711	**548,630**	489,711
Withholding tax payable	**309,897**	265,884	**304,039**	262,793
Deferred tax liabilities (Note 30)	**165,228**	161,152	**–**	–
SSS, Philhealth, Employer's compensation premiums and Pag-IBIG contributions payable	**43,359**	37,627	**42,989**	37,359
Miscellaneous	**1,081,353**	1,006,350	**642,564**	524,245
	5,626,494	5,476,388	**4,603,011**	4,821,096
	₱15,719,872	₱17,873,828	**₱13,512,851**	₱15,546,894

'Deferred revenue - Bancassurance' pertains to the allocated portion of the consideration received for the disposal of APLII related to the EDR and the exclusive bancassurance arrangement for the non-life insurance business with ABIC (Note 12). In 2021 and 2020, amortization of other deferred revenue amounting to ₱75.4 million were recognized under 'Service fees and commission income' (Note 26).

'Deferred revenue - Credit card-related' includes portion of fee allocated to the loyalty points, deferred by the Group and recognized as revenue when the points are redeemed or have expired.

'Miscellaneous' include interoffice floats, remittance-related payables, overages, advance rentals and sundry credits.

23. Derivative Financial Instruments

The tables below show the fair values of the derivative financial instruments entered into by the Group and the Parent Company, recorded as 'Financial assets at FVTPL' (Note 9) or 'Financial liabilities at FVTPL' (Note 18), together with the notional amounts.

The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding as of December 31, 2021 and 2020 and are not indicative of either market risk or credit risk (amounts in thousands, except average forward rate).

	Consolidated			
	2021			
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
Currency forwards and spots:				
BUY:				
USD	₱1,355,660	₱274	51.00	₱3,861,673
EUR	6	5	1.13	12,645
GBP	47	16	1.35	6,325
PHP	–	1,544	1.00	1,788,750
SGD	31	–	0.74	1
SELL:				
USD	990	887,819	51.00	1,374,345
AUD	–	228	0.72	500
CAD	141	11	0.78	2,125
EUR	2	153	1.13	19,443
GBP	30	884	1.35	8,500
HKD	1,714	108	0.13	2,217,580
JPY	6,124	9	0.01	1,080,000
NZD	–	36	0.68	400
PHP	290	8	1.00	509,708
SGD	16	436	0.74	1,400
	₱1,365,051	₱891,531		

**The notional amounts and average forward rates pertain to original currencies.*

	Consolidated			
	2020			
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
Currency forwards and spots:				
BUY:				
USD	₱3,819	₱556,154	48.02	₱3,088,554
AUD	2,373	–	0.76	68,028
EUR	11	30	1.22	8,216
GBP	–	186	1.35	800
HKD	163	–	0.13	1,584,875
PHP	123	–	1.00	2,401,273
SELL:				
USD	212,405	120	48.02	877,320
AUD	–	200	0.76	400
CAD	91	84	0.78	9,461
EUR	–	3,823	1.22	16,700
GBP	1,163	–	1.35	2,500
HKD	19	51	0.13	726,829
JPY	12	665	0.01	1,170,000
NZD	63	–	0.71	350
PHP	3	23	1.00	7,023
SGD	–	440	0.75	708
Interest rate swaps	150,408	139,463		
	₱370,653	₱701,239		

**The notional amounts and average forward rates pertain to original currencies.*

	Parent Company 2021			
	Assets	**Liabilities**	**Average Forward Rate***	**Notional Amount***
Currency forwards and spots:				
BUY:				
USD	**₱1,354,160**	**₱185**	**51.00**	**₱1,652,850**
EUR	**2**	**–**	**1.13**	**50**
GBP	**47**	**16**	**1.35**	**6,325**
PHP	**–**	**1,544**	**1.00**	**1,788,750**
SGD	**31**	**–**	**0.74**	**1**
SELL:				
USD	**986**	**887,816**	**51.00**	**1,361,750**
AUD	**–**	**228**	**0.72**	**500**
CAD	**141**	**11**	**0.78**	**2,125**
EUR	**–**	**147**	**1.13**	**3,500**
GBP	**30**	**884**	**1.35**	**8,500**
HKD	**214**	**26**	**0.13**	**24,700**
JPY	**6,124**	**9**	**0.01**	**1,080,000**
NZD	**–**	**36**	**0.68**	**400**
PHP	**290**	**8**	**1.00**	**509,708**
SGD	**16**	**436**	**0.74**	**1,400**
	₱1,362,041	**₱891,346**		

**The notional amounts and average forward rates pertain to original currencies.*

	Parent Company 2020			
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
Currency forwards and spots:				
BUY:				
USD	₱1,272	₱556,153	48.02	₱1,433,304
EUR	–	30	1.22	254
GBP	–	186	1.35	800
PHP	123	–	1.00	2,401,273
SELL:				
USD	212,405	37	48.02	860,806
AUD	–	200	0.76	400
CAD	91	–	0.78	1,500
EUR	–	3,823	1.22	16,700
GBP	1,163	–	1.35	2,500
HKD	19	–	0.13	6,500
JPY	12	665	0.01	1,170,000
NZD	63	–	0.71	350
PHP	3	23	1.00	7,023
SGD	–	440	0.75	708
Interest rate swaps	150,407	139,245		
	₱365,558	₱700,802		

**The notional amounts and average forward rates pertain to original currencies.*

The rollforward analysis of net derivative assets in 2021 and 2020 follows:

	Consolidated		**Parent Company**	
	2021	2020	**2021**	2020
Balance at the beginning of the year:				
Derivative assets	**₱370,653**	₱373,040	**₱365,558**	₱373,006
Derivative liabilities	**701,239**	245,619	**700,802**	231,992
	(330,586)	127,421	**(335,244)**	141,014
Changes in fair value				
Currency forwards and spots*	**805,748**	(459,964)	**806,069**	(477,566)
Interest rate swaps and warrants**	**(23,472)**	(2,532)	**(23,472)**	(2,532)
	782,276	(462,496)	**782,597**	(480,098)
Net availments	**21,830**	4,489	**23,342**	3,840

(Forward)

	Consolidated		**Parent Company**	
	2021	2020	**2021**	2020
Balance at end of year:				
Derivative assets	**₱1,365,051**	₱370,653	**₱1,362,041**	₱365,558
Derivative liabilities	**891,531**	701,239	**891,346**	700,802
	₱473,520	(₱330,586)	**₱470,695**	(₱335,244)

* *Presented as part of 'Foreign exchange gains - net'*
** *Recorded under 'Trading and investment securities gains - net' (Note 9)*

24. Maturity Analysis of Assets and Liabilities

The following tables show an analysis of assets and liabilities of the Group and Parent Company analyzed according to whether they are expected to be recovered or settled within one year and beyond one year from reporting date:

	Consolidated					
	2021			2020		
	Less than Twelve Months	**Over Twelve Months**	**Total**	Less than Twelve Months	Over Twelve Months	Total
Financial Assets						
Cash and other cash items	**₱27,552,773**	**₱–**	**₱27,552,773**	₱25,135,724	₱–	₱25,135,724
Due from BSP	**161,001,912**	**–**	**161,001,912**	202,129,356	–	202,129,356
Due from other banks	**27,232,676**	**–**	**27,232,676**	19,743,198	–	19,743,198
Interbank loans receivable (Note 8)	**32,112,667**	**–**	**32,112,667**	39,703,864	–	39,703,864
Securities held under agreements to resell (Note 8)	**15,800,317**	**–**	**15,800,317**	15,819,273	–	15,819,273
Financial assets at FVTPL (Note 9)	**11,167,657**	**–**	**11,167,657**	23,825,708	–	23,825,708
Financial assets at FVOCI (Note 9)	**75,692,741**	**92,294,549**	**167,987,290**	57,356,398	76,358,954	133,715,352
Investment securities at amortized cost (Note 9)	**45,931,953**	**47,346,056**	**93,278,009**	39,947,435	59,270,956	99,218,391
Loans and receivables (Note 10)	**200,773,178**	**445,914,712**	**646,687,890**	222,441,041	410,735,105	633,176,146
Other assets (Note 15)	**136,324**	**13,698**	**150,022**	85,689	14,220	99,909
	597,402,198	**585,569,015**	**1,182,971,213**	646,187,686	546,379,235	1,192,566,921
Nonfinancial Assets						
Property and equipment (Note 11)	**–**	**25,846,442**	**25,846,442**	–	32,251,646	32,251,646
Investment in an associate (Note 12)	**–**	**2,468,107**	**2,468,107**	–	2,310,410	2,310,410
Investment properties (Note 13)	**–**	**14,658,030**	**14,658,030**	–	19,195,106	19,195,106
Deferred tax assets (Note 30)	**–**	**6,405,505**	**6,405,505**	–	9,036,908	9,036,908
Goodwill (Note 14)	**–**	**13,375,407**	**13,375,407**	–	13,375,407	13,375,407
Intangible assets (Note 14)	**–**	**6,995,365**	**6,995,365**	–	6,424,135	6,424,135
Residual value of leased assets (Note 10)	**505,784**	**219,082**	**724,866**	374,959	323,020	697,979
Other assets (Note 15)	**4,041,342**	**1,685,772**	**5,727,114**	5,408,127	1,870,770	7,278,897
	4,547,126	**71,653,710**	**76,200,836**	5,783,086	84,787,402	90,570,488
Assets of a disposal group classified as held for sale (Note 36)	**–**	**–**	**–**	7,945,945	–	7,945,945
Less: Allowance for impairment and credit losses (Note 16)			**49,780,665**			41,202,984
Unearned and other deferred income (Note 10)			**1,118,244**			1,464,726
Accumulated depreciation and amortization (Notes 11, 13 and 14)			**17,488,478**			17,281,845
			₱1,190,784,662			₱1,231,133,799

(Forward)

	Consolidated					
	2021			2020		
	Less than Twelve Months	**Over Twelve Months**	**Total**	Less than Twelve Months	Over Twelve Months	Total
Financial Liabilities						
Deposit liabilities (Note 17)	**₱856,415,554**	**₱38,508,755**	**₱894,924,309**	₱831,907,680	₱58,380,209	₱890,287,889
Financial liabilities at FVTPL (Note 18)	**891,531**	**–**	**891,531**	561,995	139,244	701,239
Bills and acceptances payable (Note 19)	**49,780,354**	**3,173,443**	**52,953,797**	84,924,978	2,234,472	87,159,450
Accrued interest payable (Note 20)	**657,063**	**1,971**	**659,034**	778,428	130,007	908,435
Accrued other expenses payable (Note 20)	**1,657,913**	**419,695**	**2,077,608**	1,030,988	643,410	1,674,398
Bonds payable (Note 21)	**–**	**53,383,421**	**53,383,421**	13,852,538	50,203,797	64,056,335
Other liabilities (Note 22)	**7,704,872**	**2,388,506**	**10,093,378**	10,519,523	1,877,917	12,397,440
	917,107,287	**97,875,791**	**1,014,983,078**	943,576,130	113,609,056	1,057,185,186
Nonfinancial Liabilities						
Lease liabilities (Note 29)	**2,698,373**	**1,067,018**	**3,765,391**	552,617	813,399	1,366,016
Accrued taxes and other expenses (Note 20)	**2,288,247**	**2,740,761**	**5,029,008**	593,042	3,273,151	3,866,193
Income tax payable	**157,735**	**–**	**157,735**	903,044	–	903,044
Other liabilities (Note 22)	**2,564,240**	**3,062,254**	**5,626,494**	1,827,690	3,648,698	5,476,388
	7,708,595	**6,870,033**	**14,578,628**	3,876,393	7,735,248	11,611,641
Liabilities of a disposal group classified as held for sale (Note 36)	**–**	**–**	**–**	6,353,964	–	6,353,964
	₱924,815,882	**₱104,745,824**	**₱1,029,561,706**	₱953,806,487	₱121,344,304	₱1,075,150,791

	Parent Company					
	2021			2020		
	Less than Twelve Months	**Over Twelve Months**	**Total**	Less than Twelve Months	Over Twelve Months	Total
Financial Assets						
Cash and other cash items	**₱27,454,459**	**₱–**	**₱27,454,459**	₱25,038,434	₱–	₱25,038,434
Due from BSP	**161,001,912**	**–**	**161,001,912**	202,129,356	–	202,129,356
Due from other banks	**19,333,873**	**–**	**19,333,873**	12,141,599	–	12,141,599
Interbank loans receivable (Note 8)	**30,302,334**	**–**	**30,302,334**	37,861,553	–	37,861,553
Securities held under agreements to resell (Note 8)	**15,800,317**	**–**	**15,800,317**	15,819,273	–	15,819,273
Financial assets at FVTPL (Note 9)	**11,010,278**	**–**	**11,010,278**	21,947,640	–	21,947,640
Financial assets at FVOCI (Note 9)	**75,706,122**	**91,840,228**	**167,546,350**	58,640,049	74,623,709	133,263,758
Investment securities at amortized cost (Note 9)	**45,814,197**	**47,335,863**	**93,150,060**	40,524,889	58,573,151	99,098,040
Loans and receivables (Note 10)	**193,490,020**	**439,091,126**	**632,581,146**	217,224,095	402,310,575	619,534,670
Other assets (Note 15)	**134,840**	**1,502**	**136,342**	85,746	527	86,273
	580,048,352	**578,268,719**	**1,158,317,071**	631,412,634	535,507,962	1,166,920,596
Nonfinancial Assets						
Property and equipment (Note 11)	**–**	**23,444,821**	**23,444,821**	–	29,652,288	29,652,288
Investment in subsidiaries and an associate (Note 12)	**–**	**27,275,451**	**27,275,451**	–	27,105,550	27,105,550
Investment properties (Note 13)	**–**	**13,949,148**	**13,949,148**	–	18,538,021	18,538,021
Deferred tax assets (Note 30)	**–**	**6,271,578**	**6,271,578**	–	8,522,411	8,522,411
Goodwill (Note 14)	**–**	**13,515,765**	**13,515,765**	–	13,515,765	13,515,765
Intangible assets (Note 14)	**–**	**7,969,658**	**7,969,658**	–	7,457,263	7,457,263
Other assets (Note 15)	**3,761,622**	**1,673,606**	**5,435,228**	4,199,440	1,702,234	5,901,674
	3,761,622	**94,100,027**	**97,861,649**	4,199,440	106,493,532	110,692,972
Assets of a disposal group classified as held for sale (Note 36)	**–**	**–**	**–**	1,136,418	–	1,136,418
Less: Allowance for impairment and credit losses (Note 16)			**49,612,865**			40,277,667
Unearned and other deferred income (Note 10)			**856,408**			1,132,928
Accumulated amortization and depreciation (Notes 11, 13 and 14)			**17,698,795**			17,137,714
			₱1,188,010,652			₱1,220,201,677

(Forward)

	Parent Company					
	2021			2020		
	Less than Twelve Months	**Over Twelve Months**	**Total**	Less than Twelve Months	Over Twelve Months	Total
Financial Liabilities						
Deposit liabilities (Note 17)	**₱861,706,050**	**₱37,819,145**	**₱899,525,195**	₱835,750,531	₱57,797,513	₱893,548,044
Financial liabilities at FVTPL (Note 18)	**891,346**	**–**	**891,346**	561,558	139,244	700,802
Bills and acceptances payable (Note 19)	**48,305,700**	**2,807,318**	**51,113,018**	83,135,081	1,682,279	84,817,360
Accrued interest payable (Note 20)	**638,907**	**–**	**638,907**	754,310	129,010	883,320
Accrued other expenses payable (Note 20)	**1,630,969**	**419,695**	**2,050,664**	1,000,126	643,410	1,643,536
Bonds payable (Note 21)	**–**	**53,383,421**	**53,383,421**	13,852,538	50,203,797	64,056,335
Other liabilities (Note 22)	**6,909,027**	**2,000,813**	**8,909,840**	9,240,263	1,485,536	10,725,799
	920,081,999	**96,430,392**	**1,016,512,391**	944,294,407	112,080,789	1,056,375,196
Nonfinancial Liabilities						
Lease liabilities (Note 29)	**2,686,906**	**1,011,504**	**3,698,410**	478,204	892,002	1,370,206
Accrued taxes and other expenses (Note 20)	**2,086,159**	**2,728,651**	**4,814,810**	286,989	3,261,171	3,548,160
Income tax payable	**89,328**	**–**	**89,328**	842,038	–	842,038
Other liabilities (Note 22)	**1,538,221**	**3,064,790**	**4,603,011**	1,314,107	3,506,989	4,821,096
	6,400,614	**6,804,945**	**13,205,559**	2,921,338	7,660,162	10,581,500
	₱926,482,613	**₱103,235,337**	**₱1,029,717,950**	₱947,215,745	₱119,740,951	₱1,066,956,696

25. Equity

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

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

The history of share issuances of the Parent Company since its initial public offering follows:

Date	Type of issuance	Number of common shares	Par value	Offer price
July 2019	Stock rights	276,625,172	₱40.00	₱43.38
February 2014	Stock rights	162,931,262	40.00	71.00
February 2013	Share-for-share swap with ABC common and preferred shares *	423,962,500	40.00	97.90
September 2000	Pre-emptive stock rights	71,850,215	100.00	60.00
September 1999	Stock rights	68,740,086	100.00	137.80
December 1995	Third public offering	7,200,000	100.00	260.00
April 1992	Second public offering	8,033,140	100.00	265.00
June 1989	Initial public offering	10,800,000	100.00	100.00

In January 2013, the SEC approved the conversion of the Parent Company's 195,175,444 authorized preferred shares into common shares, thereby increasing its authorized common shares to 1,250,000,001.

The Parent Company's shares are listed in the PSE. As of December 31, 2021 and 2020, the Parent Company had 36,286 and 36,394 stockholders, respectively.

On July 22, 2019, the Parent Company successfully completed its Stock Rights Offering (the Offer) of 276,625,172 common shares (Rights Shares) with a par value of ₱40.0 per share at a price of ₱43.38 each, raising gross proceeds of ₱12.0 billion. The Rights Shares were offered to all eligible shareholders of the Parent Company from July 3 to 12, 2019 at the proportion of one Rights Share for every 4.516 existing common shares as of the record date of June 21, 2019. The Parent Company incurred transaction costs of ₱312.5 million, of which ₱159.7 million was deducted against 'Capital paid in excess of par value'. Out of the ₱159.7 million transaction costs, underwriting fees amounting to ₱10.0 million paid to PNB Capital, being one of the joint lead managers of the Offer, was eliminated in the consolidated financial statements.

Surplus

The computation of surplus available for dividend declaration in accordance with SEC Memorandum Circular No. 11-2008 differs to a certain extent from the computation following BSP guidelines.

As of December 31, 2021 and 2020, surplus amounting to ₱9.6 billion, representing the balances of the following equity items that have been applied to eliminate the Parent Company's deficit through quasi-reorganizations in 2002 and 2000, is not available for dividend declaration without prior approval from the SEC and the BSP:

Revaluation increment on land and buildings	₱7,691,808
Accumulated translation adjustment	1,315,685
Accumulated equity in net earnings of investees	563,048
	₱9,570,541

Surplus Reserves

This account consists of:

	2021	2020
Reserves under BSP Circular 1011	**₱4,461,857**	₱4,369,668
Reserves for trust business (Note 32)	**605,583**	582,429
Reserves for self-insurance	**80,000**	80,000
	₱5,147,440	₱5,032,097

'Reserves under BSP Circular 1011' represents the appropriation for the excess of 1.00% general loan loss provisions over the computed ECL for Stage 1 accounts in accordance with BSP Circular 1011.

'Reserves for self-insurance' represents the amount set aside to cover losses due to fire or defalcation by, and other unlawful acts of, the Parent Company's personnel or third parties.

Accumulated Translation Adjustment

As part of the Group's rehabilitation program in 2002, the SEC approved on November 7, 2002 the application of the accumulated translation adjustment of ₱1.6 billion to eliminate the Parent Company's remaining deficit of ₱1.3 billion, including ₱0.6 billion accumulated equity in net earnings as of December 31, 2001, after applying the total reduction in par value amounting to ₱7.6 billion.

The SEC approval is subject to the following conditions:

- remaining translation adjustment of ₱310.7 million as of December 31, 2001 (shown as part of 'Capital paid in excess of par value' in the statement of financial position) will not be used to wipe out losses that may be incurred in the future without prior approval of SEC;
- for purposes of dividend declaration, any future surplus account of the Parent Company shall be restricted to the extent of the deficit wiped out by the translation adjustment.

Other Equity Reserves

On August 26, 2016, the Parent Company's BOD approved the grant of centennial bonus to its employees, officers and directors on record as of July 22, 2016, in the form of the Parent Company's shares of stock. The acquisition and distribution of the estimated 3.0 million shares shall be done over a period of five years, and are subject to service conditions. The grant is accounted for as equity-settled share-based payments. Grant date is April 27, 2017 when the fair value of the centennial bonus shares is ₱65.20. In 2021, 2020 and 2019, the Parent Company awarded 306 thousand, 316 thousand and 277 thousand, respectively, centennial bonus shares and applied the settlement of the awards against 'Other equity reserves' amounting to ₱29.0 million, ₱6.4 million and ₱18.4 million, respectively.

Capital Management

The primary objectives of the Group's capital management are to ensure that it complies with externally imposed capital requirements and it maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Parent Company and its financial allied subsidiaries are subject to the regulatory requirements of the BSP. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Parent Company may adjust the amount of dividend payment to shareholders, return capital structure, or issue capital securities. No changes were made in the objectives, policies and processes from the previous periods. The Group has complied with all externally imposed capital requirements throughout the year.

BSP reporting for capital management

Under existing BSP regulations, the determination of the Group's compliance with regulatory requirements and ratios is based on the amount of the Group's unimpaired capital (regulatory net worth) reported to the BSP, which is determined based on RAP, which differ from PFRS in some respects. In addition, the risk-based capital ratio of a bank or Capital Adequacy Ratio (CAR), expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10.00% at all times for both solo basis (head office and branches) and consolidated basis (Parent Company and subsidiaries engaged in financial allied undertakings but excluding insurance companies). Qualifying capital and risk-weighted assets are computed based on RAP. Risk-weighted assets consist of total assets less cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits and other non-risk items determined by the MB of the BSP.

On May 16, 2002, the BSP approved the booking of additional appraisal increment on properties of ₱431.8 million and recognition of the same in determining the CAR, and booking of translation adjustment of ₱1.6 billion representing the increase in peso value of the investment in foreign subsidiaries for purposes of the quasi-reorganization and rehabilitation of the Parent Company, provided that the same shall be excluded for dividend purposes.

On August 29, 2019, the MB of the BSP approved the integration of PNBSB with the Parent Company. One of the integration incentives granted by the BSP was a temporary capital relief by not deducting the amount of investment of the Parent Company in PNBSB from CET1 Capital in computing the CAR on a solo basis. The relief commenced on the date of net asset transfer and shall become effective until approval by the SEC of the reduction of authorized capital stock of PNBSB.

As of December 31, 2021 and 2020, CAR reported to the BSP with certain adjustments is shown in the table below (amounts, except ratios, are expressed in millions):

	2021		2020	
Consolidated	**Actual**	**Required**	Actual	Required
CET1 Capital (Gross)	**₱152,857**		₱144,298	
Less: Regulatory Adjustments to CET 1	**48,541**		28,838	
CET1 Capital (Net)	**104,316**		115,460	
Add: Additional Tier 1 Capital (AT1)	**–**		–	
Tier 1 Capital	**104,316**		115,460	
Add: Tier 2 Capital	**5,634**		5,377	
Total qualifying capital	**₱109,950**	**₱80,490**	₱120,837	₱79,817
Total risk-weighted assets	**₱804,903**		₱798,170	
Tier 1 capital ratio	**12.96%**		14.47%	
Total capital ratio	**13.66%**		15.14%	

	2021		2020	
Parent Company	**Actual**	**Required**	Actual	Required
CET1 Capital (Gross)	**₱149,117**		₱142,235	
Less: Regulatory Adjustments to CET 1	**61,982**		42,732	
CET1 Capital (Net)	**87,135**		99,503	
Add: AT1	**–**		–	
Tier 1 Capital	**87,135**		99,503	
Add: Tier 2 Capital	**5,442**		5,236	
Total qualifying capital	**₱92,577**	**₱79,135**	₱104,739	₱77,910
Total risk-weighted assets	**₱791,349**		₱779,103	
Tier 1 capital ratio	**11.01%**		12.77%	
Total capital ratio	**11.70%**		13.44%	

The Group considered BSP regulations, which set out a minimum CET1 ratio of 6.00% and Tier 1 capital ratio of 7.50%, and require capital conservation buffer of 2.50% comprised of CET1 capital.

In line with its ICAAP document, the Parent Company maintains a capital level that not only meets the BSP's CAR requirement, but also covers all material risks that it may encounter in the course of its business. The ICAAP process highlights close integration of capital planning and strategic management with risk management. The Parent Company has in place a risk management framework that involves a collaborative process for assessing and managing identified Pillar 1 and Pillar 2 risks. The Parent Company complies with the required annual submission of updated ICAAP.

BSP also requires the Basel III Leverage Ratio (BLR), which is designed to act as a supplementary measure to the risk-based capital requirements. BLR intends to restrict the build-up of leverage in the banking sector to avoid destabilizing deleveraging processes, which can damage the broader financial system and the economy. Likewise, it reinforces the risk-based requirements with a simple, non-risk based "backstop" measure. BLR is computed as the capital measure (Tier 1 capital) divided by the total exposure measure and should not be less than 5.00%.

As of December 31, 2021 and 2020, BLR reported to the BSP with certain adjustments is shown in the table below (amounts, except ratios, are expressed in millions):

	Consolidated		**Parent Company**	
	2021	2020	**2021**	2020
Tier 1 capital	**₱104,316**	₱119,279	**₱87,135**	₱103,321
Total exposure measure	**1,189,481**	1,244,747	**1,171,530**	1,226,577
BLR	**8.77%**	9.58%	**7.44%**	8.42%

BLR is computed based on RAP.

Capital build-up plan

In 2021, the Parent Company prepared its capital build-up plan which aims to increase its qualifying capital for the succeeding three years. The capital build-up plan has the following main components:

- Returning the excess capital of AIHI (formerly PNBSB) (Note 37)
- Improving the Parent Company's earnings and asset quality
- Disposing the Parent Company's real estate properties
- Selling NPLs under the Financial Institutions Strategic Transfer Act
- Selling of remaining stake in PNB Holdings upon its listing in the PSE
- Receiving commitment from the major shareholders of the Parent Company to infuse capital

Further, while the Parent Company is executing its capital build-up plan, it intends to apply the regulatory reliefs provided under BSP Memoranda M-2021-055 and M-2021-056 in calculating its CAR in 2022.

26. Other Operating Income

Service Fees and Commission Income

This account consists of:

	Consolidated			**Parent Company**		
	2021	2020 (As restated – Note 36)	2019 (As restated – Note 36)	**2021**	2020	2019
Continuing operations:						
Loan-related	**₱1,432,909**	₱1,072,459	₱1,042,011	**₱1,425,149**	₱1,124,608	₱647,215
Deposit-related	**1,326,692**	1,058,033	1,120,069	**1,326,692**	1,054,359	1,101,249
Credit card-related	**697,962**	622,302	456,176	**697,962**	622,302	456,176
Remittance	**652,262**	646,494	714,330	**351,392**	340,364	373,330
Underwriting fees	**511,032**	227,494	655,450	**–**	–	–
Bancassurance (Note 22)	**495,512**	206,686	188,263	**495,512**	206,686	188,263
Interchange fees	**383,271**	329,059	506,521	**383,271**	329,059	506,521
Trust fees (Note 32)	**319,422**	314,851	281,228	**319,422**	314,851	281,228
Miscellaneous	**521,264**	207,194	204,992	**311,329**	142,290	123,707
	6,340,326	4,684,572	5,169,040	**5,310,729**	4,134,519	3,677,689
Discontinued operations:						
Miscellaneous (Note 36)	**110**	19,718	7,460	–	–	–
	₱6,340,436	₱4,704,290	₱5,176,500	**₱5,310,729**	₱4,134,519	₱3,677,689

'Interchange fees' and 'Credit card-related fees' were generated from the credit card business of the Parent Company.

‘Miscellaneous’ includes income from securities brokering activities and other fees and commission.

Net Gains (Losses) on Sale or Exchange of Assets
This account consists of:

	Consolidated			Parent Company		
	2021	2020	2019	**2021**	2020	2019
Net gains from sale of receivables	**₱766,968**	₱104,181	₱165,310	**₱766,968**	₱104,181	₱165,310
Net gains from foreclosure and repossession of investment properties	**138,697**	72,109	482,661	**138,697**	13,209	505,137
Net gains from sale of other assets	**52,206**	–	3,016	**60,880**	–	8,753
Net gains from sale of investment properties (Note 33)	**15,192**	11,775	48,599	**8,268**	11,806	6,218
Net gains (losses) from sale of property and equipment (Note 11)	**8,399**	7,777	(8,961)	**(789)**	1,297	1,023
	₱981,462	₱195,842	₱690,625	**₱974,024**	₱130,493	₱686,441

In September 2021, the Parent Company sold certain NPLs with aggregate outstanding balances before sale, including accrued interest, of ₱5.5 billion, resulting in a gain on sale of receivables of ₱767.0 million.

27. Miscellaneous Income and Expenses

Miscellaneous Income
This account consists of:

	Consolidated			Parent Company		
	2021	2020 (As restated – Note 36)	2019 (As restated – Note 36)	**2021**	2020	2019
Continuing operations:						
Rental income (Note 29)	**₱513,904**	₱680,332	₱725,745	**₱211,775**	₱383,733	₱466,451
Income from assets acquired	**183,173**	258,708	100,214	**183,173**	253,128	100,214
Recoveries	**85,164**	33,000	76,362	**84,463**	24,685	66,694
Dividends	**63,608**	86,139	89,528	**23,584**	45,811	60,046
Miscellaneous - Loan-related	**25,763**	29,224	79,409	**25,763**	29,224	79,409
Miscellaneous - Credit card-related	**15,912**	8,812	16,958	**15,912**	8,812	16,958
Referral fees	**2,491**	3,188	2,912	**–**	–	–
Miscellaneous - Trade-related	**188**	17,055	23,588	**188**	17,055	23,588
Others	**179,844**	128,241	349,580	**214,968**	144,304	163,462
	1,070,047	1,244,699	1,464,296	**759,826**	906,752	976,822
Discontinued operations (Note 36):						
Rental income	**375,556**	–	–	**–**	–	–
Others	**111,401**	243,860	186	**–**	–	–
	486,957	243,860	186	**–**	–	–
	₱1,557,004	₱1,488,559	₱1,464,482	**₱759,826**	₱906,752	₱976,822

‘Others’ consist of income from wire transfers, tellers’ overages, and penalty payments received by the Group which are related to loan accounts.

Miscellaneous Expenses
This account consists of:

	Consolidated			Parent Company		
	2021	2020 (As restated – Note 36)	2019 (As restated – Note 36)	**2021**	2020	2019
Continuing operations:						
Insurance	**₱1,997,478**	₱1,833,686	₱1,851,769	**₱1,983,103**	₱1,787,331	₱1,632,028
Secretarial, janitorial and messengerial	**1,682,794**	1,631,137	1,636,755	**1,669,906**	1,605,223	1,521,042
Information technology	**1,304,930**	1,448,623	811,574	**1,283,294**	1,431,600	796,016
Marketing expenses	**719,070**	737,110	1,136,082	**713,832**	732,788	1,117,113
Litigation and assets acquired expenses	**395,386**	248,302	326,588	**394,534**	243,489	290,775
Management and other professional fees	**294,090**	363,710	487,115	**245,853**	291,457	432,425
Travelling	**284,484**	289,765	373,143	**280,090**	282,758	345,626
Stationery and supplies	**269,813**	265,226	237,659	**261,679**	255,914	216,837
Entertainment, amusement and recreation (EAR) (Note 30)	**189,098**	147,421	166,089	**181,251**	137,152	153,999
Postage, telephone and cable	**151,560**	163,160	228,066	**124,270**	125,244	165,533
Value-added tax on leases	**88,116**	–	–	**88,116**	–	–
Repairs and maintenance	**70,375**	62,161	73,601	**70,375**	62,161	73,601
Freight	**42,418**	30,973	41,811	**42,320**	29,428	38,003
Fuel and lubricants	**14,172**	14,157	18,671	**11,477**	10,931	12,677
Loss on loan modifications	**–**	1,587,605	–	**–**	1,587,605	–
Others (Notes 13, 27 and 33)	**698,971**	190,403	292,459	**624,455**	54,893	58,984
	8,202,755	9,013,439	7,681,382	**7,974,555**	8,637,974	6,854,659
Discontinued operations (Note 36):						
Management and other professional fees (Note 33)	**109,776**	1,843	1,380	**–**	–	–
Insurance	**10,363**	457	225	**–**	–	–
Information technology	**2,906**	6,918	7,322	**–**	–	–
Marketing expenses	**2,236**	8,514	5,161	**–**	–	–
Secretarial, janitorial and messengerial	**1,620**	6,015	11,467	**–**	–	–
Postage, telephone and cable	**751**	3,232	3,108	**–**	–	–
Travelling	**508**	2,390	4,235	**–**	–	–
Stationery and supplies	**449**	2,090	3,254	**–**	–	–
Fuel and lubricants	**411**	2,327	–	**–**	–	–
EAR	**142**	2,575	888	**–**	–	–
Others	**2,832**	8,649	14,109	**–**	–	–
	131,994	45,010	51,149	**–**	–	–
	₱8,334,749	₱9,058,449	₱7,732,531	**₱7,974,555**	₱8,637,974	₱6,854,659

‘Loss on loan modifications’ pertains to the adjustment for the changes in expected cash flows of credit exposures, as a result of modifications in the original terms and conditions of the loan which include, but not limited to, changes in interest rates, principal amount, maturity date, and payment terms. The Group accommodated modifications in the terms and conditions of certain loans of borrowers, which have been directly impacted by the COVID-19 pandemic. The loss is computed as the difference between the gross carrying amount of the loan and the present value of the modified contractual cash flows, discounted at the original effective interest rate of the loan. Subsequent accretion to interest income in 2021 and 2020 amounted to ₱351.5 million and ₱901.7 million, respectively.

‘Others’ include stationery and supplies used, donation, fines, penalties, periodicals, magazines and other charges.

28. Retirement Plan

The Parent Company and certain subsidiaries of the Group have separate funded, noncontributory defined benefit retirement plans covering substantially all its officers and regular employees. Under these retirement plans, all covered officers and employees are entitled to cash benefits after satisfying certain age and service requirements.

The amounts of net defined benefit liability in the statements of financial position follow:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Retirement benefit liability (included in 'Other liabilities') (Note 22)	**₱926,259**	₱1,213,888	**₱923,116**	₱1,205,212
Net plan assets (included in 'Other assets - miscellaneous') (Note 15)	**5,678**	7,538	**–**	–
	₱920,581	₱1,206,350	**₱923,116**	₱1,205,212

The Group's annual contribution to the retirement plan consists of a payment covering the current service cost, unfunded actuarial accrued liability and interest on such unfunded actuarial liability. The retirement plan provides each eligible employer with a defined amount of retirement benefit dependent on one or more factors such as age, years of service and salary.

As of December 31, 2021 and 2020, the Parent Company has two separate regular retirement plans for its employees. In addition, the Parent Company provides certain post-employee benefit through a guarantee of a specified return on contributions in one of its employee investment plans (EIP).

The changes in the present value obligation and fair value of plan assets are as follows:

Consolidated
2021

		Net benefit cost					Remeasurements in other comprehensive income						
	January 1, 2021	**Current Service Cost**	**Past Service Cost**	**Net interest**	**Subtotal**	**Benefits paid**	**Return on plan asset excluding amount included in net interest**	**Actuarial changes arising from experience adjustments**	**Actuarial changes arising from changes in financial assumptions**	**Subtotal**	**Contributions by employer**	**Effect of disposal group clasisifed as held for sale (Note 36)**	**December 31, 2021**
Present value of pension obligation	**₱9,138,303**	**₱581,774**	**₱–**	**₱309,967**	**₱891,741**	**(₱635,622)**	**₱–**	**(₱114,426)**	**(₱263,234)**	**(₱377,660)**	**₱–**	**₱–**	**₱9,016,762**
Fair value of plan assets	**7,931,953**	**–**	**–**	**269,847**	**269,847**	**(635,622)**	**(220,117)**	**–**	**–**	**(220,117)**	**750,120**	**–**	**8,096,181**
	₱1,206,350	**₱581,774**	**₱–**	**₱40,120**	**₱621,894**	**₱–**	**₱220,117**	**(₱114,426)**	**(₱263,234)**	**(₱157,543)**	**(₱750,120)**	**₱–**	**₱920,581**

**Net benefit costs are included in 'Compensation and fringe benefits' in the statements of income*

Consolidated
2020

		Net benefit cost					Remeasurements in other comprehensive income						
	January 1, 2020	Current Service Cost	Past Service Cost	Net interest	Subtotal	Benefits paid	Return on plan asset excluding amount included in net interest	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in financial assumptions	Subtotal	Contributions by employer	Effect of disposal group clasisifed as held for sale (Note 36)	December 31, 2020
Present value of pension obligation	₱8,165,350	₱535,165	₱25,454	₱369,524	₱930,143	(₱486,637)	₱–	(₱20,328)	₱612,674	₱592,346	₱–	(₱62,899)	₱9,138,303
Fair value of plan assets	7,365,620	–	–	317,891	317,891	(486,637)	(110,671)	–	–	(110,671)	894,487	(48,737)	7,931,953
	₱799,730	₱535,165	₱25,454	₱51,633	₱612,252	₱–	₱110,671	(₱20,328)	₱612,674	₱703,017	(₱894,487)	(₱14,162)	₱1,206,350

**Net benefit costs are included in 'Compensation and fringe benefits' in the statements of income*

	Parent Company 2021													
		Net benefit cost					Remeasurements in other comprehensive income							
	January 1, 2021	**Current Service Cost**	**Past Service Cost**	**Net interest**	**Subtotal**	**Benefits paid**	**Return on plan asset excluding amount included in net interest**	**Actuarial changes arising from experience adjustments**	**Actuarial changes arising from changes in financial assumptions**	**Subtotal**	**Contributions by employer**	**Effect of disposal group clasisifed as held for sale** (Note 36)	**December 31, 2021**
Present value of pension obligation	**₱9,085,073**	**₱572,224**	**₱–**	**₱307,994**	**₱880,218**	**(₱635,622)**	**₱–**	**(₱111,642)**	**(₱259,020)**	**(₱370,662)**	**₱–**	**₱–**	**₱8,959,007**
Fair value of plan assets	**7,879,861**	**–**	**–**	**267,915**	**267,915**	**(635,622)**	**(219,871)**	**–**	**–**	**(219,871)**	**743,608**	**–**	**8,035,891**
	₱1,205,212	**₱572,224**	**₱–**	**₱40,079**	**₱612,303**	**₱–**	**₱219,871**	**(₱111,642)**	**(₱259,020)**	**(₱150,791)**	**(₱743,608)**	**₱–**	**₱923,116**

**Net benefit costs are included in 'Compensation and fringe benefits' in the statements of income*

	Parent Company 2020												
		Net benefit cost					Remeasurements in other comprehensive income						
	January 1, 2020	Current Service Cost	Past Service Cost	Net interest	Subtotal	Benefits paid	Return on plan asset excluding amount included in net interest	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in financial assumptions	Subtotal	Contributions by employer	Effect of disposal group clasisifed as held for sale (Note 36)	December 31, 2020
Present value of pension obligation	₱7,925,817	₱520,600	₱25,454	₱367,429	₱913,483	(₱475,059)	₱–	(₱16,388)	₱600,958	₱584,570	₱–	₱136,262	₱9,085,073
Fair value of plan assets	7,122,164	–	–	331,181	331,181	(475,059)	(109,109)	–	–	(109,109)	867,916	142,768	7,879,861
	₱803,653	₱520,600	₱25,454	₱36,248	₱582,302	₱–	₱109,109	(₱16,388)	₱600,958	₱693,679	(₱867,916)	(₱6,506)	₱1,205,212

**Net benefit costs are included in 'Compensation and fringe benefits' in the statements of income*

The latest actuarial valuations for these retirement plans were made as of December 31, 2021. The following table shows the actuarial assumptions as of December 31, 2021 and 2020 used in determining the retirement benefit obligation of the Group:

			Parent Company			
	Consolidated		**Regular Plans**		**EIP**	
	2021	2020	**2021**	2020	**2021**	2020
Discount rate	**3.45% - 4.99%**	3.40% - 3.75%	**4.75%**	3.40%	**4.75%**	3.40%
Salary rate increase	**3.00% - 10.00%**	3.00% - 10.00%	**6.00%**	5.00%	**–**	–

The Group and the Parent Company employs asset-liability matching strategies to maximize investment returns at the least risk to reduce contribution requirements while maintaining a stable retirement plan. Retirement plans are invested to ensure that liquid funds are available when benefits become due, to minimize losses due to investment pre-terminations and maximize opportunities for higher potential returns at the least risk.

The current plan assets of the Group and the Parent Company are allocated to cover benefit payments in the order of their proximity to the present time. Expected benefit payments are projected and classified into short-term or long-term liabilities. Investment instruments that would match the liabilities are identified. This strategy minimizes the possibility of the asset-liability match being distorted due to the Group's and the Parent Company's failure to contribute in accordance with its general funding strategy.

The Group and the Parent Company expect to contribute ₱1,260.1 million and ₱1,252.1 million, respectively, to the defined benefit plans in 2022. The average duration of the retirement liability of the Group and the Parent Company as of December 31, 2021 is 14 years and 9 years, respectively.

Shown below is the maturity analysis of the undiscounted benefit payments:

	Consolidated		**Parent Company**	
	2021	2020	**2021**	2020
Less than one year	**₱1,639,472**	₱1,549,180	**₱1,638,962**	₱1,546,110
More than one year to five years	**5,181,164**	4,637,731	**5,176,283**	4,634,889
More than five years to 10 years	**4,356,064**	4,152,389	**4,310,518**	4,108,665
More than 10 years to 15 years	**3,625,801**	3,169,138	**3,530,315**	3,080,995
More than 15 years	**8,998,036**	7,635,988	**8,592,546**	7,391,744

The fair values of plan assets by each class as at the end of the reporting periods are as follow:

	Consolidated		**Parent Company**	
	2021	2020	**2021**	2020
Cash and cash equivalents	**₱3,792,281**	₱3,875,381	**₱3,783,563**	₱3,858,067
Equity investments				
Real estate, renting and business activities	**466,747**	382,376	**466,747**	382,376
Electricity, gas and water	**284,300**	287,045	**284,300**	287,045
Financial institutions (Note 33)	**177,928**	256,337	**165,210**	250,215
Others	**201,956**	175,535	**194,636**	157,938
Debt investment				
Government securities	**1,752,649**	1,306,438	**1,743,551**	1,302,813
Private debt securities	**537,016**	780,316	**528,473**	774,499
Investment in UITFs	**805,211**	584,193	**794,979**	582,674
Loans and receivables	**63,360**	208,084	**63,360**	208,084
Interest and other receivables	**17,232**	86,070	**13,491**	85,881
	8,098,680	7,941,775	**8,038,310**	7,889,592
Accrued expenses	**(2,499)**	(9,822)	**(2,420)**	(9,731)
	₱8,096,181	₱7,931,953	**₱8,035,890**	₱7,879,861

All equity and debt investments held including investments in UITF have quoted prices in active markets. The remaining plan assets do not have quoted market prices in an active market, thus, their fair value is determined using the discounted cash flow methodology, using the Group's current incremental lending rates for similar types of loans and receivables.

The fair value of the plan assets as of December 31, 2021 and 2020 for the Group includes investments in the Parent Company shares of stock with fair value amounting to ₱165.2 million and ₱250.2 million, respectively.

The plan assets have diverse investments and do not have any concentration risk.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

	2021			
	Consolidated		**Parent Company**	
	Possible fluctuations	**Increase (decrease)**	**Possible fluctuations**	**Increase (decrease)**
Discount rate	**+1.00%**	**(₱545,838)**	**+1.00%**	**(₱538,945)**
	-1.00%	**618,425**	**-1.00%**	**610,126**
Salary increase rate	**+1.00%**	**557,244**	**+1.00%**	**549,222**
	-1.00%	**(504,192)**	**-1.00%**	**(497,358)**
Employee turnover rate	**+10.00%**	**(201,187)**	**+10.00%**	**(200,279)**
	-10.00%	**201,187**	**-10.00%**	**200,279**

	2020			
	Consolidated		Parent Company	
	Possible fluctuations	Increase (decrease)	Possible fluctuations	Increase (decrease)
Discount rate	+1.00%	(₱576,279)	+1.00%	(₱570,999)
	-1.00%	637,229	-1.00%	630,928
Salary increase rate	+1.00%	589,766	+1.00%	583,649
	-1.00%	(527,654)	-1.00%	(522,381)
Employee turnover rate	+10.00%	(181,668)	+10.00%	(182,321)
	-10.00%	181,668	-10.00%	182,321

Full actuarial valuations were performed to test the sensitivity of the defined benefit obligation to a 1.00% increment in salary increase rate and a 1.00% decrement in the discount rate. The results also provide a good estimate of the sensitivity of the defined benefit obligation to a 1.00% decrement in salary increase rate and a 1.00% increment in the discount rate.

29. Leases

Group as Lessee
The Group has entered into commercial leases for its branch sites, ATM offsite location and other equipment. These non-canceleable leases have lease terms of 1 to 25 years. Most of these lease contracts include escalation clauses, an annual rent increase of 2.00% to 10.00%. The Group ROU asset is composed of the Parent Company's branch sites and its subsidiaries offices under lease arrangements.

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises judgement in determining whether these extension and termination options are reasonably certain to be exercised.

Rent expense charged against current operations (included in 'Occupancy and equipment-related costs' in the statements of income) amounted to ₱251.5 million, ₱580.6 million and ₱581.1 million in 2021, 2020 and 2019, respectively, for the Group, of which ₱223.2 million, ₱532.9 million and ₱454.1 million in 2021, 2020, and 2019, respectively, pertain to the Parent Company. Rent expenses in 2021, 2020 and 2019 pertain to expenses from short-term leases and leases of low-value assets.

As of December 31, 2021 and 2020, the Group has no contingent rent payable.

As of December 31, 2021 and 2020, the carrying amounts of 'Lease liabilities' are as follows:

	Consolidated		**Parent Company**	
	2021	2020	**2021**	2020
Balance at beginning of year	**₱1,366,016**	₱1,806,409	**₱1,370,206**	₱1,633,083
Additions	**3,377,981**	104,330	**3,298,634**	127,578
Payments	**(1,231,287)**	(664,156)	**(1,213,912)**	(649,402)
Interest expense (Note 19)	**112,591**	120,675	**107,052**	120,181
Effect of loss of control over PNB Holdings	**179,095**	–	**136,430**	–
Effect of discontinued operations (Note 36)	**(39,005)**	(1,242)	**–**	–
Transfers	**–**	–	**–**	138,766
	₱3,765,391	₱1,366,016	**₱3,698,410**	₱1,370,206

The Parent Company has lease contracts with its affiliates (Note 33).

Future minimum rentals payable under non-cancelable leases follow:

	Consolidated		**Parent Company**	
	2021	2020	**2021**	2020
Within one year	**₱1,097,903**	₱725,804	**₱1,086,436**	₱616,688
Beyond one year but not more than five years	**2,498,020**	1,215,693	**2,486,540**	1,065,827
More than five years	**1,446,578**	434,137	**1,446,578**	334,695
	₱5,042,501	₱2,375,634	**₱5,019,554**	₱2,017,210

Group as Lessor
The Parent Company has entered into commercial property leases on its investment properties. These non-cancelable leases have lease terms of one to five years. Some leases include escalation clauses (such as 5.00% per year). In 2021, 2020 and 2019, total rent income (included under 'Miscellaneous income') amounted to ₱513.9 million, ₱680.3 million and ₱731.8 million, respectively, for the Group and ₱211.8 million, ₱383.7 million and ₱466.5 million, respectively, for the Parent Company (Note 27).

Future minimum rentals receivable under non-cancelable operating leases follow:

	Consolidated		**Parent Company**	
	2021	2020	**2021**	2020
Within one year	**₱645,654**	₱164,223	**₱–**	₱162,021
Beyond one year but not more than five years	**102,795**	583,780	**–**	583,780
More than five years	**–**	156,770	**–**	156,770
	₱748,449	₱904,773	**₱–**	₱902,571

Finance Lease
Group as Lessor
Leases where the Group substantially transfers to the lessee all risks and benefits incidental to ownership of the leased asset are classified as finance leases and are presented as receivable at an amount equal to the Group's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Group's net investment outstanding in

respect of the finance lease (effective interest method). Lease payments relating to the period are applied against the gross investment in the lease to reduce both the principal and the unearned finance income.

The future minimum lease receivables under finance leases are disclosed under ‘Loans and Receivables’ in Note 10.

30. Income and Other Taxes

Under Philippine tax laws, the Parent Company and certain subsidiaries are subject to percentage and other taxes (presented as ‘Taxes and licenses’ in the statements of income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax and documentary stamp tax.

Income taxes include the corporate income tax, discussed below, and final taxes paid which represents final withholding tax on gross interest income from government securities and other deposit substitutes and income from the FCDU transactions. These income taxes, as well as the deferred tax benefits and provisions, are presented as ‘Provision for (benefit from) income tax’ in the statements of income.

On March 26, 2021, Republic Act No. 11534, otherwise known as Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act was signed into law. CREATE reduced the RCIT rate from 30.00% to 25.00% depending on the criteria set by the law effective July 1, 2020. With the implementation of CREATE, interest expense allowed as a deductible expense shall be reduced by 20.00% of the interest income subjected to final tax, compared to the 33.00% reduction prior to the CREATE.

The regulations also provide for MCIT of 2.00% (prior to CREATE) and 1.00% from (July 1, 2020 to June 30, 2023 before reverting to 2.00%) on modified gross income and allow a NOLCO. The MCIT and NOLCO may be applied against the Group’s and the Parent Company’s income tax liability and taxable income, respectively, over a three-year period from the year of inception. For the taxable years 2020 and 2021, the NOLCO incurred can be carried over as a deduction for the next five (5) consecutive taxable years, pursuant to Revenue Regulations (RR) No. 25-2020.

Impact of CREATE Law
Applying the provisions of the CREATE Law, the Group and the Parent Company is subjected to lower regular corporate income tax rate of 25.00% effective July 1, 2020. The following are the impact of CREATE in the 2021 financial statements of the Group and the Parent Company:

- Based on the provisions of Revenue Regulations (RR) No. 5-2021 dated April 8, 2021 issued by the BIR, the transitory RCIT and MCIT rates applicable to the Group and the Parent Company for the taxable year 2020 is 27.50% and 1.50%, respectively. This resulted in reduction in the current income tax due for the taxable year 2020 amounting to ₱365.1 million and ₱361.4 million for the Group and the Parent Company, respectively. The reduced amounts were reflected in the 2020 Annual Income Tax Returns filed in 2021. For financial reporting purposes, such reductions in the 2020 current income taxes were recognized in the 2021 financial statements as reduction to 2021 income tax expense.

- The deferred tax assets as of December 31, 2021 were also remeasured using the lower RCIT rate of 25.00%. The net decrease in the deferred tax balances amounting to ₱1.5 billion for the Group and the Parent Company, reduced the provision for deferred tax by ₱1.5 billion for the Group and the Parent Company, and other comprehensive income by ₱9.2 million and ₱9.4 million for the Group and the Parent Company.

There were no tax-related contingent liabilities and contingent assets arising from the changes in the tax rates due to CREATE Act.

Current tax regulations also provide for the ceiling on the amount of EAR expense that can be claimed as a deduction against taxable income. Under the regulation, EAR expense allowed as a deductible expense for a service company like the Parent Company and some of its subsidiaries is limited to the actual EAR paid or incurred but not to exceed 1.00% of net revenue.

FCDU offshore income (income from non-residents) is tax-exempt while gross onshore income (income from residents) is subject to 10.00% income tax. In addition, interest income on deposit placements with other FCDUs and offshore banking units (OBUs) is taxed at 15.00%. Income derived by the FCDU from foreign currency-denominated transactions with non-residents, OBUs, local commercial banks including branches of foreign banks, is tax-exempt while interest income on foreign currency loans from residents other than OBUs or other depository banks under the expanded system is subject to 10.00% income tax.

Provision for (benefit from) income tax consists of:

	Consolidated			Parent Company		
	2021	2020 (As restated – Note 36)	2019 (As restated – Note 36)	**2020**	2020	2019
Continuing operations:						
Current						
Regular	**₱1,549,711**	₱3,215,178	₱1,653,473	**₱1,316,245**	₱3,186,427	₱1,367,233
Final	**1,411,669**	1,459,926	1,372,414	**1,372,443**	1,388,839	1,325,119
	2,961,380	4,675,104	3,025,887	**2,688,688**	4,575,266	2,692,352
Deferred	**2,583,814**	(6,541,506)	(573,680)	**2,323,873**	(6,520,787)	(605,888)
	5,545,194	(1,866,402)	2,452,207	**5,012,561**	(1,945,521)	2,086,464
Discontinued operations (Note 36):						
Current						
Regular	**177,048**	68,831	–	**–**	–	–
Final	**15,813**	20,519	18,997	**–**	–	–
	192,861	89,350	18,997	**–**	–	–
Deferred	**(84,259)**	(768)	(218)	**–**	–	–
	108,602	88,582	18,779	**–**	–	–
	₱5,653,796	(₱1,777,820)	₱2,470,986	**₱5,012,561**	(₱1,945,521)	₱2,086,464

The components of net deferred tax assets reported in the statements of financial position follow:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Deferred tax assets on:				
Allowance for impairment, credit and other losses	**₱8,467,637**	₱11,148,074	**₱8,395,806**	₱10,898,555
Accumulated depreciation on investment properties and appraisal increment	**495,884**	729,869	**495,884**	726,928
Accrued expenses	**469,714**	580,572	**469,714**	580,572
Deferred revenues	**129,050**	130,213	**129,050**	130,213
Retirement liability	**52,434**	838,990	**–**	798,947
Unrealized losses on financial assets at FVTPL and FVOCI	**42,169**	–	**42,169**	–
Unearned interest and discount	**–**	152,211	**–**	152,211
Others	**9,812**	311,540	**–**	–
	9,666,700	13,891,469	**9,532,623**	13,287,426

(Forward)

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Deferred tax liabilities on:				
Revaluation increment on land and buildings [1/]	**₱1,536,629**	₱3,133,453	**₱1,536,629**	₱3,133,453
Fair value adjustment on investment properties	**1,066,381**	1,043,165	**918,043**	894,827
Unrealized foreign exchange gains	**340,458**	97,033	**340,458**	97,033
Gain on remeasurement of previously held interest	**246,651**	246,651	**246,651**	246,651
Fair value adjustments due to business combination	**210,574**	329,723	**210,574**	329,723
Unrealized gains on financial assets at FVTPL and FVOCI	**8,836**	56,931	**8,690**	56,931
Others	**16,893**	108,757	**–**	6,397
	3,426,422	5,015,713	**3,261,045**	4,765,015
	₱6,240,278	₱8,875,756	**₱6,271,578**	₱8,522,411

[1/] *Balance includes deferred tax liability amounting to ₱613.7 million acquired from business combination*

As of December 31, 2021 and 2020, the Group's net deferred tax liabilities as disclosed in 'Other liabilities' (Note 22) include deferred tax liabilities on fair value adjustments due to business combination amounting to ₱148.3 million.

Provision for deferred tax charged to OCI pertains to deferred tax on remeasurement losses on retirement plan amounting to ₱2.5 million and nil in 2021 and 2020, respectively, for the Group. Provision for deferred tax charged directly to OCI pertains to deferred tax on net unrealized gains on financial assets at FVOCI amounting to ₱87.6 million for the Group and the Parent Company in 2021, and ₱15.8 million for the Group and the Parent Company in 2020.

Unrecognized deferred tax assets
The Parent Company and certain subsidiaries did not recognize deferred tax assets on the following unused tax credit and losses and temporary differences since they believe that the related tax benefits will not be realized in the future:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Allowance for impairment and credit losses	**₱13,997,827**	₱–	**₱6,642,377**	₱–
Unamortized past service cost	**2,540,326**	332,523	**2,540,326**	332,523
Unrealized foreign exchange loss	**1,450,079**	–	**1,450,079**	–
Retirement liability	**923,116**	1,205,212	**923,116**	1,205,212
Derivative liabilities	**891,346**	558,220	**891,346**	558,220
Unearned interest and discount	**334,355**	–	**334,355**	–
NOLCO	**224,768**	54,823	**–**	–
Lease liabilities	**21,752**	143,156	**19,825**	138,114
	₱20,383,569	₱2,293,934	**₱12,801,424**	₱2,234,069

Details of the Group's NOLCO follow:

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
2014	₱18,430	₱18,430	₱–	Not applicable
2018	9,916	9,916	–	2021
2019	–	–	–	2022
2020	89,960	–	89,960	2025
2021	134,808	–	134,808	2026
	₱253,114	₱28,346	₱224,768	

Unrecognized deferred tax liabilities
As of December 31, 2021, there was a deferred tax liability of ₱736.1 million (₱834.6 million in 2020) for temporary differences of ₱2.9 billion (₱2.8 billion in 2020) related to investment in certain subsidiaries. However, this liability was not recognized because the Parent Company controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.

The reconciliation between the statutory income tax rate to effective income tax rate follows:

	Consolidated			Parent Company		
	2021	2020 (As restated – Note 36)	2019 (As restated – Note 36)	**2021**	2020	2019
Statutory income tax rate	**25.00%**	30.00%	30.00%	**25.00%**	30.00%	30.00%
Tax effects of:						
Net unrecognized deferred tax assets	**6.03**	(1,169.49)	(7.66)	**5.46**	(635.63)	(8.98)
Non-deductible expenses	**4.54**	1,060.87	13. 63	**5.20**	559.12	12.05
Tax-exempt income	**(21.93)**	(116.17)	(6.49)	**(22.94)**	(65.28)	(4.94)
Tax-paid income	**(0.63)**	(85.73)	(7.06)	**(0.66)**	(47.66)	(7.23)
FCDU (income) loss before tax	**2.61**	(59.81)	(1.75)	**2.73**	(32.34)	(3.17)
Optional standard deduction	**(0.08)**	–	(0.43)	**–**	–	–
CREATE adjustment – deferred tax	**0.01**	–	–	**0.01**	–	–
CREATE adjustment – current tax	**(0.95)**	–	–	**(0.99)**	–	–
Effective income tax rate	**14.60%**	(340.33%)	20.24%	**13.81%**	(191.79%)	17.73%

The amount of EAR expenses deductible for tax purposes is limited to 1.00% of net revenues for sellers of services. EAR charged against current operations (included in 'Miscellaneous expenses' in the statements of income) amounted to ₱189.1 million in 2021, ₱147.4 million in 2020, and ₱166.1 million in 2019 for the Group, and ₱181.3 million in 2021, ₱137.2 million in 2020, and ₱154.0 million in 2019 for the Parent Company (Note 27).

31. Earnings Per Share

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

	2021	2020	2019
a) Net income attributable to equity holders of the Parent Company	**₱31,630,626**	₱2,614,653	₱9,681,480
b) Weighted average number of common shares for basic earnings per share (Note 25)	**1,525,765**	1,525,765	1,372,674
c) Basic/Diluted earnings per share (a/b)	**₱20.73**	₱1.71	₱7.05

Earnings per share attributable to equity holders of the Parent Company from continuing operations:

	2021	2020 (As restated – Note 36)	2019 (As restated – Note 36)
a) Net income attributable to equity holders of the Parent Company from continuing operations	**₱32,365,991**	₱2,403,984	₱9,581,992
b) Weighted average number of common shares for basic earnings per share (Note 25)	**1,525,765**	1,525,765	1,372,674
c) Basic/Diluted earnings per share (a/b)	**₱21.21**	₱1.58	₱6.98

As of December 31, 2021, 2020 and 2019, there are no potential common shares with dilutive effect on the basic earnings per share.

32. Trust Operations

Securities and other properties held by the Parent Company through its Trust Banking Group (TBG) in fiduciary or agency capacities for its customers are not included in the accompanying statements of financial position since these are not assets of the Parent Company. Such assets held in trust were carried at a value of ₱143.3 billion and ₱154.4 billion as of December 31, 2021 and 2020, respectively. In connection with the trust functions of the Parent Company, government securities amounting to ₱1.6 billion and ₱1.9 billion (included under 'Investment securities at amortized cost') as of December 31, 2021 and 2020, respectively, are deposited with the BSP in compliance with trust regulations (Note 9).

Trust fee income in 2021, 2020 and 2019 amounting to ₱319.4 million, ₱314.9 million and ₱281.2 million, respectively, is included under 'Service fees and commission income' (Note 26).

In compliance with existing banking regulations, the Parent Company transferred from surplus to surplus reserves the amounts of ₱23.2 million, ₱20.4 million and ₱21.4 million in 2021, 2020 and 2019, respectively, which correspond to 10.00% of the net income realized in the preceding years from its trust, investment management and other fiduciary business until such related surplus reserve constitutes 20.00% of its regulatory capital (Note 25).

33. Related Party Transactions

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

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

Details on significant related party transactions of the Group and the Parent Company follow (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.

	2021		
Category	**Amount/ Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Significant Investors			
Deposit liabilities		**₱4,415**	Peso-denominated savings deposits with annual rates ranging from 0.10% to 0.125 %
Interest expense	**₱5**		Interest expense on deposits
Net withdrawals	**127,586**		Net withdrawals during the period
Subsidiaries			
Receivables from customers		**1,471,253**	Term loan maturing in 2022 with nominal interest rates ranging from 2.60% to 5.70%; includes domestic bills purchased; with aggregate allowance for credit losses of ₱1.4 billion
Loan releases	**1,557,106**		
Loan collections	**1,986,548**		
Credit facilities		**13,796,172**	Includes omnibus line and revocable revolving credit lines, domestic bills purchase lines and letters of credit/ trust receipt lines; also includes irrecovable standy letters of credit; with provision for liability of ₱125.1 million relating to undrawn loan commitments of PMLFC
Interbank loans receivable		**29,403**	Foreign currency-denominated interbank term loans with interest rates ranging from 0.15% to 0.25% and maturity terms ranging from 116 to 152 days with Allied Commercial Bank Xiamen
Availments	**104,698**		
Settlements	**94,537**		
Due from other banks		**248,314**	Foreign currency-denominated demand and time deposits with maturities of up to 90 days with annual fixed interest rates ranging from 0.01% to 4.50% with PNB Europe.
Accrued interest receivable		**7,520**	Interest accrual on receivables from customers and interbank loans receivable
Accounts receivable		**67,772**	Advances to finance pension liability, remittance cover and additional working capital; Non-interest bearing, unsecured, payable on demand
Deposit liabilities		**12,687,720**	Peso and foreign currency denominated demand, savings, and time deposits with annual fixed interest rates ranging from 0.125% to 1.125% and maturities from 30 to 365 days
Net deposits	**22,739**		Net deposits during the period
Bills payable		**30,477**	Foreign currency-denominated bills payable with Allied Commercial Bank Xiamen; Interest rates range from 0.1% to 0.2% and maturity terms ranging from 116 to 152 days.
Availments	**106,095**		
Settlements	**94,445**		
Due to other banks		**35,719**	Foreign currency-denominated clearing accounts used for funding and settlement of remittances with GRFC, IIC, Europe, and Allied Commercial Bank
Accrued interest payable		**103,473**	Accrued interest on deposit liabilities and bills payable
Rental deposit		**4,044**	Advance rental deposit received for 2 years and 3 months
Interest income	**69,370**		Interest income on receivables from customers, due from other banks and interbank loans receivable
Interest expense	**18,072**		Interest expense on deposit liabilities and bills payable
Miscellaneous other income	**2,506**		Management and other professional fees
Securities transactions			
Purchases	**1,890,889**		Outright purchase of securities
Sales	**281,588**		Outright sale of securities
Trading gain	**7,149**		Gain from sale of investment securities

Category	Amount/ Volume (2021)	Outstanding Balance (2021)	Nature, Terms and Conditions (2021)
Other Related Parties			
Receivables from customers		**₱57,580,429**	Partly secured by real estate and aircraft; With interest rates ranging from 2.12% to 9.72% with maturity terms ranging from 7 days to 10 years and payment terms of ranging from monthly to quarterly payments; with aggregate allowance for credit losses of ₱11.1 billion
Loan releases	**₱45,161,134**		
Loan collections	**30,848,903**		
Credit facilities		**32,168,949**	Includes omnibus line and revocable revolving credit lines and domestic bills purchase lines; also includes irrevocable standby letters of credit which are partly secured by either cash or government securities
Financial assets at FVOCI		**22,989,975**	Retained 49.00% interest in PNB Holdings; refer to Note 12 for further discussion
Accrued interest receivable		**127,339**	Accrued interest on receivables from customers
Right-of-use assets		**3,354,358**	Lease of office space with terms ranging from 20 months to 10 years
Deposit liabilities		**36,117,192**	Peso-denominated and foreign currency-denominated demand, savings and time deposits with annual interest rates ranging from0.125% to 1.125% and maturity terms ranging from 30 days to 365 days
Net deposits	**15,060,480**		Net deposits during the period
Bonds payable		**76,499**	Foreign currency bonds with interest rate of 4.25% with maturity terms of five years.
Accrued interest payable		**16,900**	Accrued interest payable from various deposits
Lease liabilities		**3,180,228**	Lease of office space with terms ranging from 20 months to 10 years
Accrued other expenses		**57,369**	Accruals in relation to promotional expenses
Deferred revenue		**47,778**	Unamortized portion of income related to the Bancassurance agreement with ABIC
Interest income	**520,535**		Interest income on receivables from customers and on the unpaid consideration by ABIC for the sale of shares in PNB Gen
Interest expense	**211,108**		Interest expense on deposit liabilities, bonds payable and lease liabilities
Amortization expense	**559,978**		Amortization of right-of-use asset relating to leases of office spaces
Occupancy expenses	**163,020**		Expenses relating to short-term leases from PNB Holdings
Loss on sale of investment in a subsidiary	**134,861**		Loss on sale of 65.75% interest of the Parent Company in PNB Gen to ABIC
Service fees and commission income	**2,222**		Bancassurance fees earned based on successful referrals and income related to the sale of PNB Gen
Miscellaneous expenses	**9,672**		Promotional expenses for Mabuhay Miles redemption; includes management fees paid to Eton Properties Philippines, Inc.
Securities transactions			
Purchases	**581,931**		Outright purchase of securities
Sales	**151,288**		Outright sale of securities
Associate			
Deposit liabilities		**554,606**	Peso-denominated and foreign currency-denominated demand, savings and time deposits with annual interest rates ranging from 0.125% to 2.0% and maturity terms ranging from 30 days.
Net deposits	**226,926**		
Rental deposits		**27**	Advance rental and security deposits received for three months
Deferred revenue		**695,391**	Unamortized portion of income related to the sale of APLII

Category	Amount/ Volume (2021)	Outstanding Balance (2021)	Nature, Terms and Conditions (2021)
Interest expense	**₱412**		Interest expense on deposit liabilities
Service fees and commission income	**73,199**		Bancassurance fees earned based on successful referrals and income related to the sale of APLII
Key Management Personnel			
Loans to officers		**₱3,492**	Housing loans to senior officers with interest rates ranging from 3.00% to 15.00%; Secured and unimpaired
Loan collections	**669**		Settlement of loans and interest

Category	Amount/ Volume (2020)	Outstanding Balance (2020)	Nature, Terms and Conditions (2020)
Significant Investors			
Deposit liabilities		₱132,001	Peso-denominated savings deposits with annual rates ranging from 0.10 % to 0.125%
Interest expense	₱854		Interest expense on deposits
Net withdrawals	138,543		Net withdrawals during the period
Subsidiaries			
Receivables from customers		1,900,695	Term Loan maturing in 2021 with nominal interest rates ranging from 2.6% to 4.0%; includes domestic bills purchased.
Loan releases	5,504,833		
Loan collections	5,726,814		
Credit facilities		14,317,968	Omnibus line; credit line
Interbank loans receivable		19,240	Foreign currency-denominated interbank term loans with interest rates ranging from 0.57% to 1.00% and maturity terms ranging from 33 to 138 days with Allied Commercial Bank Xiamen
Availments	97,069		
Settlements	112,069		
Due from other banks		301,782	Foreign currency-denominated demand and time deposits with maturities of up to 90 days with annual fixed interest rates ranging from 0.01% to 4.50% with PNB Europe.
Accrued interest receivable		1,579	Interest accrual on receivables from customers and interbank loans receivable
Accounts receivable		25,836	Advances to finance pension liability, remittance cover and additional working capital; Non-interest bearing, unsecured, payable on demand
Deposit liabilities		12,664,981	Peso and foreign currency denominated demand, savings, and time deposits with annual fixed interest rates ranging from 0.01% to 1.10% and maturities from 8 to 297 days
Net deposits	12,610,166		Net deposits during the period
Bills payable		18,827	Foreign currency-denominated bills payable with Allied Commercial Bank Xiamen; Interest rates ranging from 0.5% and 0.8% and maturity terms ranging from 30 to 137 days.
Availments	95,968		
Settlements	111,199		
Due to other banks			Foreign currency-denominated clearing accounts used for funding and settlement of remittances with GRFC, IIC, Europe, and Allied Commercial Bank
Accrued interest payable		16,445	Accrued interest on deposit liabilities and bills payable
Rental deposit		8,799	Advance rental deposit received for 2 years and 3 months
Interest income	51,737		Interest income on receivables from customers, due from other banks and interbank loans receivable
Interest expense	30,006		Interest expense on deposit liabilities and bills payable
Rental income	25,386		Rental income from one to three years lease agreement, with escalation rate of 10.00% per annum
Miscellaneous other income	1,295		Management and other professional fees

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
		2020	
Securities transactions			
Purchases	₱1,324,331		Outright purchase of securities
Sales	1,100,178		Outright sale of securities
Trading gain	19,792		Gain from sale of investment securities
Affiliates			
Receivables from customers		₱41,772,870	Partly secured by real estate and aircraft; With interest rates ranging from 2.2% to 9.7% with maturity terms ranging from 60 days to 12 years and payment terms of ranging from monthly to quarterly payments; with aggregate allowance for credit losses of ₱9.6 billion
Loan releases	10,861,306		
Loan collections	20,348,918		
Credit facilities		42,236,141	Omnibus line; credit line
Financial assets at FVOCI		73,040	Common shares with acquisition cost of ₱100.00 per share
Sales contract receivable		–	Parent Company's investment properties sold on installment; secured with interest rate of 6.00%, maturity of five years
Settlements	323,758		
Accrued interest receivable		69,040	Accrued interest on receivables from customers
Rental deposits		30,535	Advance rental and security deposits received for two months, three months and two years
Deposit liabilities		21,056,712	Peso-denominated and foreign currency-denominated demand, savings and time deposits with annual interest rates ranging from 0.10% to 1.50% and maturity terms ranging from 30 days to 365 days
Net deposits	5,918,653		Net withdrawals during the period
Bonds payable		72,035	Foreign currency bonds with interest rate of 4.25% with maturity terms of five years.
Accrued interest payable		5,565	Accrued interest payable from various deposits
Other liabilities		–	Various manager's check related to EISP and premium insurance
Accrued other expenses		81,410	Accruals in relation to promotional expenses
Interest income	1,895,183		Interest income on receivables from customers
Interest expense	99,403		Interest expense on deposit liabilities
Miscellaneous expenses	67,743		Promotional expenses for Mabuhay Miles redemption
Securities transactions			
Purchases	2,100		Outright purchase of securities
Sales	37,500		Outright sale of securities
Associate			
Credit facilities		60,000	Pre-settlement risk line
Deposit liabilities		327,680	Peso-denominated and foreign currency-denominated demand, savings and time deposits with annual interest rates ranging from 0.125% to 2.00% and maturity terms ranging from 30 days.
Net withdrawals	739,178		
Rental deposits		27	Advance rental and security deposits received for three months
Deferred revenue		768,590	Unamortized portion of income related to the sale of APLII
Interest expense	372		Interest expense on deposit liabilities
Service fees and commission income	73,199		Bancassurance fees earned based on successful referrals and income related to the sale of APLII
Key Management Personnel			
Loans to officers		4,161	Housing loans to senior officers with interest rates ranging from 3.00% to 15.00%; Secured and unimpaired
Loan collections	2,339		Settlement of loans and interest

The related party transactions shall be settled in cash.

Transactions Relating to the Investment in PNB Holdings
As discussed in Note 12, the Parent Company executed a proxy in favor of LTG to vote for the remaining 49.00% held by the Group in PNB Holdings. As a result, the Group accounted for its retained interest in PNB Holdings as financial asset at FVOCI with no recycling to profit and loss. The Group and the Parent Company recognized a gain of ₱33.5 billion from the loss of control and remeasurement of the retained interest in PNB Holdings.

Financial Assets at FVTPL Traded through PNB Securities
As of December 31, 2021 and 2020, the Parent Company's financial assets at FVTPL include equity securities traded through PNB Securities with a fair value of ₱130.3 million and ₱835.3 million, respectively. The Parent Company recognized trading gains amounting to ₱7.1 million in 2021 and trading losses amounting to ₱61.5 million in 2020 and ₱7.2 million in 2019 from the trading transactions facilitated by PNB Securities.

Joint Arrangements
The Parent Company and Eton Properties Philippines, Inc. (EPPI) signed two joint venture Agreements (JVAs) for the development of two real estate properties of the Parent Company included under 'Other assets' (Note 15) and with carrying values of ₱1.2 billion at the time of signing. EPPI and the Group are under common control. These two projects are among the Parent Company's strategies in reducing its non-performing assets.

The Parent Company contributed the aforementioned properties into the joint venture (JV) as approved by BSP. EPPI, on the other hand, contributed its resources and technical expertise for the completion of the said JV. The Parent Company is prohibited to contribute funds for the development of the JV. Income from the sale of the properties under the JV will be shared by the Parent Company and EPPI in accordance with the terms of the JVAs.

In July 2016, the Parent Company executed deeds of conveyance to EPPI on the areas of the land under the JVA arrangement. The execution of the deeds of conveyance was made to facilitate the issuance of the condominium certificates of title to the buyers.

Compensation of Key Management Personnel
The compensation of the key management personnel for the Group and Parent Company follows:

	2021	2020	2019
Short-term employee benefits	**₱460,711**	₱481,184	₱541,386
Post-employment benefits	**50,629**	55,308	45,996
	₱511,340	₱536,492	₱587,382

Members of the BOD are entitled to a per diem of ₱0.05 million for attendance at each meeting of the Board and of any committees, and other non-cash benefit in the form of healthcare plans and insurance. In 2021 and 2020, total per diem given to the BOD amounted to ₱67.5 million and ₱53.0 million, respectively, recorded in 'Miscellaneous expenses' in the statements of income. Directors' remuneration covers all BOD activities and membership of committees and subsidiary companies. In 2021 and 2020, key management personnel received Parent Company shares in relation to the centennial bonus distribution of 20,099 and 21,474, respectively.

Transactions with Retirement Plans

Management of the retirement funds of the Group and the Parent Company is handled by its TBG. The fair values and carrying values of the funds of the Group amounted to ₱8.1 billion and ₱7.9 billion as of December 31, 2021 and 2020, respectively and the fair values of the funds of the Parent Company amounted to ₱8.0 billion and ₱7.9 billion as of December 31, 2021 and 2020, respectively.

Relevant information on assets/liabilities and income/expense of the retirement plan assets follows:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Deposits with PNB	**₱1,006,570**	₱828,287	**₱1,005,202**	₱824,334
Investment in UITFs	**805,211**	760,818	**794,979**	582,674
Investment in PNB Shares	**165,210**	250,215	**165,210**	250,215
Investment in PNB Bonds	**–**	141,020	**–**	–
Total Fund Assets	**₱1,976,991**	₱1,980,340	**₱1,965,391**	₱1,657,223
Unrealized gain (loss) on PNB shares	**(₱76,030)**	₱72,941	**(₱76,030)**	₱72,941
Unrealized loss on PNB bonds	**–**	(1,704)	**–**	–
Interest income	**3,607**	15,403	**2,817**	15,401
	(72,423)	86,640	**(73,213)**	88,342
Trust fees	**(9,139)**	(8,518)	**(9,006)**	(8,473)
Fund gain/(loss)	**(₱81,562)**	₱78,122	**(₱82,219)**	₱79,869

As of December 31, 2021 and 2020, the retirement fund of the Group and the Parent Company includes 8,219,406 and 8,525,218 PNB shares, respectively, classified as financial assets at FVTPL. There are no limitations and restrictions over the PNB shares while the corresponding voting rights are exercised by a trust officer or any of its designated alternate officer of TBG.

In addition to the regular retirement funds, TBG also manages the funds of the Parent Company's EIP.

34. Provisions, Contingent Liabilities and Other Commitments

In the normal course of business, the Group makes various commitments and incurs certain contingent liabilities that are not presented in the 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. 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 financial statements.

There were no significant settlements made in 2021 and 2020.

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.

35. Offsetting of Financial Assets and Liabilities

The Group is required to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreements or similar arrangements. The effects of these arrangements to the Group and the Parent Company's financial statements are disclosed in the succeeding tables.

Consolidated

2021

Financial assets recognized at end of reporting period by type	**Gross carrying amounts (before offsetting)**	**Gross amounts offset in accordance with the offsetting criteria**	**Net amount presented in statements of financial position [a-b]**	**Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria**		**Net exposure [c-d]**
				Financial instruments	**Fair value of financial collateral**	
	[a]	**[b]**	**[c]**	**[d]**		**[e]**
Derivative assets	**₱88,929,845**	**₱87,564,794**	**₱1,365,051**	**₱240,111**	**₱-**	**₱1,124,940**
Securities held under agreements to resell (Note 8)	**15,800,317**	**–**	**15,800,317**	**–**	**16,084,357**	**–**
Total	**₱104,730,162**	**₱87,564,794**	**₱17,165,368**	**₱240,111**	**₱16,084,357**	**₱1,124,940**

2020

Financial assets recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c-d]
				Financial instruments	Fair value of financial collateral	
	[a]	[b]	[c]	[d]		[e]
Derivative assets	₱58,317,718	₱57,947,065	₱370,653	₱58,699	₱–	₱311,954
Securities held under agreements to resell (Note 8)	15,819,273	–	15,819,273	–	16,499,434	–
Total	₱74,136,991	₱57,947,065	₱16,189,926	₱58,699	₱16,499,434	₱311,954

2021

Financial liabilities recognized at end of reporting period by type	**Gross carrying amounts (before offsetting)**	**Gross amounts offset in accordance with the offsetting criteria**	**Net amount presented in statements of financial position [a-b]**	**Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria**		**Net exposure [c-d]**
				Financial instruments	**Fair value of financial collateral**	
	[a]	**[b]**	**[c]**	**[d]**		**[e]**
Derivative liabilities	**₱70,313,430**	**₱69,421,899**	**₱891,531**	**₱49,120**	**₱–**	**₱842,411**
Securities sold under agreements to repurchase (Notes 9 and 19)*	**38,494,178**	**–**	**38,494,178**	**–**	**38,336,528**	**157,650**
Total	**₱108,807,608**	**₱69,421,899**	**₱39,385,709**	**₱49,120**	**₱38,336,528**	**₱1,000,061**

** Included in bills and acceptances payable in the statements of financial position*

2020

Financial liabilites recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria: Financial instruments	Fair value of financial collateral	Net exposure [c-d]
	[a]	[b]	[c]	[d]		[e]
Derivative liabilities	₱65,641,080	₱64,939,841	₱701,239	₱85,540	₱–	₱615,699
Securities sold under agreements to repurchase (Notes 9 and 19)*	69,906,979	–	69,906,979	–	72,585,497	–
Total	₱135,548,059	₱64,939,841	₱70,608,218	₱85,540	₱72,585,497	₱615,699

** Included in bills and acceptances payable in the statements of financial position*

Parent Company

2021

Financial assets recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria: Financial instruments	Fair value of financial collateral	Net exposure [c-d]
	[a]	[b]	[c]	[d]		[e]
Derivative assets	**₱88,926,835**	**₱87,564,794**	**₱1,362,041**	**₱55,079**	**₱–**	**₱1,306,962**
Securities held under agreements to resell (Notes 8 and 19)	**15,800,317**	**–**	**15,800,317**	**–**	**16,084,357**	**–**
Total	**₱104,727,152**	**₱87,564,794**	**₱17,162,358**	**₱55,079**	**₱16,084,357**	**₱1,306,962**

2020

Financial assets recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria: Financial instruments	Fair value of financial collateral	Net exposure [c-d]
	[a]	[b]	[c]	[d]		[e]
Derivative assets	₱58,312,623	₱57,947,065	₱365,558	₱59,136	₱–	₱306,422
Securities held under agreements to resell (Notes 8 and 19)	15,819,273	–	15,819,273	–	16,499,434	–
Total	₱74,131,896	₱57,947,065	₱16,184,831	₱59,136	₱16,499,434	₱306,422

2021

Financial liabilities recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria: Financial instruments	Fair value of financial collateral	Net exposure [c-d]
	[a]	[b]	[c]	[d]		[e]
Derivative liabilities	**₱70,313,245**	**₱69,421,899**	**₱891,346**	**₱135,912**	**₱–**	**₱755,434**
Securities sold under agreements to repurchase (Notes 9 and 19)*	**38,494,178**	**–**	**38,494,178**	**–**	**38,336,528**	**157,650**
Total	**₱108,807,423**	**₱69,421,899**	**₱39,385,524**	**₱135,912**	**₱38,336,528**	**₱913,084**

** Included in bills and acceptances payable in the statements of financial position*

2020

Financial assets recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria: Financial instruments	Fair value of financial collateral	Net exposure [c-d]
	[a]	[b]	[c]	[d]		[e]
Derivative liabilities	₱65,640,643	₱64,939,841	₱700,802	₱85,977	₱	₱614,825
Securities sold under agreements to repurchase (Notes 9 and 19)*	69,906,979	–	69,906,979	–	72,585,497	–
Total	₱135,547,622	₱64,939,841	₱70,607,781	₱85,977	₱72,585,497	₱614,825

** Included in bills and acceptances payable in the statements of financial position*

The amounts disclosed in column (d) include those rights to set-off amounts that are only enforceable and exercisable in the event of default, insolvency or bankruptcy. This includes amounts related to financial collateral both received and pledged, whether cash or non-cash collateral, excluding the extent of over-collateralization.

36. Assets and Liabilities of Disposal Group Classified as Held for Sale and Discontinued Operations

As discussed in Note 12, on various dates in 2020, the respective BODs of the Parent Company and PNB Holdings approved the sale of all their holdings in PNB Gen for cash. As a result, the Group reclassified all the assets and liabilities of PNB Gen to 'Assets of disposal group classified as held for sale' and 'Liabilities of disposal group classified as held for sale', respectively, in the consolidated statement of financial position as of December 31, 2020. The business of PNB Gen represented the entirety of the Group's non-life insurance business.

Further, as discussed in Note 12, the Group assessed that it no longer exercises control over PNB Holdings. Accordingly, the Group classified the results of PNB Holdings as discontinued operations.

The results of PNB Gen and PNB Holdings were previously presented in the 'Others' section of the business segment disclosure. With PNB Holdings being classified as discontinued operations in 2021, the comparative consolidated statements of income, comprehensive income and cash flows in 2020 and 2019 have been re-presented to show the discontinued operations separately from the continuing operations.

The results of operation of PNB Gen are presented below:

	2021	2020	2019
Interest Income on			
Loans and receivables	**₱35**	₱202	₱275
Investment securities at amortized cost and FVOCI (Note 9)	**19,830**	81,734	67,708
Deposits with banks and others	**34**	5,087	17,453
	19,899	87,023	85,436
Interest Expense on			
Lease liabilities (Note 19)	**530**	2,698	128
Net Interest Income	**19,369**	84,325	85,308

(Forward)

	2021	2020	2019
Net Service Fees and Commission Income (Note 26)	**₱110**	₱19,718	₱7,460
Insurance premium	**202,543**	955,640	1,151,704
Insurance benefits and claims	**143,605**	716,820	909,974
Net Insurance Premium	**58,938**	238,820	241,730
Other Income			
Foreign exchange gains (losses) - net	**1,804**	(2,878)	15
Trading and investment securities gains - net (Note 9)	**–**	9,123	94
Total Operating Income	**80,221**	349,108	334,607
Operating Expenses			
Compensation and fringe benefits	**37,040**	152,265	133,896
Depreciation and amortization (Note 11)	**6,592**	28,862	8,901
Provision for (reversal of) credit losses (Note 16)	**1,174**	29,781	(324)
Occupancy and equipment-related costs	**903**	1,910	17,074
Taxes and licenses	**290**	4,750	4,878
Miscellaneous (Note 27)	**8,832**	43,539	49,910
Total Operating Expenses	**54,831**	261,107	214,335
Income Before Income Tax	**25,390**	88,001	120,272
Provision for Income Tax (Note 30)	**4,774**	20,418	18,679
Net Income from Discontinued Operations	**₱20,616**	₱67,583	₱101,593

Net Insurance Premium
This account consists of:

	2021	2020	2019
Net insurance premiums			
Gross earned premium	**₱385,904**	₱2,385,857	₱2,764,108
Reinsurer's share of gross earned premiums	**(183,361)**	(1,430,217)	(1,612,404)
	202,543	955,640	1,151,704
Less net insurance benefits and claims			
Gross insurance contract benefits and claims paid	**207,003**	2,241,488	1,598,129
Reinsurer's share of gross insurance contract benefits and claims paid	**(130,493)**	(1,983,736)	(1,262,884)
Gross change in insurance contract liabilities	**48,017**	1,410,172	(65,571)
Reinsurer's share of change in insurance contract liabilities	**19,078**	(951,104)	640,300
	143,605	716,820	909,974
	₱58,938	₱238,820	₱241,730

The major classes of assets and liabilities of PNB Gen classified as disposal group as of December 31, 2020 follow:

Assets	
Due from other banks	₱164,894
Financial assets at FVTPL	1,387
Financial assets at FVOCI	1,183,355
Investment securities at amortized cost	788,430
Loans and other receivables - net	4,232,047
Deferred reinsurance premium	901,623
Property and equipment - net	48,436

(Forward)

Assets	
Deferred tax assets	₱36,475
Intangible assets - net	5,134
Other assets	584,164
	₱7,945,945
Liabilities	
Accrued taxes, interest and other expenses	₱269,100
Insurance contract liabilities	4,360,733
Reserved for unearned reinsurance premium	1,196,273
Accounts payable	142,513
Other liabilities	385,345
	₱6,353,964
Net assets of disposal group held for sale	₱1,591,981
Amounts included in accumulated OCI:	
Remeasurement gain on retirement plan	₱59,407
Net unrealized gain on financial assets at FVOCI	29,209
	₱88,616

Net cash flows of PNB Gen follow:

	2021	2020	2019
Net cash flows from operating activities	**(₱36,288)**	(₱27,016)	(₱298,984)
Net cash flows from investing activities	**18,740**	(242,063)	(8,619)
Net cash flows from financing activities	**(1,912)**	(22,648)	292,789
	(₱19,460)	(₱291,727)	(₱14,814)

The results of operation of PNB Holdings are presented below:

	2021	2020	2019
Interest Income on			
Investment securities at amortized cost and FVOCI (Note 9)	**₱–**	₱500	₱500
Deposits with banks and others	**1,143**	5	2
	1,143	505	502
Interest Expense on			
Lease liabilities (Note 19)	**2,998**	202	–
Net Interest Income (Expense)	**(1,855)**	303	502
Net Service Fees and Commission Expense	**(45,849)**	(60)	(60)
Other Income			
Trading and investment securities gains - net (Note 9)	**–**	50	33
Miscellaneous income (Note 27)	**486,957**	243,860	186
Total Operating Income	**439,253**	244,153	661
Operating Expenses			
Taxes and licenses	**646,070**	30,241	311
Occupancy and equipment-related costs	**191,781**	380	405
Provision for credit losses (Note 16)	**86,967**	–	–

(Forward)

	2021	2020	2019
Depreciation and amortization (Note 11)	**₱42,450**	₱711	₱711
Compensation and fringe benefits	**976**	100	–
Miscellaneous (Note 27)	**123,162**	1,471	1,239
Total Operating Expenses	**1,091,406**	32,903	2,666
Income (Loss) Before Income Tax	**(652,153)**	211,250	(2,005)
Provision for Income Tax (Note 30)	**103,828**	68,164	100
Net Income (Loss) from Discontinued Operations	**(₱755,981)**	₱143,086	(₱2,105)

Net cash flows of PNB Holdings follow:

	2021	2020	2019
Net cash flows from operating activities	**₱790,488**	(₱2,151)	(₱1,737)
Net cash flows from investing activities	**–**	524,081	1,102
Net cash flows from financing activities	**(567,887)**	48	–
	₱222,601	₱521,978	(₱635)

37. **Events After the Reporting Date**

On January 31, 2022, AIHI paid ₱717.4 million to the Parent Company as full settlement of the net asset integration.

On February 10, 2022, the SEC approved the Amended Articles of Incorporation and By-Laws and decrease in authorized capital stock of AIHI from ₱15.0 billion divided into 149,975,000 common shares of the par value of ₱100 each and 25,000 preferred shares of the par value of ₱100 each to ₱3.0 billion divided into 30,000,000 common shares of the par value ₱100 each.

On February 18, 2022, out of the ₱10.5 billion subscribed and paid up capital of the Parent Company in AIHI, the latter returned ₱7.5 billion to the Parent Company.

38. **Notes to Statements of Cash Flows**

Cash Flows from Financing Activities

The changes in liabilities arising from financing activities in 2021 and 2020 follow:

	Consolidated 2021			
	Beginning balance	**Net cash flows**	**Others**	**Ending balance**
Bills and acceptances payable	**₱87,159,450**	**(₱36,426,226)**	**₱2,220,573**	**₱52,953,797**
Bonds payable	**64,056,335**	**(13,870,000)**	**3,197,086**	**53,383,421**
Lease liabilities	**1,366,016**	**(1,231,287)**	**3,630,662**	**3,765,391**
	₱152,581,801	**(₱51,527,513)**	**₱9,048,321**	**₱110,102,609**

	Consolidated 2020			
	Beginning balance	Net cash flows	Others	Ending balance
Bills and acceptances payable	₱55,963,290	₱32,255,780	(₱1,059,620)	₱87,159,450
Bonds payable	66,615,078	–	(2,558,743)	64,056,335
Lease liabilities	1,806,409	(664,156)	223,763	1,366,016
	₱124,384,777	₱31,591,624	(₱3,394,600)	₱152,581,801

	Parent Company 2021			
	Beginning balance	**Net cash flows**	**Others**	**Ending balance**
Bills and acceptances payable	**₱84,817,360**	**(₱35,919,013)**	**₱2,214,671**	**₱51,113,018**
Bonds payable	**64,056,335**	**(13,870,000)**	**3,197,086**	**53,383,421**
Lease liabilities	**1,370,206**	**(1,213,912)**	**3,542,116**	**3,698,410**
	₱150,243,901	**(₱51,002,925)**	**₱8,953,873**	**₱108,194,849**

	Parent Company 2020			
	Beginning balance	Net cash flows	Others	Ending balance
Bills and acceptances payable	₱48,424,017	₱37,452,722	(₱1,059,379)	₱84,817,360
Bonds payable	66,615,078	–	(2,558,743)	64,056,335
Lease liabilities	1,633,083	(649,402)	386,525	1,370,206
	₱116,672,178	₱36,803,320	(₱3,231,597)	₱150,243,901

Others include the effects of foreign exchange revaluations, amortization of transaction costs, accretion of interest, and effect of loss of control of a subsidiary.

Non-cash Transactions

The following are non-cash transactions of the Group and the Parent Company in 2021 and 2020 relating to their long-term leases:

	Consolidated		**Parent Company**	
	2021	2020	**2021**	2020
Additions to right-of-use assets (Note 11)	**₱3,352,354**	₱122,420	**₱3,350,486**	₱122,420
Additional lease liabilities (Note 29)	**3,377,981**	104,330	**3,298,634**	127,578

On January 13, 2021, the Parent Company subscribed to additional 466,770,000 shares of PNB Holdings in exchange for certain real estate properties with fair values of ₱46.7 billion. On April 23, 2021, the Parent Company declared 51.00% ownership in PNB Holdings as property dividends to all stockholders of record as of May 18, 2021 (Note 12).

On December 17, 2021, the BOD of PNB Capital approved the declaration of cash dividends amounting to ₱300.0 million, payable to all stockholders on or before April 30, 2022 (Note 12). As of December 31, 2021, the Parent Company is yet to receive such cash dividends from PNB Capital.

The Group acquired investment properties through foreclosure and rescission amounting to ₱524.7 million, ₱86.7 million, and ₱967.6 million in 2021, 2020 and 2019, respectively. The Parent Company acquired investment properties acquired through foreclosure and rescission amounted to ₱334.4 million, ₱78.0 million and ₱885.7 million in 2021, 2020 and 2019, respectively (Note 13).

The Group applied creditable withholding taxes against its income tax payable amounting to ₱1.6 billion, ₱2.8 billion and ₱1.3 billion in 2021, 2020 and 2019, respectively. The Parent Company applied creditable withholding taxes against its income tax payable amounting to ₱1.6 billion, ₱2.7 billion and ₱1.3 billion in 2021, 2020, and 2019, respectively.

39. Approval of the Release of the Financial Statements

The accompanying financial statements of the Group and of the Parent Company were authorized for issue by the Parent Company's BOD on March 14, 2022.

40. Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010

On November 25, 2010, the BIR issued RR No. 15-2010, which provides that the notes to the financial statements shall include information on taxes, duties and license fees paid or accrued during the taxable year.

The Parent Company paid or accrued the following types of taxes for the tax period January to December 2021 (in absolute amounts):

1. Taxes and licenses

	Amount
Gross receipts tax	₱1,800,253,082
Documentary stamp taxes	3,400,000,000
Real estate tax	44,987,878
Local taxes	167,978,873
Others	37,050,425
	₱5,450,270,258

2. Withholding taxes

	Remitted	Outstanding
Withholding taxes on compensation and benefits	₱907,353,622	₱169,339,256
Final income taxes withheld on interest on deposits and yield on deposit substitutes	673,101,212	83,532,435
Expanded withholding taxes	187,940,010	39,234,539
Withholding taxes on the amount withdrawn from the decedent's deposit dccount	26,100,231	3,629,009
VAT withholding taxes	10,707,701	1,373,047
Other final taxes	102,222,574	413,010,745
	₱1,907,425,350	₱710,119,031

Tax Cases and Assessments
As of December 31, 2021 and 2020, the Parent Company has no final tax assessment but has outstanding cases filed in courts for various claims for tax refund. Management is of the opinion that the ultimate outcome of these cases will not have a material impact on the financial statements of the Parent Company.

41. Report on the Supplementary Information Required Under BSP Circular No. 1074

Basic Quantitative Indicators of Financial Performance
The following basic ratios measure the financial performance of the Group and the Parent Company:

	Consolidated			Parent Company		
	2021	2020	2019	**2021**	2020	2019
Return on average equity (a/b)	**19.98%**	1.69%	6.89%	**20.08%**	1.94%	6.97%
a) Net income	**₱31,690,038**	₱2,625,488	₱9,761,206	**₱31,283,762**	₱2,959,932	₱9,681,476
b) Average total equity	**158,602,982**	155,479,204	141,767,206	**155,768,842**	152,657,314	138,860,047
Return on average assets (c/d)	**2.62%**	0.22%	0.92%	**2.60%**	0.26%	0.98%
c) Net income	**₱31,690,038**	₱2,625,488	₱9,761,206	**₱31,283,762**	₱ 2,959,932	₱9,681,476
d) Average total assets	**1,210,959,231**	1,186,712,205	1,062,969,399	**1,204,106,165**	1,144,703,450	990,502,904
Net interest margin on average earning assets (e/f)	**3.24%**	3.31%	3.31%	**3.22%**	3.37%	3.29%
e) Net interest income	**₱34,844,827**	₱35,820,766	₱32,443,573	**₱34,003,443**	₱34,649,027	₱29,446,638
f) Average interest earning assets	**1,076,767,394**	1,081,770,414	979,672,558	**1,054,642,739**	1,028,955,579	893,991,058

Note: Average balances are the sum of beginning and ending balances of the respective statement of financial position accounts divided by two (2)

Description of Capital Instruments Issued
As of December 31, 2021 and 2020, the Parent Company has only one class of capital stock, which are common shares.

Significant Credit Exposures as to Industry Sector
An industry sector analysis of the Group's and the Parent Company's receivables from customers before taking into account allowance for credit losses is shown below.

	Consolidated				Parent Company			
	2021		2020		**2021**		2020	
	Carrying Amount	**%**	Carrying Amount	%	**Carrying Amount**	**%**	Carrying Amount	%
Primary target industry:								
Financial intermediaries	**₱127,322,501**	**20.22**	₱87,326,717	14.21	**₱128,833,193**	**20.95**	₱89,172,974	14.86
Wholesale and retail	**89,964,601**	**14.29**	81,092,791	13.19	**85,521,203**	**13.91**	80,881,369	13.47
Electricity, gas and water	**72,603,754**	**11.53**	67,426,509	10.97	**72,543,926**	**11.80**	67,378,423	11.22
Transport, storage and communication	**50,593,556**	**8.04**	56,286,930	9.16	**57,003,954**	**9.27**	54,935,380	9.15
Manufacturing	**57,374,303**	**9.12**	46,334,941	7.54	**46,719,362**	**7.60**	45,428,186	7.57
Agriculture, hunting and forestry	**10,984,068**	**1.75**	8,454,141	1.38	**8,472,952**	**1.38**	8,416,224	1.40
Public administration and defense	**8,668,925**	**1.38**	10,957,664	1.78	**10,984,068**	**1.79**	10,957,664	1.83
Secondary target industry:								
Real estate, renting and business activities	**98,619,763**	**15.67**	85,855,979	13.97	**95,143,733**	**15.47**	85,168,995	14.19
Construction	**30,123,753**	**4.79**	35,794,281	5.82	**29,341,619**	**4.77**	34,852,145	5.81
Others	**83,171,564**	**13.21**	135,066,238	21.98	**80,345,800**	**13.07**	123,061,821	20.50
	₱629,426,788	**100.00**	₱614,596,191	100.00	**₱614,909,810**	**100.00**	₱600,253,181	100.00

Breakdown of Total Loans as to Security

The information relating to receivables from customers (gross of allowance for credit losses) as to secured and unsecured and as to collateral follows:

	Consolidated				Parent Company			
	2021		2020		**2021**		2020	
	Carrying Amount	**%**	Carrying Amount	%	**Carrying Amount**	**%**	Carrying Amount	%
Secured:								
Real estate mortgage	**₱65,400,278**	**10.40**	₱72,167,070	11.74	**₱55,459,239**	**9.03**	₱62,586,685	10.43
Chattel mortgage	**23,572,533**	**3.75**	26,396,722	4.30	**22,348,756**	**3.63**	26,148,386	4.35
Bank deposit hold-out	**4,375,531**	**0.70**	4,937,167	0.80	**4,137,837**	**0.67**	4,271,930	0.71
Others	**20,528,460**	**3.26**	7,887,301	1.28	**17,144,181**	**2.79**	7,201,434	1.20
	113,876,802	**18.09**	111,388,260	18.12	**99,090,013**	**16.11**	100,208,435	16.69
Unsecured	**515,549,986**	**81.91**	503,207,931	81.88	**515,819,797**	**83.89**	500,044,746	83.31
	₱629,426,788	**100.00**	₱614,596,191	100.00	**₱614,909,810**	**100.00**	₱600,253,181	100.00

Breakdown of Total Loans as to Status

The table below shows the status of the Group and the Parent Company's loans (gross allowance for credit losses) as to performing and non-performing loans (NPL) per product line:

	Consolidated			
	2021		2020	
	Performing	**NPL**	Performing	NPL
Corporate	**₱497,743,877**	**₱46,315,906**	₱472,989,149	₱45,775,849
Commercial	**10,464,612**	**3,869,552**	12,745,770	3,973,178
Credit cards	**10,721,147**	**2,435,798**	9,342,221	3,188,348
Consumer	**42,329,698**	**15,546,198**	51,083,481	15,498,195
	₱561,259,334	**₱68,167,454**	₱546,160,621	₱68,435,570

	Parent Company			
	2021		2020	
	Performing	**NPL**	Performing	NPL
Corporate	**₱491,798,885**	**₱45,983,507**	₱464,804,820	₱45,542,903
Commercial	**9,398,044**	**2,006,364**	11,418,775	1,861,659
Credit cards	**10,721,147**	**2,435,798**	9,342,221	3,188,348
Consumer	**37,088,108**	**15,477,957**	48,643,294	15,451,161
	₱549,006,184	**₱65,903,626**	₱534,209,110	₱66,044,071

Loans and receivables are considered NPL, even without any missed contractual payments, when considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral, if any. All other loans, even if not considered impaired, are considered NPL if any principal and/or interest are unpaid for more than 90 days from contractual due date, or accrued interests for more than 90 days have been capitalized, refinanced, or delayed by agreement.

Microfinance and other small loans with similar credit characteristics are considered NPL after contractual due date or after they have become past due. Restructured loans are considered NPL. However, if prior to restructuring, the loans were categorized as performing, such classification is retained.

NPLs remain classified as such until (a) there is sufficient evidence to support that full collection of principal and interests is probable and payments of interest and/or principal are received for at least six (6) months; or (b) written-off.

As of December 31, 2021, gross and net NPL ratios of the Group and the Parent Company as reported to BSP (with certain adjustments) were 10.07% and 5.27%, and 9.97% and 5.21%, respectively. As of December 31, 2020, gross and net NPL ratios of the Group and the Parent Company as reported to BSP (with certain adjustments) were 10.20% and 6.99%, and 10.09% and 6.93%, respectively.

As discussed in Note 26, the Parent Company sold in September 2021 certain NPLs with gross carrying amounts, including accrued interest, of ₱5.5 billion, with allowance for credit losses of ₱2.5 billion.

Information on Related Party Loans

In the ordinary course of business, the Parent Company has loans and other transactions with its subsidiaries and affiliates, and with certain Directors, Officers, Stockholders and Related Interests (DOSRI). Under the Parent Company's policy, these loans and other transactions are made substantially on the same terms as with other individuals and businesses of comparable risks.
The amount of direct credit accommodations to each of the Parent Company's DOSRI, 70.00% of which must be secured, should not exceed the amount of their respective deposits and book value of their respective investments in the Parent Company.

In the aggregate, DOSRI loans generally should not exceed the Parent Company's equity or 15.00% of the Parent Company's total loan portfolio, whichever is lower. As of December 31, 2021 and 2020, the Parent Company is in compliance with such regulations.

The information relating to the DOSRI loans of the Group and Parent Company follows:

	2021		2020	
	DOSRI loans	**Related party loans (inclusive of DOSRI loans)**	DOSRI loans	Related party loans (inclusive of DOSRI loans)
Total outstanding loans	**₱4,606,070**	**₱59,914,803**	₱4,689,334	₱52,403,520
Percent of DOSRI/related party loans to total loan portfolio	**0.70%**	**9.08%**	0.92%	8.01%
Percent of unsecured DOSRI/related party loans to total DOSRI/related party loans	**0.03%**	**64.94%**	0.01%	68.71%
Percent of past due DOSRI/related party loans to total DOSRI/related party loans	**–**	**10.17%**	–	–
Percent of non-performing DOSRI/related party loans to total DOSRI/related party loans	**–**	**44.00%**	0.01%	31.62%

In accordance with existing BSP regulations, the reported DOSRI performing loans exclude loans extended to certain borrowers before these borrowers became DOSRI.

Under BSP regulations, total outstanding exposures to each of the Parent Company's subsidiaries and affiliates shall not exceed 10.00% of the Group's net worth, the unsecured portion of which shall not exceed 5.00% of such net worth. Further, the total outstanding exposures to subsidiaries and affiliates shall not exceed 20.00% of the net worth of the Parent Company.

Aggregate Amount of Secured Liabilities and Assets Pledged as Security

As of December 31, 2021 and 2020, 'Bills payable' amounting to ₱38.5 billion and ₱69.9 billion in Note 19, respectively, are secured by a pledge of certain 'Financial assets at FVOCI' amounting to ₱32.8 billion and ₱44.6 billion respectively, and 'Investment securities at amortized cost' amounting to ₱5.3 billion and ₱26.1 billion, respectively.

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:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Derivative forwards	**₱158,060,387**	₱96,670,883	**₱153,621,017**	₱91,865,805
Trust department accounts	**143,335,871**	154,372,490	**143,335,871**	154,372,490
Unutilized credit card lines	**41,690,462**	37,729,069	**41,690,462**	37,729,069
Standby letters of credit	**37,361,325**	38,275,186	**37,198,406**	38,078,859
Deficiency claims receivable	**22,862,480**	22,434,712	**22,862,480**	22,434,712
Derivative spots	**19,204,658**	28,346,514	**19,204,658**	28,346,514
Inward bills for collection	**2,591,812**	574,862	**2,589,780**	574,862
Items held as collateral	**248,046**	354,917	**248,025**	354,897
Unused commercial letters of credit	**219,246**	35,462	**219,246**	35,462
Outward bills for collection	**182,354**	154,661	**78,770**	108,965
Confirmed export letters of credit	**86,188**	1,201	**86,188**	1,201
Shipping guarantees issued	**20,822**	12,691	**18,861**	10,833
Other contingent accounts	**14,440**	23,691	**7,185**	8,332
Interest rate swaps	**–**	15,938,316	**–**	15,938,316

2021 vs 2020

As of December 31, 2021, the Group posted total assets of ₱1,190.8 billion, 3.3% or ₱40.3 billion lower compared to ₱1,231.1 billion reported as of December 31, 2020. Major changes in assets were registered in the following accounts:

- Cash and Other Cash Items and Due from Other Banks as of December 31, 2021 at ₱27.6 billion and ₱27.2 billion, respectively, increased by ₱2.5 billion, and ₱7.5 billion compared to ₱25.1 billion, and ₱19.7 billion, respectively, as of December 31, 2020, while Due from Bangko Sentral ng Pilipinas and Interbank Loans Receivable as of December 31, 2021 decreased by ₱41.1 billion, and ₱7.6 billion from ₱202.1 billion and ₱39.7 billion, respectively, as of December 31, 2020.

  Please refer to the 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 22.6% and 20.5% of the Group's total assets as of December 31,2021 and 2020, respectively, increased by ₱15.8 billion or 6.3%.

- Loans and Receivables, net of allowance for credit losses, represent 51.0% and 48.7% of the Group's total assets as of December 31, 2021 and December 31, 2020, respectively. Loans and Receivables slightly increased by ₱7.0 billion at ₱607.0 billion as of December 31, 2021 from ₱600.0 billion as of December 31, 2020, mainly due to ₱18.0 billion net releases of loans and receivables, offset by additional provision for impairment, credit and other losses of ₱11.0 billion.

- Property and Equipment and Investment Properties as of December 31, 2021 at ₱13.5 billion and ₱10.7 billion, respectively, decreased by ₱6.4 billion, and ₱3.7 billion compared to ₱19.9 billion and ₱14.4 billion, respectively, as of December 31, 2020 mainly due to loss of control over PNB Holdings Corporation (PNB Holdings), where certain Property and Equipment and Investment Properties with aggregate carrying values of ₱12.6 billion were transferred. In 2021, the investment in PNB Holdings as a subsidiary has been derecognized for financial reporting purposes.

- Investment in an Associate increased by ₱0.2 billion at ₱2.5 billion as of December 31, 2021 compared to ₱2.3 billion as of December 31, 2020, pertaining mostly to equity share in the net income of the associate for the year.

- Deferred Tax Assets decreased by ₱2.6 billion as of December 31,2021 from ₱9.0 billion to ₱6.4 billion as of December 31, 2020, mainly due to enactment of the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, which lowers the regular corporate income tax rate from 30% to 25%.

- In 2020, the Group reclassified the ₱7.9 billion assets and ₱6.4 billion liabilities of PNB General Insurers Inc. (PNB Gen) to 'Assets of disposal group classified as held for sale' and 'Liabilities of disposal group classified as held for sale', respectively, in the 2020 consolidated statement of financial position. These accounts were zeroed out in 2021 upon the sale of the Group's remaining stake in PNB Gen.

- Goodwill decreased to ₱11.2 billion as of December 31, 2021, from ₱13.4 billion as of December 31, 2020 due to the impairment losses amounting to ₱2.2 billion recorded in 2021.

- Other Assets as of December 31, 2021, at ₱4.8 billion decreased by ₱1.5 billion compared to ₱6.3 billion as of December 31, 2020.

The Group's consolidated total liabilities which stood at ₱1,029.6 billion as December 31, 2021, decreased by 4.2% or ₱45.6 billion from ₱1,075.2 billion as of December 31, 2020. Major changes in liabilities were registered in the following accounts:

- Deposit Liabilities at ₱894.9 billion and ₱890.3 billion, which represent 86.9% and 82.8% of the Group's total liabilities as of December 31, 2021 and 2020, respectively, increased by ₱4.6 billion mainly due to increase in Demand and Savings Deposits by ₱16.6 billion or 8.3%, and ₱73.0 billion or 17.1%, respectively. Time Deposits decreased by ₱85.0 billion or 35.9%.

- Financial Liabilities at FVTPL increased by ₱0.2 billion or 27.1% from 2020 year-end balance of ₱701.2 million mainly due to mark-to-market adjustments for the period.

- Lease Liabilities in compliance with PFRS 16 increased by ₱2.4 billion from ₱1.4 billion as of December 31, 2020, to ₱3.8 billion as of December 31, 2021, as a result of additional leases entered into by the Group during the year.

- Bills and Acceptances Payable declined by ₱34.2 billion or 39.2% from ₱87.2 billion as of December 31, 2020, to ₱53.0 billion as of December 31, 2021 brought by net settlements of interbank borrowing and repurchase agreements.

- Bonds Payable decreased by ₱10.7 billion, from ₱64.1 billion as of December 31, 2020 to ₱53.4 billion as of December 31, 2021, mainly due to the maturity of the ₱13.9 billion 6.3% fixed rate bonds of PNB in May 2021, partially offset by the ₱3.1 billion revaluation of foreign currency-denominated bonds.

- Accrued Taxes, Interest and Other Expenses were higher by ₱1.3 billion, from ₱6.4 billion as of December 31, 2020, to ₱7.8 billion as of December 31, 2021, mainly due to increase in accrued other expenses of the Bank.

- Income Tax Payable decreased by ₱0.7 billion from ₱0.9 billion as of December 31, 2020 to ₱0.2 billion as of December 31, 2021 due to the enactment of the CREATE Act.

- Other Liabilities as of December 31, 2021, at ₱15.7 billion decreased by ₱2.2 billion compared to ₱17.9 billion as of December 31, 2020.

The Group's consolidated total equity stood at ₱161.2 billion as of December 31, 2021 from ₱156.0 billion as of December 31, 2020, or an increase of ₱5.2 billion mainly due to the net income attributable to equity holders of the Parent Company for the year ended December 31, 2021 amounting to ₱31.7 billion, and increases in Surplus Reserves and Accumulated Translation Adjustment by ₱115.3 million and ₱785.5 million, respectively, and decrease in Share in Aggregate Losses on Life Insurance Policies and Remeasurement Losses on Retirement Plan by ₱412.4 million and ₱284.4 million, respectively. The increase in equity was offset by the decline in Net Unrealized Gains on Financial Assets at FVOCI from ₱3.1 billion as of December 31, 2020, to (₱0.7 billion) as of December 31, 2021, and property dividends declaration discussed below.

On April 23, 2021, the Parent Company's BOD approved the property dividend declaration of up to 239,353,710 common shares of PNB Holdings, representing 51% ownership, with a par value of ₱100 per share, to all stockholders of record as of May 18, 2021, or ₱23.9 billion. On December 24, 2021, the SEC noted the property dividend declaration.

2020 vs 2019

The Group's consolidated total assets stood at ₱1,231.1 billion as of December 31, 2020, 7.8% or ₱88.8 billion higher compared to ₱1,142.3 billion reported as of December 31, 2019. Changes (more than 5%) in assets were registered in the following accounts:

- Cash and Other Cash Items as of December 31, 2020, decreased by ₱5.4 billion from ₱30.5 billion as of December 31, 2019. Due from Bangko Sentral ng Pilipinas, Due from Other Banks, Interbank Loans Receivables and Securities Held Under Agreements to Resell as of December 31, 2020 at ₱202.1 billion, ₱19.7 billion, ₱39.7 billion and ₱15.8 billion, respectively, increased by P96.1 billion, ₱2.0 billion, ₱14.9 billion and ₱13.3 billion compared to ₱106.0 billion, ₱17.8 billion, ₱24.8 billion and ₱2.5 billion, respectively, as of December 31, 2019.

  Please refer to the 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 20.5% and 20.8% of the Group's total assets as of December 31, 2020 and 2019, respectively, increased by ₱15.7 billion or 6.6%, mainly due to purchases of various investment securities, net of maturities and disposals.

- Loans and Receivables represent 48.7% and 57.6% of the Group's total assets as of December 31, 2020 and 2019, respectively. Loans and Receivables decreased by ₱57.9 billion or 8.8%, at ₱600.0 billion as of December 31, 2020 from ₱657.9 billion as of December 31, 2019, mainly due to ₱41.0 billion net paydowns of loans and receivables and additional provision for impairment, credit and other losses of ₱16.9 billion.

- Investment in an Associate decreased by ₱0.3 billion or 11.3%, at ₱2.3 billion as of December 31, 2020 from ₱2.6 billion as of December 31, 2019, mainly due to additional share in net comprehensive losses of the associate.

- Deferred Tax Assets increased by ₱6.5 billion or 250.2%, at ₱9.0 billion as of December 31, 2020 from ₱2.6 billion as of December 31, 2019 mainly due to the recognition of additional deferred tax assets on allowance for expected credit losses, which the Group has the benefit of tax deductions against future taxable income only upon actual write-offs.

- Intangible Assets decreased by ₱0.3 billion or 11.6%, at ₱2.5 billion as of December 31, 2020 from ₱2.8 billion as of December 31, 2019 due to amortization.

- In 2020, the Group approved the sale of all its shareholdings in PNB General Insurers Co., Inc. (PNB Gen) to Alliedbankers Insurance Corporation (ABIC), an affiliate. As a result, the Group reclassified all the assets and liabilities of PNB Gen to 'Assets of disposal group classified as held for sale' and 'Liabilities of disposal group classified as held for sale', respectively, in the consolidated statement of financial position.

- Other Assets amounted to ₱6.3 billion as of December 31, 2020 or a decrease of ₱1.7 billion or 21.6% from ₱8.1 billion as of December 31, 2019.

The Group's consolidated total liabilities stood at ₱1,075.2 billion as of December 31, 2020 which increased by 8.9% or ₱87.8 billion from ₱987.3 billion as of December 31, 2019. Major changes in liabilities were registered in the following accounts:

- Deposit Liabilities totaling ₱890.3 billion and ₱826.0 billion which represent 82.8% and 83.7% of the Group's total liabilities as of December 31, 2020 and 2019, respectively, increased by ₱64.2 billion or 7.8%. Demand, Savings and Time Deposits went up by ₱27.5 billion or 16.0%, ₱33.8 billion or 8.6%, ₱9.8 billion or 4.3%, respectively. The increase in total deposits was partially offset by the decline in Long-Term Negotiable Certificates of Deposits (LTNCD) by ₱6.9 billion or 19.7% mainly due to maturities in June 2020.

- Financial Liabilities at FVTPL increased by ₱455.6 million or 185.5% from 2019 year-end balance of ₱245.6 million mainly from the increase in the volume of transactions for the period.

- Lease Liabilities decreased by ₱0.4 million or 24.4% at ₱1.4 billion as of December 31, 2020 mainly due to lease payments.

- Accrued Taxes, Interest and Other Expenses decreased by ₱0.5 billion, from ₱6.9 billion as of December 31, 2019 to ₱6.4 billion as of December 31, 2020, mainly due to lower accrual of expenses.

- Bills and Acceptances Payable increased by ₱31.2 billion or 55.7% from ₱56.0 billion to ₱87.2 billion as of December 31, 2019 and 2020, respectively, brought by the increase in the level of interbank borrowing and repurchase agreements.

- Income Tax Payable increased by ₱326.9 million from ₱576.2 million as of December 31, 2019 to ₱903.0 million as of December 31, 2020.

- Other Liabilities amounted to ₱17.9 billion as of December 31, 2020 or a decrease of ₱11.2 billion or 38.6% from ₱29.1 billion as of December 31, 2019, mainly from the decrease in reclassification of insurance contract liabilities to 'Liabilities of disposal group classified as held for sale' as discussed above.

The Group's consolidated total equity stood at ₱156.0 billion as of December 31, 2020 from ₱155.0 billion as of December 31, 2019, or an increase of ₱1.0 billion attributed mainly to the consolidated net income for the year ended December 31, 2020 amounting to ₱2.6 billion and ₱0.2 billion increase in Other Equity Reserves, offset by the following:

- decline in Net Unrealized Gains on Financial Assets at FVOCI from ₱3.3 billion as of December 31, 2019 to ₱3.1 billion as of December 31, 2020
- decrease in share in Aggregate Reserves on Life Insurance Policies of ₱1.1 billion
- decreases in Remeasurement Losses on Retirement Plan and Accumulated Translation Adjustment of ₱0.8 billion and ₱0.2 billion, respectively.

Further, transfer to surplus reserves in 2020 includes the appropriation of surplus amounting to ₱4.4 billion for the excess of 1% general loan loss provision over the computed expected credit losses for Stage 1 accounts in accordance with BSP Circular 1011.

2019 vs 2018

The Group's consolidated total assets stood at ₱1.1 trillion as of December 31, 2019, 16.1% or ₱158.6 billion higher compared to ₱983.6 billion reported as of December 31, 2018. Changes (more than 5%) in assets were registered in the following accounts:

- Cash and Other Cash Items, Due from Bangko Sentral ng Pilipinas (BSP) and Interbank Loans Receivable registered increased by ₱13.7 billion, ₱3.3 billion and by ₱13.6 billion, respectively from ₱16.8 billion, ₱102.7 billion and ₱11.2 billion, respectively as of December 31, 2018.

- Due from Other Banks and Securities Held Under Agreements to Resell as of December 31, 2019 at ₱17.8 billion and ₱2.5 billion, respectively, decreased by ₱3.2 billion and ₱18.2 billion compared to ₱21.0 billion and ₱20.7 billion, respectively, as of December 31, 2018.

Please refer to the statements of cash flow for more information relating to cash and cash equivalents.

- Financial Assets at Fair Value Through Profit or Loss (FVTPL) at ₱13.5 billion was higher by 34.7% or ₱3.5 billion from ₱10.0 billion as of December 31, 2018 attributed mainly to higher purchases over securities sold.

- Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI) was higher at ₱123.1 billion as of December 31, 2019, an increase of ₱71.0 billion or by 136.2% from the ₱52.1 billion level as of December 31, 2018 due to acquisitions of various investment securities net of securities sold.

- Investment Securities at Amortized Cost amounted to ₱100.5 billion as of December 31, 2019, a decline of ₱0.3 billion from the ₱100.8 billion level as of December 31, 2018 due to sale and maturities of investment securities.

- Loans and Receivables is at ₱657.9 billion or ₱71.3 billion higher than the ₱586.7 billion as of December 31, 2018 level due mainly from increase in corporate loans.

- Property and Equipment went up by ₱1.5 billion from ₱19.7 billion as of December 31, 2018 to ₱21.2 billion as of December 31, 2019, mainly due to the ₱1.5 billion recognition of the right to use asset (ROU) as a result of the adoption of Philippine Financial Reporting Standard (PFRS) 16 – Leases. The transition adjustment at January 1, 2019 resulted in the recognition of ROU and lease liability amounting to ₱1.8 billion and ₱1.9 billion, respectively.

- Investment Properties increased by ₱1.6 billion from ₱13.5 billion as of December 31, 2018 to ₱15.1 billion as of December 31, 2019 due mainly to foreclosures during the year.

- Intangible Assets decreased by ₱0.2 billion from ₱3.0 billion as of December 31, 2018 mainly due to the amortization of core banking integration costs and other IT assets and Software.

- Deferred Tax Assets was higher by ₱0.4 billion from ₱2.1 billion to ₱2.5 billion as of December 31, 2019 mainly due to the recognition of additional deferred tax assets on allowance for credit losses, which the Group has the benefit of tax deductions against future taxable income only upon actual write-offs.

- Other Assets amounted to ₱8.1 billion as of December 31, 2019 or an increase of ₱0.7 billion from ₱7.4 billion as of December 31, 2018.

Consolidated liabilities increased by 15.5% or ₱132.2 billion from ₱855.1 billion as of December 31, 2018 to ₱987.3 billion as of December 31, 2019. Major changes in liability accounts were as follows:

- Deposit Liabilities totaled ₱826.0 billion, ₱92.74 billion or 12.6% higher compared to its year-end 2018 level of ₱733.3 billion. Demand deposits, Time deposits and Long-Term Negotiable Certificate of Deposits (LTNCD) went up by ₱19.2 billion or 12.5%, ₱79.7 billion or 54.1% and ₱3.7 billion or 11.9%, respectively, partially offset by the decrease in Savings deposits by ₱9.9 billion or 2.5%.

- Financial liabilities at FVTPL decreased by ₱0.2 billion from 2018 year-end balance of ₱0.5 billion mainly from the decrease in negative fair value balance of interest rate swaps and forwards.

- Bonds Payable increased by ₱51.0 billion, from ₱15.6 billion as of December 31, 2018 to ₱66.6 billion as of December 31, 2019, mainly accounted for by the Parent Company's issuance of ₱13.7 billion fixed-rate bonds on May 8, 2019 due 2021 and additional issuance of US$750 million fixed-rate senior notes from its Euro Medium Term Note (EMTN) Program on June 27, 2019 maturing on September 27, 2024.

- Bills and Acceptances Payable decreased by ₱14.1 billion or 20.1% from ₱70.1 billion to ₱56.0 billion as of December 31, 2018 and December 31, 2019, respectively, due to settlement of interbank loans from the BSP and local banks.

- Lease liability of ₱1.8 billion pertains to the lease liability of the Group as a result of the adoption of PFRS 16 – Leases. Refer to the Property and Equipment discussion above.

- Accrued Taxes, Interest and Other Expenses was higher by ₱0.5 billion, from ₱6.4 billion as of December 31, 2018 to ₱6.9 billion as of December 31, 2019, mainly due to the increase in accrued interest from deposits and bonds.

- Income Tax Payable decreased by ₱0.3 billion from ₱0.9 billion to ₱0.6 billion as of December 31, 2018 and December 31, 2019, respectively.

Total equity accounts stood at ₱155.0 billion from ₱128.6 billion as of December 31, 2018, or an improvement of ₱26.4 billion attributed mainly to the following:

- Capital Stock and Additional Paid-In Capital increased by ₱11.8 billion from the net proceeds from the 2019 Stock Rights Offering.
- current period's net income attributable to Equity Holders of the Parent Company of ₱9.7 billion.
- decrease in Accumulated Translation Gain of ₱0.8 billion.
- Remeasurement loss ₱0.7 billion
- improvement in Net unrealized gains/(losses) on Financial Assets at FVOCI from a ₱3.2 billion loss as of December 31, 2018 to a gain amounting to ₱3.2 billion as of December 31, 2019, resulting in an unrealized gain of ₱6.4 billion for the period.

Results of Operations

2021 vs 2020

For the year ended December 31, 2021, the Group recorded net income of ₱31.7 billion, ₱29.1 billion or 12x higher than the ₱2.6 billion net income for the same period last year. Movements in net income are primarily due to the following:

- Net interest income amounted to ₱34.8 billion, lower by 2.7% or ₱1.0 billion compared to the same period last year. Total gross interest income decreased by 9.7% or ₱4.5 billion to ₱42.4 billion from ₱46.9 billion for the same period last year due to lower yields on loans and receivables, trading and investment securities, deposits with banks and interbank receivables. Total gross interest expense likewise decreased by ₱3.6 billion to ₱7.5 billion from ₱11.1 billion for the same period last year primarily due to reduction in levels of high-cost deposits as compared to the same period last year.

- Net service fees and commission income increased by ₱1.6 billion or 42.9% at ₱5.3 billion for the year ended December 31,2021 from ₱3.7 billion for the same period last year due to higher loan-related and deposit-related fees, as well as significant bancassurance and underwriting fees recognized during the year. This was supplemented by upward traction on fees from the increasing use of the Bank's digital platform.

- Other income increased to ₱36.9 billion compared to ₱5.8 billion for the same period last year mainly due to the recognition of the gain on remeasurement of the retained interest in PNB Holdings of ₱16.5 billion; and gain on loss of control over PNB Holdings as a subsidiary of ₱16.8 billion in accordance with PFRS 10, *Consolidated Financial Statements*, in 2021 and ₱1.0 billion net gain on sale or exchange of assets. The increase in Other income was offset by declines in trading and investment securities gains - net and foreign exchange gains – net, miscellaneous income of ₱2.6 billion, ₱0.2 billion, and ₱0.2 billion, respectively.

- Administrative and other operating expenses amounted to ₱39.0 billion for the year ended December 31, 2021, ₱5.7 billion or 12.8% lower compared to the same period last year, mainly due to the lower provisions for impairment, credit and other losses by ₱4.0 billion.

For the year ended December 31, 2021, the Group recorded net other comprehensive losses of ₱2.1 billion, ₱0.1 billion or 6.6% lower than the ₱2.2 billion net other comprehensive losses for the same period last year. Increases in share in changes in aggregate reserves on life insurance policies, accumulated translation adjustment, remeasurement gains on retirement plan and, net change in unrealized gain (loss) on equity securities at FVOCI of ₱1.5 billion, ₱1.3 billion, ₱1.0 billion, and ₱0.2 billion, respectively, were offset by decreases in net changes in unrealized losses on debt financial assets at FVOCI, including the share of subsidiaries and associates, of ₱3.8 billion.

This resulted in total comprehensive income for the year ended December 31, 2021 amounting to ₱29.6 billion, registering an improvement of ₱29.2 billion compared to the same period last year mainly due to the higher Net income during the year.

2020 vs 2019

- For the year ended December 31, 2020, the Group recorded net income of ₱2.6 billion, ₱7.1 billion or 73.1% lower than the ₱9.8 billion net income last year. The Group recognized significant provisions for impairment, credit and other losses of ₱16.9 billion which resulted in lower net income compared to last year. However, the Group's core income comprising primarily of net interest income recorded substantial improvements in the current period. The results for the current period also included significant increase in net gains from trading and investment securities.

- Net interest income amounted to ₱35.8 billion, higher by 10.7% or ₱3.5 billion compared to last year, mainly driven by lower funding costs due to the reduction in levels of high-cost deposits during the year. Total gross interest income decreased by 7.1% or ₱3.6 billion to ₱47.0 billion from ₱50.5 billion last year due to aggregate decreases in interest income from loans and receivables, trading and investment securities, and interbank receivables of ₱4.2 billion, offset by increase in interest income from deposits with banks of ₱0.7 billion. Total gross interest expense decreased to ₱11.1 billion or by ₱7.0 billion from ₱18.2 billion last year primarily due to decline in interest expense from deposit liabilities, bills payable and other borrowings, partially offset by increase in interest expense from bonds payable of 49.3% or ₱1.0 billion from ₱1.9 billion last year to ₱2.9 billion. Net interest margin is at 3.31% in December 31, 2020, higher by .01% compared to last year.

- Net service fees and commission income decreased by ₱0.5 billion or 11.5% at ₱3.7 billion for the year ended December 31, 2020 from ₱4.2 billion last year due to lower transactional volumes and waivers of fees on interbank transfers and overseas remittances.

- Other income increased to ₱5.8 billion compared to ₱4.2 billion last year mainly due to improvement in net gains on trading and investment securities by ₱2.3 billion.

- Administrative and other operating expenses amounted to ₱44.8 billion for the year ended December 31, 2020, ₱16.1 billion or 56.2% higher compared to the same period last year, mainly due to additional provisions for impairment, credit and other losses amounting to ₱16.9 billion in anticipation of the impact of the COVID-19 pandemic to the Group's loan portfolio.

- Provision for (benefit from) income tax for the year ended December 31, 2020 amounted to ₱1.9 billion net benefit compared to a net provision of ₱2.5 billion last year mainly due to the tax benefit from the recognition of additional deferred tax assets on allowance for credit losses.

- Total comprehensive income for the year ended December 31, 2020 amounted to ₱0.4 billion which is ₱14.1 billion or 97.1% lower than the same period last year mainly due to decrease in net unrealized gains on financial assets at FVOCI and lower net income for the period attributable to additional provisions for impairment, credit and other losses in anticipation of the impact of the COVID-19 pandemic to the Group's loan portfolio.

2019 vs 2018

- For the year ended December 31, 2019, the Group registered a net income of ₱9.8 billion, ₱0.2 billion or 2.1% higher than the ₱9.6 billion net income for the same period last year. The Group's core income comprising primarily of net interest income and net service fees and commissions recorded substantial improvements in the current period. Net income for the current period also included increase in net gains from trading and investment securities.

- Net interest income totaled ₱32.4 billion, higher by 19.8% or ₱5.4 billion compared to the same period last year mainly due to the expansion in loan, interbank loans, and trading and investment securities portfolios which accounted for the ₱9.7 billion, ₱0.3 billion, ₱0.5 billion and ₱4.2 billion increase in interest income, respectively, partly offset by the decrease of ₱0.1 billion in deposits with banks and others. Total interest income increased by 40.3% or ₱14.5 billion from ₱36.0 billion to ₱50.5 billion. Total interest expense also increased to ₱18.2 billion or by ₱9.1 billion from ₱9.0 billion for the same period last year primarily due to growth in deposit liabilities and other borrowings.

- Other income decreased to ₱4.2 billion compared to ₱8.4 billion for the same period last year mainly due to decline in net gains on sale or exchange of assets of ₱5.2 billion, partly offset by higher net gains in trading and investment securities by ₱0.9 billion.

- Net service fees and commission income stood at ₱4.2 billion, 20.2% or ₱0.7 billion higher compared the same period last year driven by growth in deposit and credit card related fees.

- Administrative and other operating expenses amounted to ₱28.7 billion for the year ended December 31, 2019, or 12.6% higher compared to the same period last year as strong revenue growth, particularly in interest income and trading gains, translated to higher business related taxes.

- Total Comprehensive Income for the year ended December 31, 2019 amounted to ₱14.6 billion which is ₱6.5 billion higher than the same period last year due mainly to increase in net unrealized gains on financial assets at FVOCI.

Key Performance Indicators

- Capital Adequacy/Capital Management

  The Parent Company's Capital Management (Sub-Committee of the Asset/Liability Committee- ALCO) has been created to specifically handle policies and procedures pertaining to the capital planning and assessment as well as possible equity investments of the Bank.

  The Sub-Committee shall be responsible for the following:

- Determine the appropriate level of capital that will support the attainment of the Bank's strategic objectives, meet the minimum regulatory requirements and cover all material risks that the Bank may encounter in the course of its business

- Periodically monitor and assess the capital ratios of the Bank. Monitoring shall include capital ratios with and without the regulatory stress test prescribed by the regulators, based on both the consolidated and solo financial statements of the Bank

- Report to the ALCO the Bank's capital ratio and position based the consolidated and solo financial statements on a monthly basis and to the Board ICAAP Steering Committee on a quarterly basis

- Inform the ALCO/ Board ICAAP Steering Committee on possible breach of ICAAP capital thresholds, particularly during period of stress and activating the Bank's capital contingency plan, if needed
  - ➢ The Sub-Committee will evaluate and endorse to the Board the options to improve the Bank's capital adequacy as provided for in the Capital Contingency Plan
  - ➢ In case of capital sourcing, the Sub-Committee shall endorse to the Board ICAAP Steering Committee / Board the manner, the amount and time period for capital raising.

- Ensure that the capital ratios resulting from the three-year strategic business plan under the Bank's ICAAP shall meet the minimum regulatory requirement as well as the Bank's internal thresholds.
  - ➢ The Sub-Committee shall determine the Bank's internal thresholds and shall endorse the same to the Board ICAAP Steering Committee / Board.

- Undertake the optimal allocation of the capital to the different business groups in accordance with the portfolio diversification policy and subject to the sustainability of earnings, risk weights of assets, among others.

The Bank and its individual regulatory operations have complied with all externally imposed capital requirements throughout the period.

Regulatory Qualifying Capital

Under existing BSP regulations, the determination of the Parent Company's compliance with regulatory requirements and ratios is based on the amount of the Parent Company's "unimpaired capital" (regulatory net worth) reported to the BSP, which is determined on the basis of regulatory policies, which differ from PFRS in some respects.

As required under BSP Circular 781, the risk-based capital ratio of a bank, expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10.00% for both solo basis (head office and branches) and consolidated basis (parent bank and subsidiaries engaged in financial allied undertakings but excluding insurance companies). Other minimum ratios include Common Equity Tier (CET) 1 ratio and Tier 1 capital ratios of 6.0% and 7.5%, respectively. A conservation buffer of 2.5%, comprised of CET 1 capital is likewise imposed.

Banks and their subsidiaries are subject to the following risk-based capital adequacy ratios (CARs):

a. Common Equity Tier 1 – must be at least 6.0% of risk weighted assets at all time;
b. Tier 1 capital must be at least 7.5% of risk weighted assets at all times; and
c. Qualifying capital (Tier 1 Capital plus Tier 2 Capital) must be at least 10.0% of risk weighted assets at all times.

Qualifying capital consists of the sum of the following elements, net of required deductions:

a. Common equity Tier 1 capital consists of 1) paid up common stock that meet the eligibility criteria, 2) common stock dividends distributable, additional paid in capital resulting from the issuance of common stock included in CET1 capital, 3) deposits for common stock subscription, 4) retained earnings, 5) undivided profits, 6) other comprehensive income (net unrealized gains or losses on AFS and cumulative foreign currency translation) and minority interest on subsidiary banks which are less than wholly-owned
b. Additional Tier 1 (AT1) capital consists of instruments issued by the bank that are not included in CET 1 capital that meet the criteria for inclusion in additional tier 1 capital, meet the required loss absorbency features for instrument classified as liabilities and loss absorbency feature at point of non-viability as defined in the BSP guidelines.
c. Tier 2 (T2) capital is composed of 1) instruments issued by the Bank (and are not included in AT1 capital) that meet criteria for inclusion in Tier 2 and meet the required loss absorbency feature at point of non-viability as defined in the guidelines, 2) deposits for subscription of T2 capital, 3) appraisal increment reserves on bank premises as authorized by the Monetary Board, 4) general loan loss provision, limited to a maximum of 1.00% of credit risk weighted asset, and minority interest in subsidiaries which are less than wholly owned as defined in the guidelines.

A capital conservation buffer of 2.5% of risk weighted assets, comprised of CET 1 capital, shall be required. This buffer is meant to promote the conservation of capital and build-up of adequate cushion that can be drawn down to absorb losses during period of financial and economic stress.

The Group's consolidated capital adequacy ratio for combined credit, market and operational risks computed based on BSP Circular No. 781 (for 2014) and BSP Circular No. 538 (for 2013 and 2012) were 13.66%, 15.14%, and 14.80% as of December 31, 2021, 2020 and 2019, respectively, above the minimum 10% required by BSP. For the detailed calculation and discussion kindly refer to Item 1, no. 10 – Risk Management.

- Asset Quality

The Parent Company's non-performing loans (gross of unearned and other deferred income and allowance for credit losses) decreased to P65.9 billion as of December 31, 2021 compared to ₱66.0 billion as of December 31, 2020. NPL ratios of the Parent Company net of valuation reserves is at 5.21% as at December 31, 2021, compared to 6.93% at end of 2020. Gross NPL ratio is at 9.97% at end of 2021 and 10.09% at end of 2020.

- Profitability

	Years Ended	
	12/31/21	12/31/20
Return on equity (ROE)[1/]	19.98%	1.69%
Return on assets (ROA)[2/]	2.62%	0.22%
Net interest margin (NIM)[3/]	3.24%	3.31%

[1/] *Net income divided by average total equity for the period indicated*
[2/] *Net income divided by average total assets for the period indicated*
[3/] *Net interest income divided by average interest-earning assets*

- Liquidity

The ratio of liquid assets to total assets as of December 31, 2021 was 29.44% compared to 37.37% as of December 31, 2020. Ratio of current assets to current liabilities was at 65.09% as of December 31, 2021 compared to 69.19% as of December 31, 2020.

- Cost Efficiency

The ratio of total operating expenses (excluding provision for impairment, credit and other losses) to total operating income resulted to 59.82% for the year ended December 2021 compared to 61.27% last year.

RECONCILIATION OF REGULATORY CAPITAL TO AUDITED FINANCIAL STATEMENTS
(In Thousands)

Presented below is the full reconciliation of all regulatory capital elements back to the balance sheet in the audited financial statements as at December 31, 2021 attributable to the Bank (amounts in Php thousands):

Accounts	**Balance in Financial Reporting Package**	**Accounting differences and other adjustments**	**Balance in audited financial statements**
Capital Stock	₱61,030,594	₱–	₱61,030,594
Capital Paid in Excess of Par Value	32,106,560	–	32,106,560
Surplus Reserves	5,147,871	(431)	5,147,440
Surplus	59,842,132	2,327,261	62,169,393
Net Unrealized Gains (Losses) on Financial Assets at FVOCI	3,847,727	(4,551,464)	(703,737)
Remeasurement Losses on Retirement Plan	(3,014,084)	289,017	(2,725,067)
Accumulated Translation Adjustment	761,920	741,476	1,503,396
Other Equity Reserves	390,517	–	390,517
Share in Aggregate Losses on Life Insurance Policies	–	(626,394)	(626,394)
TOTAL	**₱160,113,237**	**(₱1,820,535)**	**₱158,292,702**

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