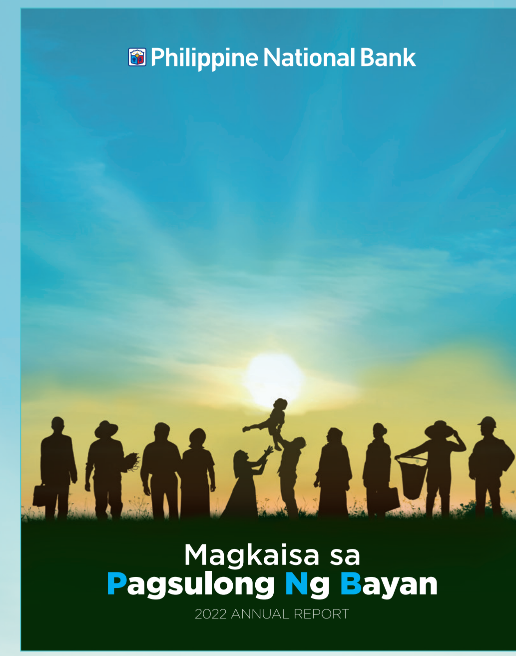
ABOUT THE COVER



Magkaisa sa Pagsulong Ng Bayan

It takes a village to raise a child as caring for children is a shared responsibility. The cover featuring a young family surrounded by people from all walks of life conveys the belief of Philippine National Bank that it takes the support of everyone in the community to bring our country back on the road to recovery and progress. As PNB helps individuals and institutions achieve growth, it also helps the country become stronger and resilient. This message is captured through this annual report's theme, "Magkaisa sa Pagsulong Ng Bayan".

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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 customers' 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 the "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.

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.

Our customer's evolving needs propelled us to deepen our commitment to serving our customers. Our brand message, "You First", is the foundation of our drive to be our customers' steadfast partner. Ang PNB ay "Masasandalan. Kahit Saan. Kahit Kailan." "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

GRI 2-1, 2-6

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 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, 651 domestic branches and 72 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, 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 nonlife) to existing customers as well as referrals of customers by transforming its domestic and overseas branch distribution channels into a sales-focused organization.

Cards and Payments Solutions Group The Cards and Payments Solutions Group (CPSG) provides convenient, safe and secure cashless payment solutions and offers. Its wide range of products under the major payment schemes, Mastercard, Visa, and UnionPay includes credit, debit, prepaid cards, and installment loans. These cater to diverse and dynamic needs of the Bank's retail and corporate clients.

CPSG is also responsible for forging new partnerships, onboarding of merchants, and strengthening its relationships for in-store and online promotions as well as installment programs. Moreover, CPSG continuously develops its digital app offerings to ensure that customers get the best experience using their 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 consumer lending arm following the full integration of its wholly-owned thrift bank subsidiary, PNB Savings Bank, into the Parent Bank in March 2020. As part of the Bank's transformation initiatives to ensure operational efficiency as well as harness the maximum potential of the consumer loan business, RLG was spun off from RBS last May 2022 to be directly under the Office of the President. RLG provides consumer loans such as auto loan, real estate loan, and contract-to-sell facility.

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 likewise provides services to sea-based OFWs via payroll processing through manning agency clients. 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 the primary lending arm responsible for establishment, expansion, and overall management of the Bank's relationships with corporate clients. The Corporate Banking Group supports the Sector's large corporate clients, while the Commercial Banking Group oversees relationships with middle market and SME customers located in Metro Manila and provincial areas. Both groups capitalize on growth opportunities with clientele in resilient industries such as infrastructure, power, utilities, and e-commerce, among others.

IBS also contributes significantly to the incremental growth in the Bank's deposits and fee-based income through value-adding services offered by the Institutional Transaction Banking Group (ITBG). The Bank's Ecosystem Division and Cash Management Solutions Division were consolidated into ITBG to capture the entire value chains and nurture anchor clients through a network of tailor-fit, end-to-end financial solutions which consist of cash management, credit programs, and trade services.

The Sector's Structuring and Execution Division (SED) has been key to nursing commercial accounts impacted by the protracted pandemic and supply chain crises. SED is also tasked to undertake special projects and various functions such as spearheading Environmental, Social and Governance (ESG) initiatives for the Sector and providing assistance for accounts that require more intensive workouts or cashflow analysis, among others.

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 risk positions on interest rates and foreign exchange arising from its inherent daily operations in deposit-taking, lending, and proprietary trading. Likewise, GBMS provides a wide range of banking products and services to corporates, governments, financial institutions, and individuals. Its functions include developing the Bank's wealth management proposition by providing corporate and high-net-worth individuals access to the financial markets. In addition, GBMS builds partnerships with banks and non-bank financial institutions by offering them banking solutions to address their needs and help attain their objectives. Moreover, GBMS ensures the availability of alternative funding sources for the Bank through trade advance facilities of foreign banks and multilateral funding sources.

Trust Banking Group PNB Trust Banking Group manages a total of 11 local and two global Unit Investment Trust Funds (UITFs) 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 in their investments. 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 clientele 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. It is considered as one of the strongest trust entities in the industry on Fiduciary services such Escrow and Transfer Agency. Its personal trust products and services include personal management trust, investment management, and estate planning. Corporate trust services and products include corporate trusteeship, portfolio management and administration of employee benefit plans, pension and retirement plans.

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 manages and provides 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	2022	2021	2022	2021
Profitability				
Net Interest Income	**37,327,570**	34,844,827	**36,590,225**	34,003,443
Non-Interest Income	**14,751,698**	42,151,612	**13,737,884**	40,072,203
Non-Interest Expenses	**28,365,935**	26,146,831	**26,806,113**	24,653,586
Pre-Provision Profit	**23,713,333**	50,849,608	**23,521,996**	49,422,060
Provision for Credit Losses	**7,198,117**	12,879,011	**7,305,653**	13,125,737
Income Tax Provision	**4,931,228**	5,545,194	**4,684,025**	5,012,561
Income for Continuing Operations	**11,583,988**	32,425,403	**11,532,318**	31,283,762
Loss from Discontinued Operations	**-**	(735,365)	**-**	-
Net Income	**11,583,988**	31,690,038	**11,532,318**	31,283,762
Selected Balance Sheet Data				
Liquid Assets	**316,426,492**	349,174,876	**306,214,368**	339,227,158
Gross Loans	**613,612,134**	630,542,277	**600,128,347**	615,763,913
Total Assets	**1,145,157,076**	1,190,784,662	**1,133,744,250**	1,188,010,652
Deposits	**871,227,721**	894,924,309	**866,630,380**	899,525,195
Total Equity	**169,905,634**	161,222,956	**166,645,144**	158,292,702
Selected Ratios				
Return on Equity	**7.00%**	19.98%	**7.10%**	20.08%
Return on Assets	**0.99%**	2.62%	**0.99%**	2.60%
Common Equity Tier 1 Ratio	**14.58%**	12.96%	**12.67%**	11.01%
Capital Adequacy Ratio	**15.38%**	13.66%	**13.47%**	11.70%
Per Common Share Data:				
Earnings Per Share:				
Basic	**7.56**	20.73	**7.56**	20.73
Diluted	**7.56**	20.73	**7.56**	20.73
Book Value	**109.03**	100.13	**109.22**	103.75
Others				
Cash dividends declared	**-**	-	**-**	-
Headcount				
Officers			**4,452**	4,644
Staff			**3,866**	4,012

MESSAGE FROM THE CHAIRMAN TO SHAREHOLDERS

GRI 2-11, 2-22

PNB remains committed as a steady and dependable partner of the National Government in rebuilding the Philippine economy and making lives better for Filipinos – here and around the globe.

The Philippine economy grew at a respectable rate in 2022 despite the challenge of rising inflation. The economy grew by 7.6% in 2022, exceeding the government's 6.5-7.5% target. Growth came from "revenge spending" and higher consumption brought about by the re-opening of the economy. This pushed up all the 12 major consumption segments in the country's gross domestic product (GDP) to higher levels, led by restaurants and hotels at 27.8% growth, recreation and culture at 25.3%, and transport at 16.5%.

Higher prices, however, was the biggest problem in 2022 with the domestic inflation escalating to 8.1% in December from only 3.0% at the start of the year. High prices was a global issue, and the Russia-Ukraine war that ignited a spike in the prices of oil, coal, and key agricultural commodities continues to impact the markets. Central banks around the world led by the US Federal Reserve ("Fed") embarked on tightening of monetary supply to help control inflation.

The Bangko Sentral ng Pilipinas (BSP) by-and-large followed the Fed, raising the Overnight Reverse Repurchase (RRP) rate by a cumulative 350 basis points to 5.50%. The larger increase in the Fed Funds rate resulted in a stronger dollar in 2022. Coupled with the further widening of the trade deficit last year, the peso depreciated by 9.3% year-on-year to Php55.8/$1 by end-2022 from Php51.0 in end-2021.

The Bank is expecting GDP growth to continue in 2023 although at a slower pace of 5.5%. The purchasing power of consumers will likely be affected by high inflation while capital spending could be dampened by high interest rates. Meanwhile, inflation will continue to be a key challenge for the country's economic managers in 2023 as the second-round effects from the spike prices of commodities and foreign exchange continue to linger. We expect the authorities to keep monetary conditions tight this year and may only consider rate cuts in 2024.

As the economy opened and mobility improved, PNB continued to help customers bounce back from the devastation caused by the COVID-19 pandemic.

The Bank focused on introducing initiatives that would make PNB more resilient and stronger amid the pandemic. Efforts were rolled out to transition to a paperless workflow as the Bank ramped up digitization efforts in its processes to significantly reduce document turnaround time.

Learning from the business recovery experience brought about by the Taal eruption in 2020, PNB started building up the bank's technology infrastructure in relation to disaster preparedness. With the help of our Human Resource, Transformation, and Information Technology teams, we quickly deployed technology to allow workplace flexibility as well as introduce automation and quicker processes. PNB was able to navigate through the pandemic quickly and effectively because of technology. This enabled PNB to work and provide safer, non-stop banking services to our customers all around the globe during these difficult times.

The year 2022 was also our second year of implementing the Bank's Three-Year Sustainability Transition Plan. Part of our Sustainability journey includes: the update of several internal committee charters to include sustainability and sustainable financing clauses; cascade of the Bank's sustainability policy to external stakeholders; ESG portfolio reviews for corporate accounts; automation and strengthening of digital channels; and collaboration with external subject matter experts for the Bank's Environmental and Social Risk Management System (ESRMS). These activities did not go unnoticed as we earned distinctions such as the Four Golden Arrow Award from the ASEAN Corporate Governance Scorecard Golden Arrow Awards; as one of Asia's Most Influential Companies from the Asia Corporate Excellence and Sustainability Awards; and for Transparency and Reporting from the UN Women 2022 Philippines Women's Empowerment Principles Awards.

Overall, 2022 was a year of regaining our footing and helping our clients in their journey to recovery. The year 2023 promises to be another exciting time as we navigate our way amid many changes in the business and economic landscape – both locally and globally. We have seen how our people have adapted during the pandemic and embraced the fast-changing environment. We are grateful for their dedication and hard work, and we are thankful for the continued trust and confidence of our customers. PNB remains committed as a steady and dependable partner of the National Government in rebuilding the Philippine economy and making lives better for Filipinos – here and around the globe.

Kapit-kamay, sama-sama tayo sa pagsulong ng ating bayan.

Maraming salamat at mabuhay!

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

MESSAGE FROM THE PRESIDENT TO SHAREHOLDERS

We assure our stakeholders that PNB will continue to be their steady financial partner as we all journey towards recovery.

PNB's net income stood at Php11.6 billion in 2022 as total operating income posted 19% increase from year-ago level, coming from sustained growth in core income and enhanced by gains on disposal of the low-earning foreclosed bank properties.

The higher interest rates in 2022 led to better yields on interest-earning assets, pushing up PNB's net interest income to Php37.3 billion, a level 7% higher. This translated to the net interest margin improving to 3.61% from 3.27% a year ago. Core income was further boosted by the 5% growth on its fee-based revenues largely coming from fees on its deposits, bancassurance and underwriting activities.

During the year, PNB completed the sale of several high-value foreclosed properties, in line with its strategy of reducing low-earning assets. These generated net gains of Php7.8 billion, almost 8 times higher than the gains on the sale of foreclosed properties recorded in 2021.

Gains from foreign exchange transactions, on the other hand, expanded to Php1.6 billion—a level up 116% year-on-year. These gains cushioned the impact of trading losses recorded in 2022 amounting to Php1.3 billion brought about by the global monetary tightening during that time.

In 2021, the Bank reported a one-off gain coming from the properties-for-shares swap transaction implemented that year, which significantly increased the prior year net income by Php33.3 billion. This caused the comparative net income in 2022 to be lower by 63%. However, taking out the effect of this one-off gain, the Bank's pre-tax income showed growth of 3.5 times year-on-year on the back of stronger core operating income in 2022.

PNB's operating expenses increased moderately by 8% year-on-year, primarily due to the taxes related to the property sales, as well as higher amortization costs for the leased properties of the Bank where it is currently holding its operations. These properties were the subject of the properties-for-shares swap executed in 2021.

The Bank's gross loan portfolio settled at Php613.6 billion as of end-December 2022, lower by 3% from prior year's level as collection of short-term loans with minimal profitability were accelerated while new loan grants were focused to essential sectors that thrive in the new norm. Credit provisions on the loan accounts declined by 44% against year-ago level owing to improvements in payment and credit status of certain large exposures of the Bank in 2022.

On the funding side, the Bank's deposit liabilities likewise were reduced by 3% mainly due to the Bank's strategy to trim down higher-cost time deposits. However, this decline was tempered by the continued build-up of current and savings deposits, which together grew by 4% year-on-year.

Consequently, total resources of the Bank stood at Php1.15 trillion by end-2022, 4% lower compared to previous year's balance. Despite the economic challenges in 2022, the Bank's equity remained robust as it increased by 5% year-on-year, bringing the Capital Adequacy Ratio to 15.38% and Common Equity Tier 1 Ratio to 14.58%.

In 2022, we continued to support our customers as we renewed efforts to innovate and improve PNB's services aligned to a rapidly changing environment. We are aware of how our customers have been adapting to the 'new normal' as my colleagues in PNB quickly responded to my call for Urgent and Unified Action to support our clients, capture opportunities and overcome challenges amid the economic recovery from the COVID-19 pandemic as well as do our share to help in reinvigorating further the country's economy.

With increasing preference of our customers for online banking, we intensified efforts to speed up our digital transformation by offering better and safer digital banking products and services. The PNB Digital App recorded increasing number of users, better user engagement, and value-adding features. PNB customers can now make cash withdrawal from any of PNB's ATMs using the mobile app.

While the security features of the App have been enhanced, PNB also launched awareness campaigns to continue to educate customers on safe and secure online banking. The Bank strived to build and introduce more services in the Digital App to serve a wider range of clients with diverse banking needs.

Our retail banking and lending groups showed improvements in both business and process. Our strategy on deposit-taking and cross-selling led to substantial growth in our branch banking business volumes. We also continued efforts to streamline our branch network to enhance operational efficiency and maximize profitability. Our retail lending business made headway in increasing loan portfolio as we provided consumer loans that are considered among the most competitively priced and most flexible in the country.

Overseas, our international banking and remittance business continued to expand as we embarked on partnerships that offer better services to our *kababayans* working and living abroad. Our colleagues overseas received accolades from their communities – proof that anywhere in the world, PNB's brand of service is highly appreciated particularly during these difficult times.

Our credit cards business saw strong growth especially now that traveling has resumed, and consumer spending continues to grow in a rebounding economy. We strengthened our partnership with PAL and Mabuhay Miles to offer more exciting perks. We launched acquisition promos with top-of-the-line prizes as we partnered with one of the country's leading mall chains for an extensive acquisition campaign.

At the investment front, PNB's wealth managers continued to offer varied investment options to clients with diverse risk profiles. They are provided with valuable investment insights through research studies produced by PNB's award-winning research team which has been recognized for the second straight year by Asiamoney Private Banking Awards 2022 as Best Bank for Investment Research in the Philippines.

As the economy regains its momentum, we will continue to connect with PNB's customers and focus on initiatives that will take advantage of the opportunities in a landscape that has been radically transformed by the pandemic. We assure our stakeholders that PNB will continue to be their steady financial partner as we all journey towards recovery.

On behalf of the top management and all Philnabankers, we thank our customers and business partners for their continued trust and support to PNB.

Maraming salamat.

(Original Signed)
FLORIDO P. CASUELA
Acting President / Executive Director

More Secure, More Accessible Banking for All

In 2022, PNB continued to be a strong and steady financial partner of Filipinos.

The success of Branch Banking Group (BBG) under the Retail Banking Sector (RBS) in 2022 was anchored on the continued growth of the retail banking business which is largely responsible for generating low-cost deposits. The year saw a hefty 12% growth. These results were driven by its effective strategy on deposit-taking and cross-selling.

In 2022, BBG continued to deliver significant key results to increase low-cost deposits. In March, RBS launched the Top Booster Promo, a major deposit drive which aims to tap new-to-bank, existing individual accounts, corporate accounts without existing loan availments with the Bank, as well as entities not controlled by the government. The primary objective is to contribute to the growth of BBG's deposit portfolio. This growth translated into solid business results with incremental deposits amounting to Php9 billion low-cost deposits.

This was followed in November by another deposit drive where RBS managed to raise Php49 billion CASA, doubling its initial target. It was made possible through the combined sales campaigns of the branches.

Since the launch of online account opening service in April 2021 under the "PNB EZ Promo", BBG has received 284,000 online applications. This is in line with the Bank's emphasis on digital banking to encourage clients to shift to this digital platform as an alternative channel to bank easier, safer, and faster. The said promo will be extended in 2023 under the "PNB Easy Open, Easy Ipon".

During the year, PNB Naga City-Panganiban Branch was recognized by the Bangko Sentral ng Pilipinas (BSP) for its efforts to promote financial literacy to various schools and organizations. This awards program recognizes exceptional stakeholders who continuously support BSP's advocacy programs and other initiatives on basic financial concepts and fundamentals.

As part of the Bank's rationalization program in 2022, PNB's domestic branch network ended the year with 651 branches from last year's 670 – of which 19 branches were consolidated. In addition, RBS implemented one relocation project in Las Piñas City. PNB's ATM and Cash Accept Machine (CAM) fleet, on the other hand, reached 1,720 units. This includes 45 Hybrid CAM terminals which can perform both cash deposits and withdrawals. To make access to cash more convenient, RBS continued to deploy Bank On Wheels (BOW) vehicles in selected areas. This facility allowed our customers to withdraw cash, pay bills, and transfer funds anytime. The remaining BOW assigned in Metro Manila and Luzon areas served 100 communities in 2022.

For 2023, RBS remains committed to deliver good customer experience and sustain the Bank's growth momentum. The gains achieved by RBS in 2022 make it well-primed for new and bigger things ahead.

651
PNB's domestic branch network

1,720
PNB's ATM and Cash Accept Machine

100
Communities served by Bank on Wheels

INTERNATIONAL BANKING AND REMITTANCE

With 72 overseas offices and 92 agents and tie-up partners across Asia, Europe, Middle East and North America, PNB's extensive overseas network remains the largest among Philippine banks. Helmed by the International Banking and Remittance Group (IBRG), the Bank's overseas offices 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 2022, IBRG intensified efforts to acquire new customers through strategic partnerships. With the launch of the OPHL Individual Referrer Program, significant housing loan bookings were generated as accredited referrers added to the sales complement of overseas offices. In Hong Kong, this has enabled the Bank to reach the previously untapped base of the high-net-worth/investor-savvy Chinese market. In the US, PNB Los Angeles actively held collaborative roadshows with major real-estate developers.

The group continued to optimize services to its customers. PNB Japan capitalized on its license and successfully promoted Philippine-based Time Deposit products to encourage remitters to open accounts and remit monthly. Over a ten-month period, the campaign yielded at least JPY198-million worth of deposits. In the Middle East, continued enhancements in tie-up connectivity have allowed more customers to enjoy real-time credit of remittance to beneficiary accounts. New features and functionalities were rolled out in the PNB Singapore Mobile App with users now able to do bills payment, enroll corporate beneficiaries, request remittance transaction statements, and refer new users, among others.

As a testament to its significant contributions to the OFW community, IBRG and its people received various awards with PNB New York's General Manager being hailed as one of The Outstanding Filipinos of America (TOFA), PNB Japan's Managing Director gaining recognition in the Migration Advocacy and Media (MAM) Awards of the Commission on Filipinos Overseas, and PNB Middle East Region Head being selected as a Global Filipino Icon by The Global Filipino Magazine. The Pag-IBIG Fund also recognized PNB as a Top Overseas Collection Partner among banks in its Stakeholders' Accomplishment Report (StAR) Awards 2022.

In 2023, IBRG will remain steadfast in its commitment to improve customer proposition, deliver relevant products and services, promote operational efficiency, and develop "future-proof" employees for a sustainable business that thrives amidst changing times.

RETAIL LENDING

The Retail Lending Group (RLG) continued to generate sales within the implemented credit guidelines to improve loan portfolio and reduce past due and non-performing loans.

Despite pandemic-related worries, the economy gradually opened to the "new normal", giving customers confidence to avail loans.

In 2022, the consolidated consumer loan portfolio of the Bank stood at Php38.6 billion. The Bank's consumer loans remain competitively priced and with varied tenors, making them one of the most affordable and flexible financing in the market.

Efforts in digitization were implemented as the group launched the Housing Loan Calculator in July 2022 through the PNB website. During the year, the group was involved in the ongoing development of the Loan Evaluation and Decision System which will be implemented in the second quarter of 2023. This aims to improve processing and approval turnaround time of loan applications.

For 2023, RLG sees an upward trend in customers availing loans. The group aims to hit new targets in loan bookings by leveraging on branch network to expand retail loan portfolio. The 2023 Branch Referral Incentive Program was approved in order to boost referrals coming from the branches.

RLG will likewise implement cohesive initiatives to streamline organizational set-up and maximize synergy and efficiency in coordinating approvals for loans and collection.

RLG looks forward to improving the efficiency of the business through the digitization of the Collection System. This system will enable the Bank to proactively reach out to customers in advance to avoid further deterioration of the account and help the group achieve better asset quality.

The Global Banking and Markets Sector (GBMS) oversees the management of the Bank's liquidity, regulatory reserves, and risk positions on interest rates and foreign exchange arising from its inherent daily operations in deposit-taking, lending, and proprietary trading. Likewise, GBMS provides a wide range of banking products and services to corporates, governments, financial institutions, and individuals. Its functions include developing the Bank's wealth management proposition by providing corporate and individuals (retail and high-net-worth) access to the financial markets. In addition, GBMS builds partnerships with banks and non-bank financial institutions by offering them banking solutions to address their needs and help attain their objectives. Moreover, GBMS ensures the availability of alternative funding sources for the Bank through trade advance facilities of foreign banks and multilateral funding sources.

Global Markets

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

Grounded by an in-depth knowledge of financial markets and supported by a robust internal control framework, GMG guided its internal and external customers as they embarked on their recovery efforts throughout 2022. GMG offered its customers technical and operational support while managing its own risks to deliver good results for the Bank.

The Trading Division, through prudent risk management, played a key role by providing market liquidity to its clients even during turbulent times. PNB leads specifically in fixed income and foreign exchange markets. Both desks have consistently ranked among the top dealers in the industry for several years now. 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.

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 Global Markets Sales Division grew ahead of the economy in 2022. Year-on-year, client engagement reached an all-time high driven by the corporate and retail sectors. The division continued to widen its customer base and provided clients with market insights to empower them to navigate through the uncertainties towards recovery. The team focused on "upselling" to existing and new clients and introduced outweighed benefits of hedging given the unpredictable swings in the FX market. This helped deepen customer relationships, establish credibility, and achieve bigger market share. On top of this, PNB's Fixed Income Brokerage has been consistently recognized as one of the Top 3 brokering participants by the PDS Group.

The Global Markets Business Support Division ensures the group manages operational risk and complies with internal and external policies and regulations. The division also oversees projects and other efficiency initiatives.

For 2023, the Global Markets Group will continue to provide mindful and adaptive solutions to the evolving needs of its clients through traditional and digital platforms. The group will continue to support its clients as they recover and grow while delivering on its financial goals for the Bank.

GLOBAL BANKING AND MARKETS

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. In addition, 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.

As the Fed and BSP increased policy rates in 2022, clients shifted their investments from equities and long-term bonds to money market instruments. WMG actively responded to client requirements by offering short-term investments and registered a healthy year-on-year growth in Volume and Asset Under Management. In addition, WMG included Foreign Exchange Forward Contracts and Asset Swaps in its product offerings. To support ESG investing, WMG continued to offer Green Bonds and a Global Sustainability Equity Fund to clients.

The digitalization of WMG is also on track. In 2023, WMG will launch the entire Relationship Management System to improve relationship management and drive client acquisition. The order management module, which includes client suitability assessment, that went live this year improved processes and enhanced controls. WMG will continue to work with the regulators and its product partners to protect client interests while improving access to the financial markets.

WMG will move forward with its wealth management proposition by leveraging on the Wealth system, offering innovative financial solutions, and collaborating with the multi-awarded PNB Research team.

Financial Institutions

The Financial Institutions Division (FID) focuses on managing relationships with foreign and local banks, bank-affiliated leasing companies, financing companies, cooperatives, savings and loan associations,

and 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 disbursements; and ensuring the availability of alternative funding sources for PNB through trade advance facilities of foreign banks and multilateral or government funding sources.

With the reopening of the economy and the push to shift to digital payments, there were opportunities to pursue and expand cash management solutions via electronic channels and system integrations.

In 2023, FID will continue to capture customers by extending financial services through credit, offer digital partnerships through innovative collection and disbursement solutions, and trade services.

A testament of PNB's resilience and collaboration, the Social Security System (SSS) awarded PNB as Best Disbursement Bank- Commercial Bank Category in its 2022 Balikat ng Bayan Awards held last September 30, 2022.

INSTITUTIONAL BANKING

In 2022, various industries ramped up implementation of COVID-19 recovery plans amid easing quarantine restrictions and massive vaccination campaigns. In the same year, the world saw drastic supply interruption brought about by geopolitical tensions which persistently affected the Philippine economy. As the world continued to reel from a series of disruptions, the Institutional Banking Sector (IBS) remained dedicated to nurse COVID-impacted accounts back to health and buoy companies affected by worsening macroeconomic conditions. IBS stood firm despite a period riddled with global crises – ensuring clients' needs are met by keeping abreast with new technology, strengthening compliance with BSP initiatives, and effectively managing loan levels amid high inflation and interest rate environment.

In the ever-changing corporate landscape where hybrid work setups have become the norm, deploying technology and digital innovations became the sector's key to offering value-adding services to customers. Specifically, endeavors to transition to paperless transactions bore fruit in 2022 as the Bank paved the way for a multitude of new and existing clients to utilize AdobeSign, an e-signing platform which enabled signatories to conveniently sign documents via personal computers or mobile devices. As the first local bank to offer AdobeSign, PNB promotes a more seamless documentation process, allowing clients to assimilate into a digital-centric banking environment.

Synergies involving e-platforms are further heightened by initiatives of the Sector's key departments. In February 2022, the Institutional Transaction Banking Group (ITBG) introduced the PNB Cashnet Plus Mobile Application which promises a more efficient method of conducting online business transactions. Through the mobile app, clients may view accounts, monitor accounts receivables, as well as

initiate and approve payments. In 2022, close to a thousand IBS clients have been onboarded.

Aside from digitization efforts in the Bank's internal and external processes, IBS reinforced compliance with BSP initiatives. Developed to be an agile and flexible division capable of forming ad hoc teams to undertake special projects and various functions, the Structuring and Execution Division (SED) was at the heart of cascading pertinent BSP directives while spearheading the roll-out of the Bank's Environmental, Social, and Governance (ESG) Framework. As part of the sector's ESG Strategy Roadmap, SED hosted roundtable discussions and learning sessions with the intent to spread awareness and impart knowledge on sustainability-related topics.

2022 also saw IBS strengthening client relationships in resilient industries as the Corporate Banking Group (CBG) and Commercial Banking Group (COMMBG) fortified the Bank's portfolio. Mindful of the country's present recovery needs as well as future development goals, CBG and COMMBG kept a keen eye on growth opportunities in infrastructure, utilities, and e-commerce, among others.

Ultimately, IBS weathered headwinds in 2022 by remaining steadfast as a reliable partner to a diverse portfolio of relationships. Heading into 2023, IBS will continue to support nation-building through a myriad of calibrated, end-to-end financial solutions – cognizant of sustainable financing goals and anchored on advanced tools and platforms to navigate the digitally-altered financing landscape.

DIGITAL INNOVATIONS

PNB reinforced its commitment to customers as it continued to push its digital strategy in 2022. Through the Digital Innovations Group (DIG), the Bank rolled out new digital capabilities, resulting in user growth, increased engagement, and enhanced security.

DIG intensified its collaboration with other business units to promote awareness, enrollment, and usage of the PNB Digital App. The group also began collaborating with external partners like BancNet and Shopee to increase app usage. In addition, the group published short video tutorials on social media, particularly on Facebook and YouTube to further sustain awareness and push the usage of the app.

DIG expanded the digital app's payment and disbursement capabilities in response to rising customer digital adoption and expectations, primarily with the launch of Person to Merchant and Person to Biller QR Code payments. Value-adding services such as UITF, Time Deposit, and Credit Card Rewards Points viewing were also offered. Moreover, customers can now make ATM cash withdrawal requests for their PNB CASA accounts without the need for debit cards or passbooks.

As a result, DIG saw a 77% growth year-on-year in total PNB Digital App users, with 41% of these users actively using the platform. This translated to significant growth in financial transaction count and volume, increasing by 118% and 160%, respectively. In terms of income, the group achieved a substantial growth rate of over 200%, with InstaPay as the top transaction fee contributor.

Security remains the top priority for PNB. In 2022, DIG enhanced the digital app's security by providing a complete suite of multi-factor authentication, including the PNB Digital Key. This completed the authentication for bills payment and funds transfer transactions with a soft token via in-app push notification to verify the financial transactions initiated through the client's registered device without the need for an OTP sent via SMS.

In addition, DIG rationalized the Bank's Internet Banking System by moving transactional features to the digital

app. To help address the continuing rise of fraud, the group beefed up client communications by releasing the "PNBeCyberSafe" campaign through social media, email, and SMS.

For 2023, DIG's vision is for the PNB Digital App to be everyone's partner – committed to provide an easy, reliable, and secure digital banking experience. The group will focus on improving customer experience with new and improved digital services. Furthermore, the group aims to increase user base and improve the channel's contribution to the Bank by growing transaction count, fee income, and cost saves.

CARDS AND PAYMENTS SOLUTIONS

The Cards and Payments Solutions Group (CPSG) recorded another profitable year in 2022 with growth in key performance indicators, most notably a 44% increase in billings and 9% increase in credit card receivables. Gross revenues also grew by 24%. Moreover, around 70,000 new cards were generated during the year.

Recognizing the customers' eagerness to travel, several promotions in partnership with PAL were implemented. One of the promotions is the 'Bonus Miles' which allowed cardholders to double their miles when they redeem their points and gave them a chance to be upgraded to Mabuhay Miles Elite status. The rewards earning for the Mabuhay Miles Mastercard co-branded cards was also enhanced to enable cardholders to earn more points for their spending.

Acquisition of cards had been aggressive as well. Application booths were deployed in all major Ayala Malls to capture consumers who were excited to go back to their shopping spree after two years of prudent spending and saving due to the pandemic. The group also launched an acquisition promotion, raffling off three Mercedes-Benz cars to new cardholders.

As the pandemic regressed, the group lowered the computation of Minimum Amount Due from 5% to 3% of total amount due. This is to provide cardholders with more flexibility in paying their dues. Moreover, to address the evolving digital needs, CPSG continued to develop and launch new functionalities in PNB Digital App. In addition to eSOA access, cardholders can now view their rewards points.

For Debit Cards, CPSG launched the instant issuance of PNB-PAL Mabuhay Miles Debit Mastercard to accounts opened via Online Account Application, enabling customers to immediately get and use their debit cards.

44%
Increase in billings

70,000
New cards generated

In June of the same year, cardless withdrawal at ATM for PNB debit cards was also introduced. Payment to Merchant (P2M) and Payment to Biller (P2B) via InstaPay were also enabled, giving more payment options for debit cardholders.

Furthermore, prepaid cards were migrated to a new system allowing more efficient issuance of cards and giving cardholders more options to top-up their prepaid cards.

Understanding the increasing use of cards for payments, CPSG conducted regular education campaigns on fraud and security as well as the use of credit card PIN for transactions to ensure that cardholders are aware and protected.

In 2023, Cards and Payments Solutions Group will remain committed to further grow its business through the introduction of more products and services that will address the needs of the evolving and expanding consumer market.

TRUST BANKING

PNB Trust Banking Group (TBG) ended 2022 with Php152.75 billion in total Assets Under Management (AUM). This was driven by the significant increase in the volume of Investment Management Accounts (IMA).

TBG contributed Php317.86 million to the Bank's revenues by way of fees and commissions. The group also provided its clients a steady source of investment outlets through participation in 68 bond and equity issuances totaling Php13.72 billion.

In line with the Bank's thrust towards financial inclusion and literacy, TBG rolled out a financial literacy program for employees of various companies. Part of the program's objective is to teach participants where to invest their hard-earned money. In partnership with Zalamea Actuarial Services, the group also hosted a webinar entitled "Thinking Ahead: Retirement Strategies in a Changing World". The main goal of the webinar was to help existing and potential corporate clients learn more about retirement funds and the various ways to help their businesses sustain future operations in uncertain times.

In response to the increasing usage and demand for mobile applications, TBG began transitioning its Unit Investment Trust Funds (UITF) online facility to the PNB Digital App. The first module, which allows existing UITF online clients to view their outstanding UITF investments, was publicly launched in July. The second module was officially launched in November, allowing clients to view their UITF redemption history. Soon, UITF clients will be able to enroll, subscribe, and redeem online through the mobile app. PNB has introduced this innovation to make every transaction or investment easier for its clients.

Furthermore, TBG started to implement the electronic sending of clients' reports. The objective of the initiative is to convert printed client statements to electronic form as part of operational improvement and enhanced customer service. The electronic Confirmation of Transaction (e-COT) was implemented in June. Other statements such as the UITF Statement of Account and Electronic Financial Statement shall be implemented soon. The initiative aims to reduce electricity and paper consumption.

In accordance with BSP Circular 1018, the group continued to roll out its Certified UITF Sales Personnel (CUSP) training

program to all branch sales personnel. The BSP implemented the CUSP to improve consumer protection and the quality of UITF marketing personnel's sales and marketing practices.

TBG manages 11 local and two global UTIFs to meet the investment needs of a wide range of clients, from ultra-conservative investors to more aggressive investors willing to take on more risk in their investments. These funds are managed by a team of professional fund managers who have extensive training and experience.

PNB, as one of the pioneers in the trust banking business, has a diverse clientele of retail, corporate and institutional clients who benefit from a wide range of trust banking products and services, large distribution network, professional expertise, and sound investment strategies. For 2023, TBG intends to continue to be one of the industry's strongest trust entities for Fiduciary services such as Escrow and Transfer Agency.

PLANS FOR 2023

GRI 2-22

PNB will continue to pursue safe, profitable and sustainable growth in 2023 as the Bank implements strategic initiatives focused on responding effectively to the changing customer behavior, enhancing its revenue streams and improving operational efficiency.

With the use of technology, the Bank will enhance customer experience by helping them save time and provide convenience with a one-stop shop in their fingertips through the PNB Digital App. 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. PNB will continuously add on features on the Digital App to provide more options for customers as well as ensure that platforms are able to meet the increasing capacity demands of the Bank's growing user base. At the same time, PNB will ensure that baseline security standards are in place to address cybersecurity threats and sustain the trust and confidence of the public

Notwithstanding its intensified digitalization, PNB will continue to operate an integrated business model that anchors on the strengths of digital and traditional banking models to serve the evolving needs of customers while looking for innovative ways to enhance their experience.

The Bank will leverage on the growing Philippine economy to improve its profitability. Along this line, the Bank will rebalance its loan exposures to large local corporates and increase commercial, medium sized corporations, and consumer customers. Likewise, the Bank will continue to finance projects and expenditures that will accelerate 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 has a sustainability financing framework in place to provide its depositors and investors the opportunity to put their cash to work in a sustainable way. 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.

As an active partner of the government in pursuing financial inclusion, the Bank will make financial services accessible to a wider population through its extensive presence in the provinces. This is to ensure that everyone will reap the benefits from the economic and business improvement that are anticipated in the years ahead.

Operational efficiency will be strengthened by embracing more automation and technology-driven processes as well as developing dynamic capabilities that translate to organizational agility and business growth. The Bank also intends to further enhance cost efficiency through organizational and process streamlining, collaborations, systems integration, and optimization of back-office processing and support functions. Alongside, employees will be equipped with the necessary capabilities to undertake the Bank's growth strategy.

While pursuing initiatives that will drive business and profitability, PNB will ensure that robust corporate governance and risk management frameworks are in place.

AWARDS AND RECOGNITION

ASEAN Corporate Governance Scorecard Golden Arrow Awards

PNB received the coveted Four Golden Arrow Award. The bank was also given the ASEAN Asset Class Award in the ASEAN ACGS Regional Awards for its outstanding corporate governance practices.

Asiamoney Private Banking Awards

PNB was awarded as "Best Bank for Investment Research" for the second year.

Asia Corporate Excellence and Sustainability Awards

PNB was honored as one of "Asia's Most Influential Companies" for showing genuine interest in the well-being of its stakeholders through corporate social responsibility initiatives.

PDS Annual Awards

PNB was recognized twice at the 17th PDS Annual Awards namely, as "Top Fixed-Income Brokering Participant" and as one of the "Top Five Fixed-Income Cash Settlement Banks".

SSS Balikat ng Bayan Awards

PNB was named "Best Disbursement Partner" in the Commercial Bank category. The distinction is awarded to financial institutions for achieving the highest amount of benefits disbursed to SSS members.

Philippine Quill Awards

PNB and its digital marketing agency, DDB Group Philippines' Optimax Communications, won an Excellence Award for the bank's "The New PNB Digital App Launch Campaign".

One of the Top 10 Taxpayers in Pasay City

The recognition was given by the local government of Pasay during the 2022 Top Taxpayers of Business and Real Property Taxes Awards Night.

UN Women 2022 Philippines Women's Empowerment Principles Awards

PNB was awarded for the second year in a row by a joint program of the European Union and the UN Women as "Runner-up for Transparency and Reporting".

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 22 meetings composed of 12 regular and 10 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 regulators, 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 continues to observe audit quality as manifested by the results of the 2022 external quality assessment review of IAG which was conducted by a reputable external auditing firm where PNB-IAG was given the highest rating of "Generally Conforms" with the International Standards set by the Institute of Internal Auditors, Core Principles, and Code of Ethics which uphold that IAG's third line role in the Internal Control Environment of the Bank is working effectively.

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, and to accept his resignation and/or dismissal, as the case may be 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 and to the Senior Management to develop and implement necessary corrective actions in a timely manner.

There is a proactive participation of management to strengthen the control environment of the Bank thru updating and issuance of Operations Policies and Procedures (OPP), credit policies, enterprise information and cyber security framework, and operations manuals to address significant impact of risk on changes in business related industries.

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 remain 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 in 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's strategic plans, operating performance and organization.

The BITGC has remained committed to its mission by way of an effective IT governance framework that addresses strategic alignment, performance measurement, risk management, value delivery, and resource management. The committee continues to enforce and monitor IT performance metrics to ensure stable and robust IT governance and IT risk management functions.

In 2022, the BITGC members, composed of five directors and two board advisors, were able to conduct 12 sessions via Microsoft Teams even as the majority of PNB's workforce continues to work on a flexible alternating schedule.

Major Technology Initiatives for 2022

People Training. With the easing of COVID-19 travel restrictions, the majority of the Bank's IT personnel were able to attend various technical training programs through face-to-face classes and online sessions. Already in its second year, our subscription to the LinkedIn Learning platform also provided tailored programs for employee training and professional development. This affirmed PNB's strong commitment and support in transforming the Bank into a service-oriented, technology-capable, security-aware, and goal-driven organization.

Continuous Service Improvements (CSI) Programs. Throughout the year, the Information Technology Group (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. ITG is leveraging the capabilities of the existing IT Service Management Tool (ITSM) which the Bank acquired in 2021 to enhance operational efficiencies across all levels of the entire IT organization and improve user satisfaction towards ITG's service delivery. The group is working on unifying the help desk function, in coordination with a third-party service provider, to establish a common point of contact that will improve user experience and service levels.

Operational Level Commitment. In 2022, significant improvements were noted in the IT service operations area, specifically on incident management, wherein 95.8% of reported incidents were resolved within the agreed service levels as compared to 94.65% in 2021 and 89.95% in 2020. 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 collaborated closely in reviewing system implementation through regular checkpoint meetings, while assessing and mitigating potential implementation risks.

System Stability. As a key enabler of the Bank's business, ITG has developed its capacity plan to ensure that the Bank will be able to support its growing business in 2022. ITG was able to provision enough resources for all computing platforms to sustain operation within industry-accepted thresholds. ITG's Infrastructure Management Division (IMD) continued to leverage 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. In October 2022, the Board approved the acquisition of HPE Greenlake Alletra Storage as part of the periodic technology refresh to address obsolescence and improve system reliability and efficiency.

High system availability for applications supporting critical business processes was sustained throughout the year with minimal disruptions affecting critical systems. The stability and availability of various IT systems, which is an important key performance indicator, has been closely monitored and reported regularly to the Technology Management Committee and the Board IT Governance Committee.

Strategic Initiatives. 2022 marked important milestones resulting from the group's work on strategic initiatives in supporting the adoption of digital transformation in our customers' journey and leveraging analytics in decision-making.

In February 2022, the Board approved management's recommendation to engage a service provider to develop the Loan Evaluation and Decision System (LEADS). This project aims to automate the consumer loan application process from solicitation up to the release of loan proceeds using low-code graphical workflow tools to improve turnaround time. Phase 1 of the MFund Plus (Wealth Management System) Project, a system that will facilitate financial and advisory services for high-net-worth customers, was completed in October 2022, while Phase 2 is targeted to be completed by the end of the second quarter of 2023. The Enterprise Datawarehouse Modernization project workstreams 4 and 5 will be delivered by the first quarter of 2023, while data mining and analytics are being improved continuously to assist management in their decision-making process.

One of the critical success factors for the Bank is its ability to comply with regulatory requirements on time. In this area, the Bank has implemented Phase 1 of its Customer Screening Solution in October 2022. For overseas, an additional license for Anti-Money Laundering (AML) Transaction Monitoring was extended to PNB Japan in September 2022.

Phase 2 of Marketing Group's Project Horizon mobile banking app was rolled out to the public in February 2022, including the implementation of multi-factor authentication (MFA) for fund transfer transactions that eliminated the dependency on SMS-based one-time PIN. Phase 3, which included biller aggregator, PESONet and scheduled transactions, was delivered in September 2022.

ITG continued to support the growth of our virtual customer acquisition and servicing with features such as Online Account Opening and the FX web application platform.

Likewise, International Banking and Remittance Group, under the Retail Banking Sector, has implemented Phase 2 of PNB Singapore's mobile remittance app with Release 1 in April 2022 and Release 2 in June 2022. Releases 3 and 4 covering e-Wallet and e-KYC functionalities are targeted to be launched in the first quarter and third quarter of 2023, respectively.

System Enhancements. ITG was able to improve the delivery of system enhancements from 79% in 2021 to more than 93% of the 12,915 change requests submitted by the different lines of business as of December 15, 2022. A total of 1,639 requests were cancelled, as ITG continued to control, prioritize, and rationalize change requests in accordance with the Bank's strategic value and importance. The majority of the enhancements were focused on addressing the strategic initiatives, compliance, regulatory, and security requirements based on the pillar "Run the Bank".

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 information security, 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, strengthen the security infrastructure, and improve the connectivity between the Bank's core mainframe-based banking system and web-based business solutions.

To support the Bank's information security program in response to the evolving cybersecurity threats, the Board approved the acquisition of Fortiweb Web Application Firewall (WAF) and IBM Power Enterprise Anti-virus in May 2022. ITG also started migrating its file transfer facility to a more secure and robust managed file transfer (MFT) system. An enterprise fraud management solution has been endorsed to and approved by the Board in December 2022 to enable screening of transactional activity for evidence of fraud in near real-time and to diagnose external fraud activities that may threaten the Bank.

Modern Workplace. The Bank continued to leverage the power of office productivity tools in creating a modern workplace, with the support of a resilient system and infrastructure such as Microsoft 365. Employees and the Bank's business partners were able to collaborate and communicate efficiently and effortlessly by shifting from onsite to work-from-home arrangement using virtual meetings as employees work under the new normal.

Automation. RPA or robotics process automation and digitization in backroom processes and customer experience have been gradually adopted. In March 2022, the Board supported the management's initiative to automate pilot use cases for Operations Group, relating to the booking and releasing of motor vehicle loan, as well as working paper adjustment process of the Financial Management Sector. Other similar processes were lined up for automation, which are expected to contribute cost efficiency, productivity, and improved customer experience.

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. Successful BCP exercises were conducted for overseas and foreign subsidiaries (June 11 and 18), domestic branches (October 8), domestic subsidiaries (October 14), and Head Office units (October 29), in accordance with the Bank's BCP / disaster recovery plans (DRP).

These and many accomplishments in 2022 connect directly to the passionate and dedicated employees of ITG and its technology support partners.

On behalf of the BITGC, I am proud of the hard work, commitment and resilience demonstrated by our technology workforce and I look forward to more years of collaboration as they continue to endeavor in their role as enablers of the Bank's strategic programs.

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

MESSAGE FROM THE BOARD OVERSIGHT RPT COMMITTEE CHAIRMAN

GRI 2-15

DOMINGO H. YAP
Independent Director

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 in compliance with prevailing regulations of the Bangko Sentral ng Pilipinas (BSP) and the Securities and Exchange Commission (SEC). As part of a large, diversified conglomerate with a strong presence and a dominant position in key industries, we recognize that dealings and transactions with related parties may occur and should be handled appropriately.

Established in 2013, the Board Oversight RPT Committee (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 Related Party Transactions (RPT), 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 six regular members, including four 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.

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. The unanimous vote of all the members present at the meeting shall be required to approve/endorse any act or Management recommendation in all the meetings of the Committee. In case the unanimous vote was not attained because of an objection from any of the Committee member, rules have been put into place.

Although the Organization for Economic Co-operation and Development (OECD) claims that there is no strong definition of 'related parties', the 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 nonrelated party transactions.

Material RPTs are reviewed and endorsed by the 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 10% or higher of the Bank's total assets based on its latest audited financial statements. Advisement Report of any material RPT should be filed within three calendar days after the occurrence of the transaction. In 2022, 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.

As part of our commitment to keep abreast of regulatory expectations and key developments in the industry, the following initiatives have been undertaken in 2022:

- The Bank reviewed the applicable policies guiding the related party transactions to keep relevant and aligned with the recent regulatory issuances.
- The duties and responsibilities of the identified units in implementing the RPT Framework and Policy Guidelines have been specified.
- Tagging of the RPT for both individual and corporate clients have been updated to improve the turnaround time and to ensure that all the RPT accounts are captured whether the approved credit facilities are "operative" or "inoperative".

In 2023, 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

Realizing the vital 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 in relation to the formulation and execution of the Bank's strategic business plan and the risks associated with the 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. Moreover, 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 2022, the BSPC reviewed and discussed with Management the Bank's strategic direction as well as the key issues and external developments affecting the strategies. The BSPC focused on crafting interim strategies and tactical moves to improve the Bank's asset quality, profitability, capital position, and liquidity.

The BSPC continued to conduct regular economic and market updates in its sessions, including the trends and outlook of various industries, to identify which sectors are resilient and not resilient after the pandemic. This exercise guided the business groups in modifying their strategic plans and taking countermeasures.

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.

Likewise, manuals were consistently reviewed and updated to sustain the efficiency of the Bank's processes and flexibility to the changes in the regulatory environment. In 2022, Bank policies were revisited and amended, particularly those involving branch operations, customer protection policy, commercial and business loans, and asset disposal.

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 equipped the BSPC to recognize 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.

Moving forward, the BSPC will remain steadfast in fulfilling its role as the overseer of PNB's strategies and policies and continue its efforts to help provide better products and services to customers here and around the globe.

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

CAPITAL STRUCTURE AND ADEQUACY

The Group's consolidated capital adequacy ratio were 15.38%, 13.66% and 15.14% as of December 31, 2022, 2021, and 2020 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, 2022, 2021, and 2020 (amounts in millions):

	Consolidated			Solo		
	2022	2021	2020	2022	2021	2020
Common Equity Tier 1 (CET1) Capital	**158,835**	**152,857**	**144,298**	**154,537**	**149,117**	**142,235**
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	67,161	57,595	46,783	67,850	58,323	48,071
Other comprehensive income	(4,584)	(819)	1,633	(6,451)	(2,344)	1,026
Undivided profits	–	–	–	–	–	–
Minority interest in subsidiary financial allied undertakings which are less than wholly-owned (for consolidated basis)	3,120	2,944	2,744	–	–	–
Regulatory Adjustments to CET1 Capital	**48,222**	**48,541**	**28,838**	**61,587**	**61,982**	**42,732**
Total outstanding unsecured credit accommodations, both direct and indirect, to directors, officers, stockholders and their related interests (DOSRI)	1	1	1	1	1	1
Total outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiaries	1,209	1,464	1,714	1,209	1,464	1,714
Deferred tax assets	6,790	6,834	6,895	6,574	6,268	6,341
Goodwill	11,362	11,362	13,516	11,362	11,362	13,516
Other intangible assets	1,864	2,429	2,512	1,754	2,329	2,438
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)	23,199	22,990	–	36,686	36,860	14,346
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	204	237	1,226
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)	3,797	3,461	3,150	3,797	3,461	3,150
Other equity investments in non-financial allied undertakings and non-allied undertakings	–	–	–	–	–	–
TOTAL COMMON EQUITY TIER 1 CAPITAL	**110,613**	**104,316**	**115,460**	**92,950**	**87,135**	**99,503**

	Consolidated			Solo		
	2022	2021	2020	2022	2021	2020
Additional Tier 1 Capital (AT1)	**–**	**–**	**–**	**–**	**–**	**–**
TOTAL TIER 1 CAPITAL	**110,613**	**104,316**	**115,460**	**92,950**	**87,135**	**99,503**
Tier 2 Capital	**6,109**	**5,634**	**5,377**	**5,878**	**5,442**	**5,236**
Appraisal increment reserve – bank premises, as authorized by the Monetary Board	–	–	–	–	–	–
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	6,109	5,634	5,377	5,878	5,442	5,236
Regulatory Adjustments to Tier 2 capital	–	–	–	–	–	–
Total Tier 2 Capital	**6,109**	**5,634**	**5,377**	**5,878**	**5,442**	**5,236**
TOTAL QUALIFYING CAPITAL	**116,722**	**109,950**	**120,837**	**98,828**	**92,577**	**104,739**

Risk Weighted Assets

The risk-weighted assets of the Group and Parent as of December 31, 2022, 2021 and 2020 are as follows:

	Consolidated			Solo		
	2022	2021	2020	2022	2021	2020
Total Risk Weighted On-Balance Sheet Assets	609,554	646,099	642,058	591,918	641,061	632,958
Total Risk-Weighted Off-Balance Sheet Assets	34,949	29,088	28,609	34,727	28,924	28,411
Total Counterparty Risk-Weighted Assets in the Banking Book (Derivatives and Repo-style Transactions)	434	447	1,698	434	447	1,697
Total Counterparty Risk-Weighted Assets in the Trading Book (Derivatives and Repo-style Transactions)	1,961	2,071	1,138	1,939	1,920	1,114
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 Tier 2]	–	–	–	–	–	–
Total Credit Risk Weighted Assets	646,898	677,705	673,503	629,018	672,350	664,180
Market Risk Weighted Assets	32,855	53,792	60,468	32,342	53,394	59,347
Operational Risk-Weighted Assets	78,977	73,407	64,199	72,196	65,604	55,576
Total Risk Weighted Assets	**758,730**	**804,903**	**798,170**	**733,556**	**791,349**	**779,103**

Capital Adequacy Ratios

	Consolidated			Solo		
Capital Ratios	2022	2021	2020	2022	2021	2020
CET1 Capital (BASEL III)	14.58%	12.96%	14.47%	12.67%	11.01%	12.77%
Capital Conservation Buffer	8.58%	6.96%	8.47%	6.67%	5.01%	6.77%
Tier 1 capital ratio	14.58%	12.96%	14.47%	12.67%	11.01%	12.77%
Capital Adequacy Ratio	**15.38%**	**13.66%**	**15.14%**	**13.47%**	**11.70%**	**13.44%**

ICAAP and Capital Adequacy Ratio Report

The Group's consolidated Qualifying Capital (QC) as of December 31, 2022 stands at Php116,722 million with a corresponding Capital Adequacy Ratio (CAR) of 15.38%. The current consolidated QC still provides a good and sufficient margin above the minimum regulatory capital requirement of Php75,873 million, 10% of the Group's Php758,730 million Risk Weighted Assets (RWA).

PNB - Consolidated (in Php Million)	As of date indicated			
	Mar-22	Jun-22	Sep-22	Dec-22
Total Qualifying Capital	110,548	118,310	117,212	116,722
CAR	14.69%	15.24%	14.49%	15.38%
CET 1/Tier 1 Ratio	14.01%	14.53%	13.78%	14.58%
Total RWA – Pillar 1	752,576	776,142	809,097	758,730

Figure 1: PNB Consolidated CAR 2022

Under Solo basis, current QC of Php98,828 million and CAR of 13.47% still has 347 bps leeway above the regulatory capital requirement of Php73,356 million to cover the Php733,556 million RWA as of December 31, 2022.

PNB - Solo (in Php Million)	As of date indicated			
	Mar-22	Jun-22	Sep-22	Dec-22
Total Qualifying Capital	92,669	99,953	98,066	98,828
CAR	12.74%	13.31%	12.52%	13.47%
CET 1/Tier 1 Ratio	12.06%	12.60%	11.82%	12.67%
Total RWA - Pillar 1	727,457	750,814	783,277	733,556

Figure 2: PNB Solo CAR 2022

MESSAGE FROM THE RISK OVERSIGHT COMMITTEE CHAIRMAN

EDGAR A. CUA
Independent Director

The environment for the year 2022 in the post-pandemic world remains to be challenging as geopolitics, climate change, rising inflation, and the energy and food crisis continue to dominate the landscape, creating complex risks for PNB.

Our Bank, despite these risks, continued to adhere to its goals of financial performance, innovativeness, service excellence, and social responsibility – and has remained accountable to all its stakeholders – regulators, shareholders, employees, and customers.

The importance of an effective risk oversight function cannot be stressed enough given the uncertainties of the above-mentioned external risks. 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 Model: *Governing Body, Management, and Internal Audit,* for effective risk management, is part of our PNB culture.

The Risk Oversight Committee, comprised of seven directors (four of whom are independent directors), held all its meetings virtually in 2022. 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.

Significant milestones for 2022 in Risk Management included the following:

- Extensive Rapid Loan Portfolio Review was performed, covering the impact of the Russia/Ukraine War, Rising Oil prices, Peso depreciation and typhoons Paeng and Odette;
- Approval of the Reputational Risk Management Framework to serve as foundation to comply with the minimum prudential requirements for managing reputational risk;
- Establishment of Operational Key Risk Indicators (KRIs) and thresholds for Public Affairs, Customer Experience and Retail Banking to enhance risk management oversight and monitoring; and
- Creation of the Fraud Risk Department for a centralized view, oversight and management of the Bank's fraud risks.

The role of risk management has never been more important as the world continues its recovery from the pandemic. It also becomes imperative for the Bank to exercise diligence in identifying and addressing every risk as part of its daily operations. This includes managing risks in new product and service offerings, as well as related emerging risk trends. The Bank also ensures compliance with the changing regulatory environment and is more responsive to the intensified reality of cyber security, fraud, 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

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 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. On the other hand, 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 these 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 shall be composed of at least seven (7) 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 membership 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

The Management Risk Committee (MRC) is 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.

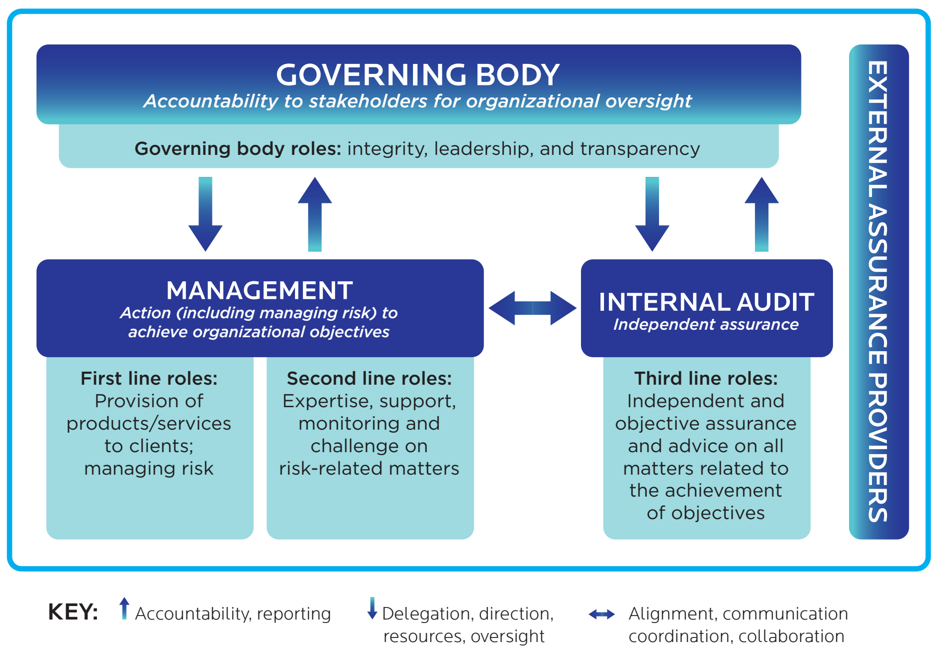
Mainly composed of the Bank's Sector and Group Heads, the MRC is responsible for reviewing and monitoring enterprise level risks and assessing risk responses proposed or taken by the relevant risk owner, and for providing inputs to the ERMF process. The Committee shall periodically assess that the Bank's risk appetite statements are aligned with the Bank's business strategy and overall objectives.

ENTERPRISE RISK MANAGEMENT FRAMEWORK

The approach to managing risk is outlined in 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 with the *three lines* model of The Institute of Internal Auditors (IIA) (see *Figure 1*): Governing Body, Management, and Internal Audit:

Figure 1: Three Lines Model



1.) **Governance and the Governing body role** – Governance requires the implementation of appropriate structures and processes that enable accountability to stakeholders, action by management to manage risk and assurance by an internal audit function. Through the Board of Directors, the governing body ensures there is an effective governance structure in place, where the Bank's objectives and activities are aligned with the interests of its stakeholders. It also delegates responsibility to management, with the necessary resources, in achieving the Bank's objectives while ensuring legal, regulatory, and ethical requirements are met.

2.) **Management: First & Second line roles** – Management's responsibility to achieve organizational objectives comprises both first and second line roles. First line roles belong to the lines of business who are directly involved in managing risks. This entails the proactive self-identification of risks as well as the design and implementation of appropriate controls. The second line roles belong to the support units who provide expertise and insight to the first line in managing risks. For the Bank, support units with second line roles include the Risk Management Group (RMG), Enterprise Information & Cyber Security Group (EICSG) and Global Compliance Group (GCG).

3.) **Internal Audit: Third line roles** – Internal audit provides independent and objective assurance and advice on the adequacy and effectiveness of the Bank's control, governance, and risk management processes. It reports its findings to Management and the Board Audit and Compliance Committee (BACC) to promote and facilitate continuous improvement.

All roles, when working together, collectively contribute to the creation and protection of value when they are aligned with each other and with the prioritized interests of the Bank and its stakeholders. Alignment of activities is achieved through communication, cooperation, and collaboration. This ensures the reliability, coherence, and transparency of information needed for risk-based decision making.

Risk Management Group

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

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

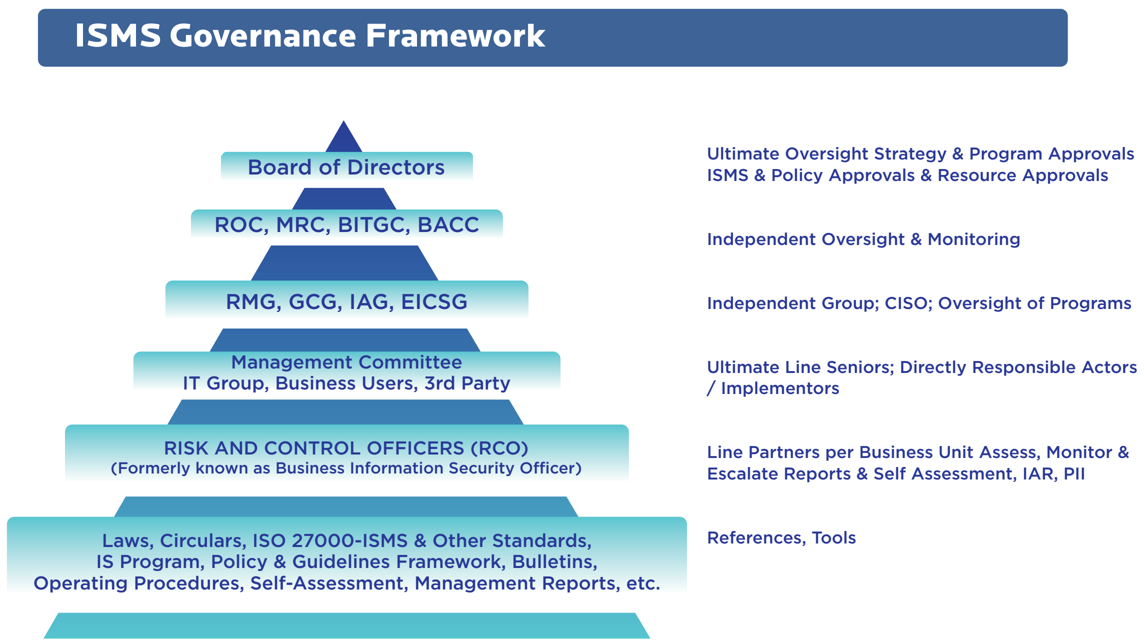
Each Division is tasked to monitor the implementation of the processes and procedures that support the policies for risk management applicable to PNB. These policies clearly establish the types of risks to be managed, define the risk organizational structure, and provide appropriate training necessary 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 2 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 2: Information Security Governance Framework



Enterprise Information & Cyber Security Group

The Enterprise Information & Cyber Security Group (EICSG) manages the overall information and cyber security risk of the PNB Group to preserve the *Confidentiality, Integrity* and *Availability* of its Information Assets including privacy risk in order to comply with the requirements of applicable privacy laws and regulations, both domestic and foreign. 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.

EICSG is headed by the Chief Information Security Officer (CISO) and concurrent Data Protection Officer (DPO) who reports directly to the Risk Oversight Committee (ROC) on matters concerning information security and cyber security including data privacy. The Head of EICSG, in his capacity as CISO and concurrent DPO, chairs the Security Incident Response Team (SIRT) and Breach Response Team (BRT) for effective and efficient management of information and cyber security, including privacy-related incidents.

EICSG is organized into three divisions, namely the IT / IS Governance Division (ITSGD), the Cyber Security Operations Division (CSOD), and the Data Privacy Division (DPD). The CSOD is dedicated to the prevention, detection, and assessment of cyber security threats and incidents and fulfillment of regulatory compliance. The ITSGD defines and obtains the necessary approvals for the policies, guidelines and standards that shall address the risks and vulnerabilities that the Bank's information assets are exposed to with the possibility of these being exploited. Proactive and predictive action to cyber security risk sourced from cyber threat intelligence feeds are carried out in coordination, cooperation and collaboration with concerned business units and IT Group. The DPD assists the DPO in spearheading the data protection strategy as well as compliance with applicable data privacy laws and regulations to ensure that all personal data collected from the data subjects are processed in adherence to the data privacy principles of transparency, legitimate purpose, and proportionality.

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

- Establish, lead, and manage the implementation of the Information Security Strategic Plan (ISSP) and Information & Cyber Security Program (ICSP).
- Establish and maintain the Information Security Management System (ISMS), Manual of Information Security Guidelines (MISG), Information Technology (IT) Risk related guidelines, industry standards and practices that will ensure secured delivery of Bank's products and services. Provide governance and oversight to ensure compliance to said policies, standards, and guidelines.
- Lead and manage the overall information security and cyber security risks of the PNB Group to preserve the Confidentiality, Integrity, and Availability (CIA) of its information assets.
- Lead and manage the implementation and execution of the Technology Risk Management process established to manage IT-related risks in alignment with the requirements of BSP Circular 808.
- Coordinate and monitor the performance of Project Risk Assessments to manage potential risks that may occur over the life cycle of an IT-related project.
- Lead and provide guidance in safeguarding the Bank's information assets against unauthorized use, disclosure, modification, damage, or loss in support of the Bank's mission to provide secure and reliable services.
- Provide advice and direction in the integration of information/cyber security practices into the bank's strategic and operational processes.
- Spearhead the Data Privacy Management System (DPMS) and data protection practices in compliance with the Data Privacy Act of 2012, its Implementing Rules and Regulations (IRR) including issuances of National Privacy Commission (NPC) and other relevant privacy and data protection laws ("Applicable Laws") within the PNB Group. This includes developing and maintaining the Data Privacy Program, policies, guidelines, and procedures along with the disciplinary and remedial actions for the violation of policies.
- Develop and update the Privacy Impact Assessment (PIA) process, and provide assistance to business units regarding identification, assessment, mitigation, and monitoring of risks associated with data privacy.
- Communicate and ensure proper data breach and security incident management by the Bank including, where applicable, the preparation and submission to the National Privacy Commission (NPC) of reports and other documentation concerning data breach and security incidents and notification to affected data subject which should be within the prescribed period as mandated by NPC.
- Work closely with stakeholders and business units to keep abreast of planned changes to technologies, working practices, and business activities that could have an impact on the bank's information/cyber security, and data privacy.
- Develop and sustain a security- and privacy-centric culture by providing continuous information/cyber security and data privacy campaigns, trainings, awareness, bulletins, and programs tailor-fit to different set of stakeholders.
- Manage the Security Operations Center (SOC) via proactive monitoring and timely escalation of cyber security events and incidents.
- Direct and assist investigations of information/cyber security and data breaches and ensure root causes of such breaches are understood and addressed.
- Conduct research on threats and subscribe to threat intelligence sharing platforms for wider visibility on the threat landscape and as means to monitor and mitigate emerging threats.
- Lead the development and delivery of measures and metrics to support the assessment, reporting and ongoing improvement of the information/cyber security posture.

RELEVANT REGULATORY ISSUANCES FOR 2022

NUMBER	DATE ISSUED	SUBJECT
BSP CL 2022-011	2022-02-08	Philippine Sustainable Finance Roadmap and Guiding Principles
BSP Cir. 1137	2022-02-18	Amendments to Regulations on Outsourcing and IT Risk Management
BSP Cir. 1140	2022-03-24	Amendments to Regulations on Information Technology Risk Management
BSP Cir. 1142	2022-03-29	Amendments to the Guidelines on the Computation of Minimum Required Capital and Risk-Based Capital Adequacy Ratio
BSP Cir. 1148	2022-06-17	Amendment to the Framework for Dealing with Domestic Systemically Important Banks
BSP Cir. 1149	2022-08-23	Guidelines on the Integration of Sustainability Principles in Investment Activities of Banks
BSP Cir. 1150	2022-08-23	Prudential Framework for Large Exposures Monitoring Threshold
BSP Cir. 1152	2022-09-05	Amendments to the Regulations on Unit Investment Trust Funds (UITFs)
BSP Cir. 1158	2022-10-18	Guidelines on Recovery Plan of Banks
BSP Cir. 1159	2022-11-04	Implementing Rules and Regulations of the Mandatory Agriculture, Fisheries and Rural Development Financing under Republic Act (R.A.) No. 11901 or "The Agriculture, Fisheries and Rural Development Financing Enhancement Act of 2022"
BSP Cir. 1160	2022-11-28	Regulations on Financial Consumer Protection to Implement Republic Act No.11765, otherwise known as the "Financial Products and Services Consumer Protection Act"
BSP Memo 2022-002	2022-01-11	Supplemental Capital Adequacy Ratio (CAR) Report on the Temporary Regulatory Relief on the Capital Treatment of Provisioning Requirements under the Philippine Financial Reporting Standard (PFRS) 9
BSP Memo 2022-015	2022-03-22	Recommended Control Measures Against Cyber Fraud and Attacks on Retail Electronic Payments and Financial Services (EPFS)
BSP Memo 2022-016	2022-03-22	Application Programming Interface (API) Security Control Recommendations
BSP Memo 2022-022	2022-04-20	Guidelines on the Submission of the Supplemental Capital Adequacy Ratio (CAR) Report on the Temporary Regulatory Relief on the Capital Treatment of Provisioning Requirements under the Philippine Financial Reporting Standard (PFRS) 9
BSP Memo 2022-041	2022-09-23	Extension of BSP Prudential Relief Measure on the Relaxation in the Credit Risk Weight for Loans to MSMEs under the BSP's Risk-Based Capital Adequacy Frameworks
BSP Memo 2022-042	2022-09-29	Guidance on the Implementation of the Environmental and Social Risk Management (ESRM) System
BSP Memo 2022-043	2022-10-07	Email Security Control Recommendations
BSP Memo 2022-046	2022-10-27	Frequently Asked Questions on the Amendments to the Regulations on Outsourcing and IT Risk Management
BSP Memo 2022-051	2022-12-07	Reminder on Risk Management Measures Relative to Virtual Asset Safekeeping, Liquidity Requirements, and Third-Party Engagements
NPC Cir. 2022-01	2022-08-08	Guidelines on Administrative Fines
NPC Cir. 2022-03	2022-12-05	Guidelines for Private Security Agencies on the Proper Handling of Customer and Visitor Information
NPC Cir. 2022-04	2022-12-05	Registration Of Personal Data Processing System, Notification Regarding Automated Decision-Making Or Profiling, Designation Of Data Protection Officer, And The National Privacy Commission Seal Of Registration

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. The Bank's principle on risk appetite is expressed as Risk Tolerance and is embedded in 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

PNB pursues its business objectives by accepting risks up to the level where it remains aligned with the following HIGH-LEVEL RISK APPETITE STATEMENT(S):

On Reputational Risk:

- The Bank identifies risks that may result in negative impact to the Bank's reputation. The Bank will put into place policies to mitigate such risks and will cascade this through appropriate communication channels.
- When an unfavorable situation arises, the Bank shall address these pro-actively to defend and preserve the Bank's reputation and brand image by actively monitoring and measuring reactive communications received.

On Strategic Business Risks:

- The Bank aims for stability of earnings and maximizes shareholder's value to ensure the continued Bank growth trajectory in the long term.

On Operational Risk / Technology / Cyber Security Risks:

- The Bank maintains LOW appetite for operational risk issues. The Bank 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 process, managing proper vendor oversight and employing appropriate governance processes in the implementation of innovative and creative solutions. Furthermore, the Bank ensures resources are available to control operational risks to acceptable levels.
- The Bank has LOW tolerance for damage to Bank information assets from threats arising from malicious attacks and/or poor information security controls. To address this risk, the Bank aims to build and implement strong internal processes, robust technology controls and a mature, security-centric culture.
- The Bank has 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, the Bank aims for strong internal processes, conduct of proactive awareness campaigns for personnel, and the development and continuous improvement of robust information security and data privacy controls.
- The Bank has a LOW appetite for risks to the availability of systems which support its critical business functions, including those which relate to core banking operations and financial markets operations. Service availability requirements have been identified and agreed with each business area.
- The Bank has a LOW appetite for IT system-related incidents which are generated by poor project implementation, and poor change management practices.

On Personnel / Clientele Behavior:

- The Bank does not tolerate any dishonest or fraudulent behavior and is committed to deterring and preventing any incidence. It takes a very serious approach to cases, or suspected cases, of fraud or corruption perpetrated by its personnel and responds fully and fairly in accordance with provisions in the Bank's Code of Conduct.

On Regulatory / Statutory Compliance:

- The Bank aims to remain in compliance with Philippine laws and Regulatory Bodies and its public mandate.
- The Bank aims to remain compliant with the laws, regulations and guidelines as prescribed by the host countries where it is present.
- The Bank aims to remain in compliance with generally accepted accounting principles and standards.

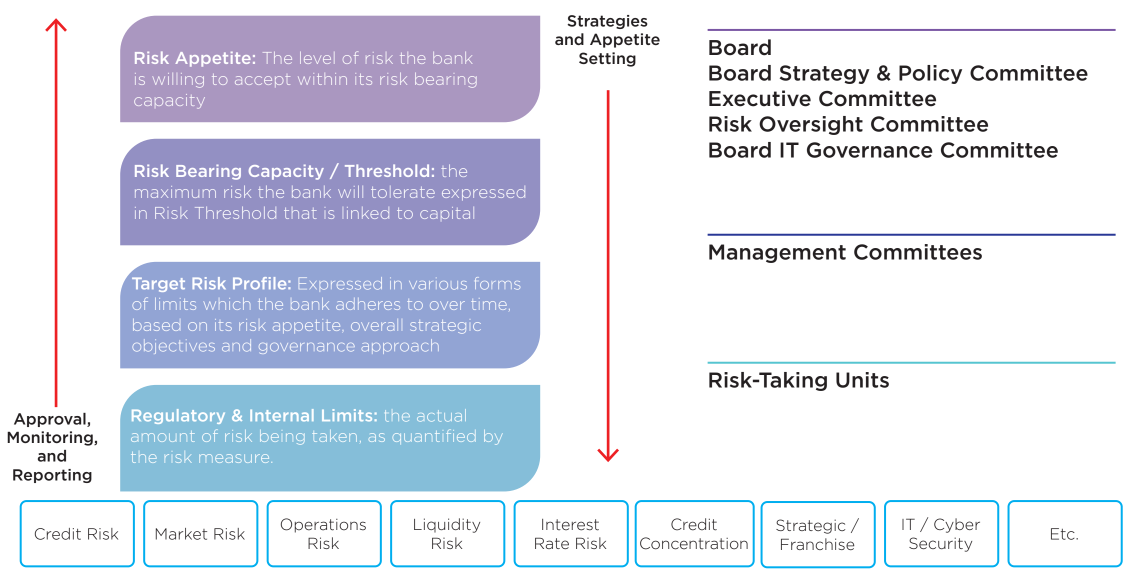
The High-Level Risk Appetite Statement(s) are translated into measurable metrics and set limits that cover all relevant risk categories arising from the Bank's business objectives which aim to keep the overall risk profile within acceptable risk thresholds.

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 outlined below with corresponding responsibilities of executive management and board of directors.

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 Risk in the Banking Books, Reputational, Information Technology,* and emerging *Cyber Security Risks, and Human Resource Risks* that the Group is exposed to (see Figure 3 below).

Figure 3: Risk Appetite, Risk Threshold, Risk Tolerance



The 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.

The Executive Committee (ExCom) reviews, discusses, notes, endorses, and / or approves management proposals on credit facilities; investments 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 Management Risk Committee operationalizes the ERMF of the Bank – assesses, reviews and monitors enterprise level risks, as well as the risk responses proposed or actions to be taken by the relevant risk owners.

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, shall perform comprehensive assessment of all material risks. This is accomplished 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;
- 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 Risk Assessment and Quantification, on the other hand, allows the risk owners to 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

The Group defines material risks (at group level) as those risks from any business activity large enough to threaten the Bank's capital position to drop below its desired level, resulting in either increase in risk weighted assets or reduction in earnings and / or qualifying capital which translates to a 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 Cir. No. 510, i.e., Interest Rate Risk in the Banking Book (IRRBB), Liquidity Risk, Reputational Risk and Strategic Business Risk;
- Information Technology Risk (BSP Cir. No. 808);
- Information Security / Cyber Security Risk (BSP Cir. No. 982) and
- Further risks identified as "material" by the Board and Management Committee such as Model Risk, 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 using the three lines model. For the assessment period from 2022 to year 2024, these are based on the following eleven (11) material risks which are grouped under Pillar 1 and Pillar 2 risks, 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

Pillar 2 Risks:

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

2022 Risk Management Highlights

Market & Liquidity Management

The Market and Asset Liability Management Division (MALMD) 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 2022 under MALMD are as follows:

Trading Market Risk / Price Risk

- Continuous involvement in the Treasury Management System activities up to the post implementation / production activities;
- Participation in the FX Web Application to be used in GMG's Franchise Business
- 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 (FVPL) 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;
- 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;
- Review 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;
- Guidance and consultation to GMG, overseas branches, and subsidiaries in the review of their policy and / or procedures manuals; and
- Further enhancement of the existing automated risk reports and expanded automation of various risk reports by contributing inputs to the Data Modeler during the development and conduct of various user acceptance testing sessions for these reports.

Structural Market Risk – Interest Rate Risk in the Banking Books

- MALMD is actively involved in the post-implementation/ production activities of the Asset Liability Management System project related to the IRRBB module;
- 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 computation of EaR and Delta EVE by integrating actual loan cashflow/amortization data and considering the effect of projected loan released on Balance Sheet Market Value/Net Present Value
- Increased coordination and engagement with Institutional Banking Sector (IBS) and Global Markets Group (GMG) regarding the derivation and implementation of risk management triggers/limits, to include but not limited to, the computation of Delta EVE through the conduct of simulations on the effects of significant prospective loan releases and investments as a prerequisite for approval
- Enhanced schedule template for projected loan releases particularly for the IBS sector (Corporate Banking Group, Metro Manila Commercial Banking Group and Provincial Commercial Banking Group) – the schedule template submitted on a bi-monthly basis now serves as a monitoring tool for IBS for prospective loan releases within the next 12 months and beyond and as a standardized input for projected Delta EVE calculations
- Increased coordination with RMG's Business Intelligence Data Warehouse Division (BIDWD) to automate the generation and procurement of crucial source data inputs to IRRBB such as the daily loan portfolio of the Bank
- Incorporated other interest rate shock scenarios recommended in the IRRBB document of the Bank of International Settlements (BIS) in the computation of Delta EVE to gauge what scenarios would provide the most impact to Delta EVE; scenarios such as short rate up, short rate down, flattener and steepener yield curve scenarios were added to the current parallel up and parallel down scenarios
- Preparation of IRRBB reports twice a month for Asset Liability Committee (ALCO) meetings
- Preparation of quarterly stress testing of the banking book portfolio for reporting to the ROC;
- 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
- 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

- MALMD is actively involved in the post-implementation/ production activities of the Asset Liability Management System project related to Maximum Cumulative Outflow (MCO), and Liquidity Stress Testing (LST) sub-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) and Time Deposit Redemption Rate (TDRR) behavioral models for reporting to the ROC;
- Updating of policies, procedures, assumptions, and limits for liquidity risk management;
- Conduct of risk awareness lectures on liquidity risk management in 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 PNB Securities, Inc. on a regular basis;
- 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 in 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.
- Participation in the sustainability initiatives of RMG in relation to the Environmental, Social and Governance (ESG) Roadmap

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) account for 86% (as of December 31, 2022) of the Group's consolidated RWA of Php777,755 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 Division (CRD) 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.

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 are 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 2022 under Credit Risk are as follows:

1. Continuous monitoring of the loan portfolio trend, 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. Monitoring the resolution of top credit risks under Red and Amber status and the actions taken to bring them to Green status.
3. Oversight of the credit initiation and approval of selected accounts through pre-approval review. The RMG Head and the Head of Credit Risk Division sit as resource persons in the Senior Management and Institutional Banking Sector Credit Committees, respectively.
4. Identification of emerging risks, to include, among others: new regulations, adverse economic events (i.e. interest rate hikes and local currency depreciation), that can have an impact to a particular industry or group of borrowers and the possible risk faced by the Bank.
5. Performance of scenario analysis through stress testing on the impact of COVID-19, strong typhoons, Russia/ Ukraine War, peso devaluation, gasoline and interest rate hike to borrowers and industries to assess the impact to the bank's NPL ratio and Capital Adequacy Ratio.
6. Stringent monitoring of industries and borrowers affected by the impact of COVID-19.
7. Independent credit review of the Bank's large exposures and interdependent accounts, restructured loans, accounts showing significant increase in credit risk as well as validation of the computation of the Expected Credit Loss for each of the accounts reviewed.
8. Continued participation in the formulation, review of new / revised credit policies and procedures within the Bank and subsidiaries.
9. 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).
10. Assistance for the business units in identifying the risk inherent in their proposed products or process.
11. Update of the credit risk policies and procedures manual to improve the risk management framework for the group.
12. Assistance for subsidiaries in their compliance to regulations, formulation of policies and procedures and process improvement.
13. Participation in the initial steps undertaken by the Bank in its compliance to the Environmental and Social (E&S) risk requirements.
14. Initial steps were undertaken to prepare for the implementation of BSP Cir. 1150 re: Large Exposures.

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 2022 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 Key Risk Indicator 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. Initial roll-out to the Business Units of the RCSA and LER; as well as, uploading of KRI in the Metrics Module;
3. Approval of Fraud Risk Management Department and appointment of Fraud Risk Department Head to lead the EFMS project and for central monitoring of fraud incidences and standardization of fraud risk management process for the Bank;
4. Leading the Enterprise Fraud Management Solution Project activities, in coordination with business units and vendors, with the following accomplishments:
    a. EFMS accreditation, due diligence, and vendor approval
    b. Compliance to BSP Circular 1137 (Amendments to Regulations on Outsourcing and IT Risk Management)
    c. Monitoring of compliance to BSP Circular 1140 (Amendments to Regulations on Information Technology Risk Management)
    d. BRD and Data Mapping sessions with Channel Owners and functional/technical evaluation
5. 2022 ICAAP Document submission to BSP to cover review of risk assessments for the material risks identified by the Bank and the respective Subsidiaries, including update of the Risk Appetite Statements;
6. Enhanced CAR monitoring and reporting to incorporate simulations and projections from other units;
7. Coordination and monitoring sustainability initiatives of RMG and deliverables in relation to ESG Roadmap;
8. Securing approval for the Reputational Risk Management Framework in compliance to BSP Circular 1114;
9. Update of the Operational Risk Management Manual to incorporate changes and enhancements particularly on the following:
    a. Conduct of on-site verification covering risk and control assessments
    b. RCSA reassessment of the branches' RCSA with significant incidences or high-risk issues and adding of guidelines to the supporting documents required by Global Compliance Group;
10. Roll-out of Interim RCSA for the following:
    a. Identified Critical Processes
    b. Overseas Offices and Subsidiaries covering other material risks aside from Operational Risk;
11. Review and discussion of accomplished RCSAs and reporting of results to MRC and ROC, including mitigating controls and action plans;
12. Continuous activities on business process mapping, enhancement of risk taxonomy and organizational hierarchy for build-up in the GRC to be used by all GRC stakeholders;
13. Continuous review of new product proposals, as well as process and procedures manual review of the Bank's processes, including those of the subsidiaries;
14. Identification of High-Risk Areas for efficient monitoring of critical risks across the organization and continuous monitoring and reporting of top loss events;
15. Continuous monitoring and reporting of COVID-related risks, as well as vaccination status of Bank personnel
16. Continuous monitoring and reporting of digital platform-related and phishing incidences;
17. Securing of approval for the RBS KRI thresholds established in coordination with Retail Banking Sector for monitoring and escalation;
18. Conduct of GRC and RCO Trainings on RCSA, LER and KRI;
19. Continuous Risk Appetite awareness and risk education performed through e-mail blasts and HR-initiated trainings.

Model Validation

The Model Validation Division (MVD) of RMG, as mandated by the Bangko Sentral ng Pilipinas (BSP) and Bank's risk management policies and procedures, conducts independent pre- and post-implementation model validation of the Bank's models. MVD focuses on the review and validation of model development, model governance, integrity of inputs, model assumptions and methodologies, and calculations of the model to ensure that the Bank's model is objective, accurate, and mathematically sound.

MVD specifically evaluates model conceptual soundness, identifies risks inherent in model implementation, delivers independent assessment of the model in relation to its compliance with BSP requirements and provides recommendations to ensure that the developed model is aligned with the Bank's institutional business strategy, technology plans, credit, market, liquidity and other risk policies and procedures.

MVD's validation process covers both quantitative and qualitative aspects of the Bank's model. These two aspects of validation are sub-divided into three model dimensions each with details as follows:

Quantitative Validation:

- ✓ **Theoretical Dimension** discusses and ensures that the development of models and/or model components are based on banking standard methods and theories, logical assumptions and derived from / consistent with accepted and correct mathematical principles and procedures.
- ✓ **Data Dimension** evaluates data integrity, representativeness of data used in calculation/ development of model and/or model components, appropriateness of performance and sample window, completeness of the data set and reasonableness of the variables that comprised the model.

- ✓ Mathematical / Statistical Dimension ensures that the model and/or model components are statistically accurate and performing as expected through the conduct of applicable test metrics.

Qualitative Validation:

- ✓ Model Design and Implementation Process assess consistency of model design with its purpose of development, reasonableness and validity of input data, and acceptability of model outputs.
- ✓ Model Documentation Review evaluates comprehensiveness and replicability of the model by assessing its documentations' completeness, transparency, and sufficiency of information.
- ✓ Model Governance ensures the delineation of responsible model stakeholders, approval, and/or implementation process.

Highlights of the risk management completed activities for 2022 under Model Validation Division are as follows:

- ✓ Updating of Model Validation Framework, Policy, and Procedural Manual to align with the Model Risk Management Framework
- ✓ Creation of Model Risk Management Framework, Model Materiality Scorecard and Model Risk Assessment Guidelines
- ✓ Enhancement of Model Inventory, Model Health Scorecard and Model Exception Database
- ✓ Validation of Market and Liquidity Risk Models:
  - Behavioral Modelling Analysis for Term Redemption Rates
  - Behavioral Modelling Analysis for Loan Prepayment
  - Historical Simulation Value-at-Risk (VaR)
  - Historical Simulation Value-at-Risk (VaR) Backtesting Model
  - Credit Risk Factor (CRF) Methodology
- ✓ Validation of Corporate and Retail Credit Risk Models
  - Application scorecard for Motor Vehicle Loans, Housing Loans, Credit Cards, and CELP
  - Expected Credit Loss Model for Non-Retail Segments – General Sophisticated Approach
  - Expected Credit Loss Model for Housing Loans – General Sophisticated Approach
  - Expected Credit Loss Model for Motor Vehicle Loans – General Sophisticated Approach
  - Expected Credit Loss Model for Credit Cards – General Sophisticated Approach
  - Expected Credit Loss Model for LGU and Retail SME – General Simpler Approach

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

While banks have greatly benefited from the software and systems that allow 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 indicate 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 Cir. 808) It is also a business risk that is associated with the use, ownership, operation, involvement, influence and adoption of IT within the Bank [2]. 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;
   - Crisis Management Committee and Cyber-attack testing;
   - Availability of third-party documentation and implementation on Business Continuity;
   - Promoting awareness among employees through classroom-type trainings and email advisories;
   - Conducting awareness campaigns for Risk and Control Officers on their roles and responsibilities for BCP-related requirements and BCP testing exercises;
   - Ensuring all external service providers undergo risk assessments and are compliant to Business Continuity Enterprise Policy; and
   - Adhering to BSP Cir. 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 and 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 of existing vendors;
   - Ensuring implementation of risk assessments and due diligence prior onboarding and periodic review/oversight for existing outsourcing/vendor engagements;
   - Monitoring and validation of due diligence and periodic review documents;
   - Monitoring timely renewal of vendor contracts by business units;
   - Conducting awareness campaigns for Vendor Relationship Managers on their roles and responsibilities for due diligence and periodic oversight/review requirements;
   - Ensuring availability of third-party documentation and implementation on Business Continuity to support the Bank's requirements during disruptions;
   - Ensuring third-party service providers and business units' compliance to due diligence and periodic oversight/review requirements stipulated in the Enterprise Vendor Outsourcing Policy.
   - Adhering to BSP Cir. No. 899 and 1137 on regulations for Outsourcing and IT Risk Management

4. Project Risk is the risk of failure in 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 IT (including BCP) for 2022:

- 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 Continuity 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 processes 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 of Vendor Outsourcing Policy with inclusions of monitoring of Information Security, Data Privacy, Bribery and Corruption, Expired Contracts, Business Continuity Assessments, and Accreditation Status.

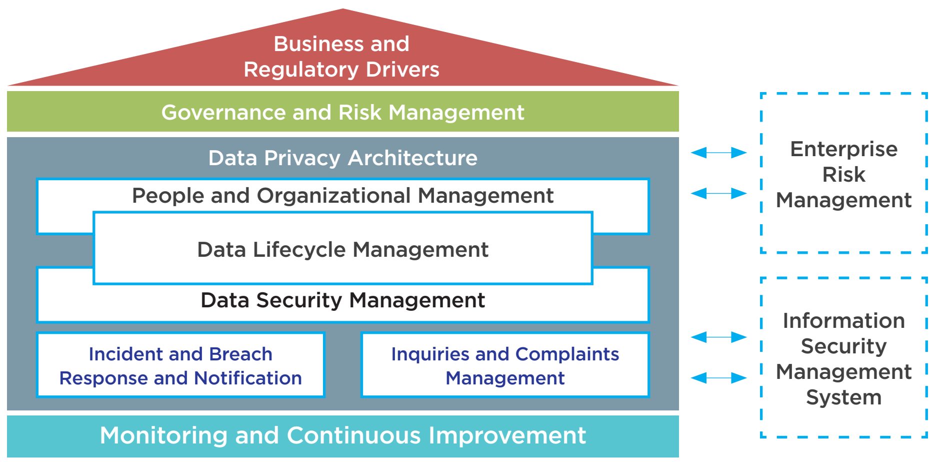
Data Privacy
GRI 3-3

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 2022 under Data Privacy are as follows:

- Privacy Impact Assessment process implementation;
- Data Sharing Agreement and Data Protection Agreement implementation with partners and vendors, respectively;
- Continuous Data Privacy Awareness and Education including integration of basic data privacy awareness in Human Resources Group trainings, namely: New Employees Orientation, Management Training Program, Junior Executive Development Institute, and Branch Operations Training Program;
- Review of business units' manuals, forms, and contracts to incorporate Data Privacy requirements;
- Incident monitoring and reporting to the NPC;
- Counsel to business units including branches, offices, and subsidiaries, both local and overseas, regarding Data Privacy concerns.

Information Security / Cyber Security Risk
GRI 3-3

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 & Cyber Security Group) for 2022 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 of 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
- Implementation of 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 monthly webinars on various cybersecurity concerns and participation in the global Cyber Security Awareness Month where webinars on cyber hygiene were provided; and (4) anti-phishing talks; etc.
- Continued conduct of vulnerability and compromise assessments in detecting security weaknesses in the Bank's information assets
- Continued monitoring of 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
  - ➢ Trade Portfolio Reports and Analytics
  - ➢ Credit Facility/Loan Collateral Reports and Analysis
- Loss Events Reporting (LER) for Operational Risk Management;
- Remittance Monitoring and Analysis
- Treasury Analytics
- 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 Cir. 855 Guidelines on Sound Credit Risk Management Practices; BSP Cir. 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 EDW is also the source of data for the following Decision Support Systems (DSS) of the bank:

- 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 2022 ICAAP activities are taking off from the April 2021 submission considering 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 5: 2021-2022 ICAAP Milestones and List of Activities

KEY DATES	MILESTONES & ACTIVITIES
December 2021 – January 2022	• Continuous discussion and evaluation of top and emerging risks in the Management Risk Committee • Business Planning Session of the individual groups and revisiting of business strategies relative to the sustained benign phase of COVID-19, prolonged Russia-Ukraine conflict and projections for the next three years
February – May 2022	• Review and approval of the Bank's Material Risks • Review and approval of ICAAP Stress Scenarios and Assumptions • Quantification of the Bank's Material Risks aligned to the enterprise scenario and macro-economic assumptions • Quantification and review of Material Risks as identified by each of the Domestic and Foreign Subsidiaries • 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 ready for BSP submission

RMG Sustainability Activities

PNB has already submitted its Board-approved Sustainability Policy, three-year Transition Plan, and Sustainable Finance Framework to BSP to comply with BSP Cir. 1085, Series of 2020 on Sustainable Finance Framework.

When the BSP Cir. 1128 or the Environmental and Social Risk Management System (ESRMS) was released in October 2021, PNB recalibrated its Sustainability Transition Plan to include the specific requirements of integrating Environmental and Social (E&S) risk criteria in the Enterprise Risk Management Framework, particularly on Credit Risk Management and Operational Risk Management. The Manuals were further updated in 2022 to incorporate the provisions of BSP Cir. 1149 issued on August 23, 2022.

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 Bank's Enterprise Risk Management Framework (ERMF) was updated in December 2022 to include the Bank's Sustainability Policy under the risk management realm.
- The Bank's Credit Risk Manual was updated in 2021 and 2022 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 rolled-out to the PNB Subsidiaries and Overseas Branches for the 2022 risk assessments.
- Sustainability clauses are included in the 2022 Enterprise Business Continuity and Vendor Outsourcing Manuals of the Bank, as approved by the Board last 2021 March and April, respectively.
- Sustainability criteria/questionnaire in CSD Vendors Information has been implemented.
- Sustainability Risk is in the Vendor Risk Assessment Form.
- Data privacy principles and monitoring activities are ensured to align with ESG initiatives, specifically on corporate social responsibility.
- 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, 2022 stood at 15.38% on a consolidated basis while the Risk Weighted Assets (RWA) as of the end of 2022 amounted to P758.730 billion composed of P646.898 billion (Credit Risk Weighted Assets – CRWA), P32.855 billion (Market Risk Weighted Assets – MRWA) and P78.977 billion (Operations Risk Weighted Assets – ORWA).

Capital Adequacy Ratio

The Bank's total regulatory requirements for the four quarters for 2022 are as follows:

Consolidated	Weighted Exposures (As of End of Every Quarter of 2022)			
(Amounts in P millions)	Dec 31	Sept 30	June 30	Mar 31
CRWA	646,898	688,785	653,838	629,456
MRWA	32,855	41,334	43,326	44,143
ORWA	78,977	78,977	78,977	78,977
Total Risk-Weighted Asset	758,730	809,096	776,141	152,576
Common Equity Tier 1 Ratio	14.58%	13.78%	14.53%	14.01%
Capital Conservation Buffer	8.58%	7.78%	8.53%	8.01%
Total Capital Adequacy Ratio	15.38%	14.49%	15.24%	14.69%

Presented below is the full reconciliation of all regulatory capital elements back to the balance sheet in the audited financial statements as of December 31, 2022 attributable to the Bank (amounts in Php '000s):

Accounts	Balance in FRP	Accounting differences and other adjustments	Balance in audited financial statements
Capital stock	61,030,594	0	61,030,594
Additional paid-in capital	32,106,560	0	32,106,560
Surplus reserves	4,373,141	556,101	4,929,242
Surplus	67,697,114	6,222,795	73,919,909
Net unrealized loss on Available-for-Sale investments	(5,648,377)	(310,898)	(5,959,275)
Remeasurement losses on retirement plan	(2,244,634)	21,689	(2,222,945)
Accumulated translation adjustment	1,051,631	1,262,816	2,314,447
Other equity reserves	390,517	0	390,517
Share in aggregate reserves on life insurance policies	0	136,096	136,096
TOTAL	**158,756,546**	**7,888,599**	**166,645,145**

Credit Risk-Weighted Assets as of December 31, 2022

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 P Millions	Exposure, Net of Specific Provision	Exposures covered by Credit Risk Mitigants*	Net Exposure	0%	20%	50%	75%	100%	150%
Cash & Cash Items	22,166	–	22,166	22,135	31	–	–	–	–
Due from BSP	94,714	–	94,714	94,714	–	–	–	–	–
Due from Other Banks	28,091	–	28,091	–	14,852	11,587	–	1,652	–
Financial Asset at FVPL	–	–	–	–	–	–	–	–	–
Available for Sale	1,614	–	1,614	–	–	–	–	1,614	–
Held to Maturity (HTM)	111,833	5,717	106,116	64,060	7,861	25,143	–	9,052	–
Unquoted Debt Securities	–	–	–	–	–	–	–	–	–
Loans & Receivables	598,304	5,168	593,136	207	74,633	32,755	–	469,022	16,520
Loans and Receivables Arising from Repurchase Agreements, Securities Lending and Borrowing Transactions	64,579	38,250	26,329	26,096	–	233	–	–	–
Sales Contracts Receivable	4,682	–	4,682	–	–	–	–	4,477	205
Real & Other Properties Acquired	10,284	–	10,284	–	–	–	–	–	10,284
Other Assets	27,056	–	27,056	1,431	–	–	–	25,625	–
Total On-Balance Sheet Asset	963,324	49,135	914,190	208,643	97,377	69,718	–	511,442	27,009
Total Risk Weighted Asset - On-Balance Sheet	–	–	–	–	19,475	34,859	–	511,442	40,514
Total Risk Weighted Asset - Off-Balance Sheet Asset	–	–	–	–	–	1,350	–	33,599	–
Counterparty Risk Weighted Asset in Banking Book	–	–	–	–	–	434	–	–	–
Counterparty Risk Weighted Asset in Trading Book				–	–	1,491		470	–

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

Market Risk-Weighted Assets as of December 31, 2022

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 2022)			
(Amounts in Php millions)	**Dec 31**	**Sept 30**	**June 30**	**Mar 31**
Interest Rate Exposures	31,508	40,147	40,713	43,644
Equity Exposures	6	10	10	10
Foreign Exchange Exposures	1,340	1,177	2,603	489
Options	0	0	0	0
Total MRWA	**32,854**	**41,334**	**43,326**	**44,143**

MESSAGE FROM THE CORPORATE GOVERNANCE AND SUSTAINABILITY COMMITTEE CHAIRMAN

GRI 2-11, 2-22

FEDERICO C. PASCUAL
Chairman/Independent Director

While the past few years have been challenging for many, it has taught us valuable lessons which we put to good use in 2022. One of the lessons we learned from the pandemic is that our collective grit and resilience have kept us focused on our commitment in shaping recovery and helping our customers rebuild their financial health and security.

We have not wavered in this commitment, even in the face of increasingly intense and uncertain business environment, made more complex by technology disruptions, fierce competition, and evolving risk and regulation, to name a few.

In 2022, we scored significant milestones in various areas of our business, continued to make solid progress on our sustainability agenda, and remained committed in deepening the core competencies of our employees and building a more competent, well-prepared workforce.

Across these accomplishments, we are devoted to the highest principles of good corporate governance. Our governance framework is anchored on prudence, responsible business practices and accountability, which cuts across all levels of the organization.

We are deeply honored and humbled that our efforts are continuously being recognized by regulators, industry observers, and external organizations. PNB was cited as one of the recipients of the ASEAN Asset Class Award during the 2021 ACGS Regional Virtual Awards held on December 1, 2022. Moreover, the Bank also received 4 golden arrow recognition from the Institute of Corporate Directors (ICD) during the ACGS Golden Arrow Awards Night held on January 20, 2023. Jointly developed by the Asian Development Bank and the ASEAN Capital Markets Forum, the ASEAN Corporate Governance Scorecard (ACGS) is a set of questions developed in accordance with corporate governance principles of the Organization for Economic Cooperation and Development (OECD) as well as best corporate governance practices of major publicly listed companies in the ASEAN.

PNB was also awarded for the second year in a row by a joint program of the European Union and the UN Women as Runner-up for Transparency and Reporting in the UN Women 2022 Philippines Women's Empowerment Principles (WEPs) Awards on October 20, 2022. The Bank was cited for its commitment to transparency and reporting that reflects gender data and indicators, with the intention to measure, analyze, and report on performance and impact of gender on its adaptive policies and programs, tracking performance in progress towards gender equality, and women's economic empowerment.

In addition, PNB was honored by Asia Corporate Excellence and Sustainability Awards (ACES) as one of "Asia's Most Influential Companies" on November 18, 2022. The award is given to companies that show genuine interest in the well-being of its stakeholders through corporate social responsibility initiatives that are integrated into policies and operations, with a high level of employee and top management involvement on community engagement, environment, and social empowerment programs.

The mission of our governance framework is threefold. The first is to define the powers, duties, and responsibilities of the Board of Directors, top management, and employees in upholding the Bank's culture and values.

Second, 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.

Third, and most importantly, to raise corporate governance to a level at par with global standards and, ultimately, advance the long-term interests of our stakeholders.

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 2022:

- Reviewed key governance policies such as the Manual on Corporate Governance to address regulatory expectations and be consistent with existing laws, rules and regulations, and global best practices on corporate governance.
- Formulated the policy on interlocking positions for directors and officers to establish an effective governance process in place to ensure that the benefits of having directors with interlocking positions in other entities are optimized, in compliance with BSP Circular No. 1129, Series of 2021.
- Reviewed 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.
- Engaged the Tan Yan Kee Foundation, Inc. (TYKFI) and their pool of experts for the establishment of the Bank's Environmental and Social Risk Management System (ESRMS) in compliance with BSP Circulars No. 1085 Series of 2020, No. 1128 Series of 2021, and No. 1149 Series of 2022.
- 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.

On a final note, we thank our Management Committee and staff whose sustained passion and commitment have allowed PNB to achieve greater levels of growth, our fellow Board members for their guidance, and our shareholders and other stakeholders for their confidence in PNB.

Looking ahead, we enjoin everyone to stay the course and remain steadfast as PNB enters the new year with readiness and enthusiasm.

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

CORPORATE GOVERNANCE

One of the key takeaways from the pandemic is how PNB remained focused on shaping recovery and helping customers rebuild their financial health and security. PNB has not wavered in its commitment even with the increasingly uncertain business environment, made more complex by technology disruptions, competition, and evolving risk parameters and regulations.

PNB continuously 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 defined, documented and clearly communicated in its 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 Acting President is Florido P. Casuela. He assumed the position on July 5, 2022. As Acting President, 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 Acting President can be found on the Profiles of the Board of Directors.

Our Governance Structure

GRI 2-9, 2-11

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 Edgar A. Cua Domingo H. Yap Isabelita M. Papa

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 Domingo H. Yap

BOARD OVERSIGHT RPT COMMITTEE

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

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 Federico C. Pascual Wilfrido E. Sanchez Felix Enrico R. Alfiler

TRUST COMMITTEE

Chairperson	Members	
Sheila T. Pascual *Non-Executive Director*	Leonilo G. Coronel Vivienne K. Tan Federico C. Pascual	Wilfrido E. Sanchez Florido P. Casuela Felix Enrico R. Alfiler

BOARD IT GOVERNANCE COMMITTEE

Chairperson	Members	
Vivienne K. Tan *Non-Executive Director*	Lucio C. Tan III Edgar A. Cua Isabelita M. Papa	Florido P. Casuela Felix Enrico R. Alfiler

BOARD STRATEGY AND POLICY COMMITTEE

Chairperson	Members	
Felix Enrico R. Alfiler *Non-Executive Director*	Federico C. Pascual Florido P. Casuela Leonilo G. Coronel Edgar A. Cua Isabelita M. Papa Sheila T. Pascual	Wilfrido E. Sanchez Lucio C. Tan III Michael G. Tan Vivienne K. Tan Domingo H. Yap

MANAGEMENT COMMITTEE

Chairperson	Members	
Florido P. Casuela *Executive Director and Acting President*	Cenon C. Audencial, Jr. Roberto D. Baltazar Isagani A. Cortes Aida M. Padilla Manuel C. Bahena, Jr. Ma. Adelia A. Joson Jose German M. Licup Maria Paz D. Lim Noel C. Malabag Roland V. Oscuro Nanette O. Vergara Reynaldo C. Burgos Claro P. Fernandez Aidell Amor R. Gregorio	Celeste Marie V. Lim Michael M. Morallos Jennifer Y. Ng Philip S. Pabelico Joy Jasmin R. Santos Damasen Paul C. Cid Juliet S. Dytoc Analisa I. San Pedro Socorro D. Corpus Yolanda M. Albano Manuel Antonio G. Lisbona Gerry B. Valenciano Alexander Grenz

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 four Board Advisors: Florencia G. Tarriela, 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-level committees in the conduct of their meetings; but more importantly in recording the proceedings of these meetings. She plays a significant role in supporting the Board in discharging its duties and responsibilities. Her functions include the safekeeping 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. She is also responsible for providing regulators with required periodic reports as well as necessary and relevant information on material transactions.

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 the Global Compliance Group and is 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), who directly reports to the Risk Oversight Committee (ROC), is primarily responsible to design and oversee the Bank's risk management program. This includes, but is not limited to, the risk policies/analysis/methodologies, risk management infrastructure and governance to fully support the Bank's strategic objectives and risk-taking activities. The head of the Risk Management Group is Juliet S. Dytoc who assumed the position in 2023.

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 Chief Audit Executive of PNB is Analisa I. San Pedro, who has held the position since 2022.

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 Acting President, 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

GRI 3-3, 405-1

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 Acting President has executive responsibility of day-to-day operations 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.

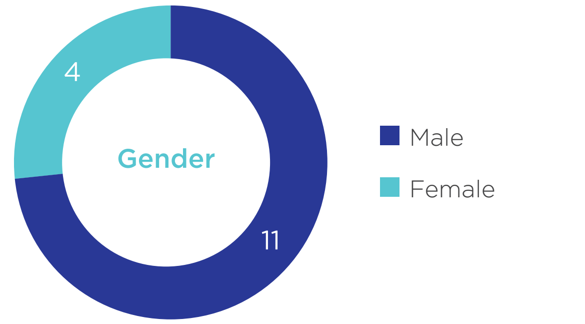
The Corporate Governance and Sustainability Committee reviewed the composition and membership of the Board and Board committees and identified the quality, existing competencies, and skillsets of directors aligned with the Bank's strategic direction.

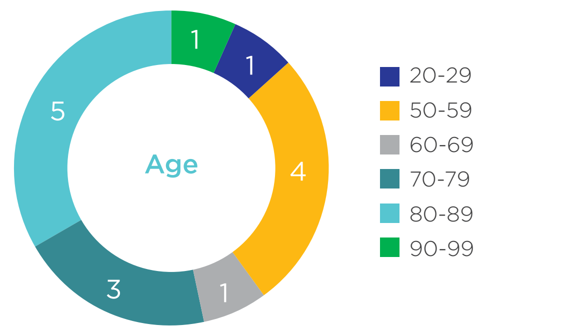
At the PNB Annual Stockholders' Meeting (ASM) held on April 26, 2022, the stockholders approved the re-election of then-incumbent 15 members of the Board of Directors (BOD).

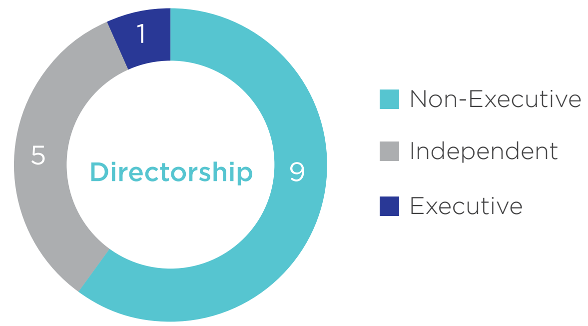
Following the April 2022 ASM, the BOD conducted a series of organizational reviews of the chairmanship, membership and overall composition of the Board-level Committees. The composition of the eight Board-level committees has remained compliant with the applicable regulations issued by the Bangko Sentral ng Pilipinas (BSP) and Securities and Exchange Commission (SEC), and the standards set by the ASEAN Corporate Governance Scorecard. The latest composition can be found under the Board Committees section of this report.

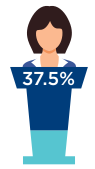
On July 5, 2022, Mr. Jose Arnulfo A. Veloso stepped down as President & Chief Executive Officer of PNB and, consequently, as a member of the PNB Board, in view of his appointment by the President of the Republic of the Philippines to the Government Service Insurance System as its President and General Manager. Mr. Veloso was a member of the Executive Committee, the Board Strategy and Policy Committee, the Trust Committee, and the Board IT Governance Committee.

In view of Mr. Veloso's resignation, Mr. Florido P. Casuela was appointed by the Board as Acting President effective July 5, 2022.









3 out of 8 Board Committees are chaired by women.

On December 29, 2022, Mr. Felix Enrico R. Alfiler was elected as the 15th member of the Board as a non-executive director. Prior to his election, Mr. Alfiler served as a Board Advisor of PNB from April 27, 2021 to December 28, 2022; further, he was an Independent Director of PNB from January 1, 2012 to April 26, 2021.

Skills, Competency, and Diversity

GRI 3-3, 405-1

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 also ensures 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, 2022, the Bank met the above-mentioned diversity targets. We maintain to 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, tax and legal expertise, manufacturing, real estate, and tobacco.

Nomination and Election of Directors

GRI 2-10

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 among 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, clarity 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 2022, the Board held a total of eighteen meetings: twelve regular meetings, five 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	18	100.00
Leonilo G. Coronel	18	100.00
Florido P. Casuela	18	100.00
Edgar A. Cua	18	100.00
Estelito P. Mendoza	14	77.78
Isabelita M. Papa	18	100.00
Wilfrido E. Sanchez	18	100.00
Carmen K. Tan	17	94.44
Lucio C. Tan	17	94.44
Lucio C. Tan III	16	88.89
Michael G. Tan	18	100.00
Sheila T. Pascual	16	88.89
Vivienne K. Tan	18	100.00
Domingo H. Yap	18	100.00
Felix Enrico R. Alfiler	- [a]	-
Jose Arnulfo A. Veloso[b]	10	100.00

[a] Appointed as member of the Board effective December 29, 2022
[b] Stepped down from the board effective July 5, 2022

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, with the independent directors, was held on March 3, 2022 with the external auditors (SGV) when the latter presented the result of the 2021 audited financial statement review.

Remuneration

GRI 2-19

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 2022 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.

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 years. After which, the independent director shall be perpetually barred from serving as independent director in the Bank but may continue to serve as a regular director. The 9-year maximum cumulative term for independent directors shall be reckoned from 2012. As of December 31, 2022, the Bank has no independent director who has served for more than nine years.

Board Performance Evaluation

GRI 2-18

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 and is also a platform to address and discuss specific areas/ components that the Board/director needs to improve on.

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, sustainability 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 and to the Board of Directors.

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, the Bank engages every three years an external entity to assess the structure, processes, dynamics, roles, and overall performance of the Board and further align our governance framework with best practices.

Orientation and Continuing Education

GRI 2-17

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, 2022, all directors complied with the 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, the Association of Bank Compliance Officers (ABCOMP), and Center for Global Best Practices (CGBP). Certificates of attendance have been submitted to SEC and disclosed to PSE.

Name	Program	Date	Host / Training Institution
Federico C. Pascual	Corporate Governance Seminar	September 14, 2022	SGV & Co.
Leonilo G. Coronel	Corporate Governance Seminar	September 14, 2022	SGV & Co.
Florido P. Casuela	Corporate Governance Seminar	September 14, 2022	SGV & Co.
Edgar A. Cua	Corporate Governance Seminar	September 14, 2022	SGV & Co.
Estelito P. Mendoza	Corporate Governance Seminar	November 11, 2022	CGBP
Isabelita M. Papa	Corporate Governance Seminar	September 14, 2022	SGV & Co.
Wilfrido E. Sanchez	Corporate Governance Seminar	September 14, 2022	SGV & Co.
Carmen K. Tan	Corporate Governance Seminar	September 14, 2022	SGV & Co.
Lucio C. Tan	Corporate Governance Seminar	September 14, 2022	SGV & Co.
Lucio C. Tan III	Corporate Governance Seminar	October 21, 2022	CGBP
Michael G. Tan	Corporate Governance Seminar	September 14, 2022	SGV & Co.
Sheila T. Pascual	Corporate Governance Seminar	September 14, 2022	SGV & Co.
Vivienne K. Tan	Corporate Governance Seminar	September 14, 2022	SGV & Co.
Felix Enrico R. Alfiler *	Corporate Governance Seminar	September 14, 2022*	SGV &Co.
Domingo H. Yap	Corporate Governance Seminar	September 14, 2022	SGV & Co.
Ruth Pamela E. Tanghal	Corporate Governance Seminar	September 14, 2022	SGV & Co.

* Appointed as Member of the Board of Directors effective December 29, 2022. Attended as board advisor.

Shareholdings

A director is required to advise the Corporate Secretary of his or her shareholdings in the Bank within three business days after his or her appointment or any acquisition, disposal, or change in his or her shareholdings. In this regard, all directors shall disclose and report to the Bank any dealings in the Bank's shares within three 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	Shareholdings as of December 31, 2022	% of Shares Held to Total Outstanding Shares of Bank	Shareholdings as of December 31, 2021	% of Shares Held to Total Outstanding Shares of Bank
Federico C. Pascual	39	0.0000025561	39	0.0000025561
Leonilo G. Coronel	1	0.0000000655	1	0.0000000655
Florido P. Casuela	162	0.0000106176	162	0.0000106176
Edgar A. Cua	100	0.0000065541	100	0.0000065541
Estelito P. Mendoza	1,150	0.0000753720	1,150	0.0000753720
Isabelita M. Papa	1	0.0000000655	1	0.0000000655
Wilfrido E. Sanchez	1	0.0000000655	1	0.0000000655
Carmen K. Tan	5,000	0.0003277045	5,000	0.0003277045
Lucio C. Tan	14,843,119	0.9728313639	14,843,119	0.9728313639
Lucio C. Tan III	300	0.0000196623	300	0.0000196623
Michael G. Tan	62,250	0.0040799210	62,250	0.0040799210
Sheila T. Pascual	110	0.0000072095	110	0.0000072095
Vivienne K. Tan	10	0.0000006554	10	0.0000006554
Felix Enrico R. Alfiler *	5	0.00000032771	-	-
Domingo H. Yap	1	0.0000000655	1	0.0000000655

* Appointed as member of the Board of Directors effective December 29, 2022.

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, 2022, 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				M		C	M	M
Florido P. Casuela		M		M		VC	M	M Ex-Officio
Edgar A. Cua	VC	M	M	M	M		C	
Estelito P. Mendoza								
Isabelita M. Papa	C	M		M	M		VC	
Wilfrido E. Sanchez			VC	M	VC	M (Non-voting)	M (Non-voting)	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		C
Vivienne K. Tan		C		M		M	M	M
Felix Enrico R. Alfiler [a]		M		C		M		M
Domingo H. Yap			C	M	M		M (Non-voting)	
Jose Arnulfo A. Veloso [b]		M		M		M		M

Legend:
C – Chairman
VC – Vice Chairman
M – Member
[a] Appointed as member of the Board effective December 29, 2022
[b] Stepped down from the Board effective July 5, 2022.

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 2022, BACC held a total of 20 meetings: 11 regular meetings, 7 special meetings and 2 joint 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. For matters requiring the Committee's approval and/or endorsement for Board approval, the Chairperson shall call the matter to a vote during the said meeting. In the event the votes are tied, the Chairperson shall cast his or her vote to break the tie.

Name	Role	No. of meetings attended	% Present
Isabelita M. Papa	Chairman, Independent Director	20	100.00
Edgar A. Cua	Vice Chairman, Independent Director	20	100.00
Michael G. Tan	Member, Non-executive Director	20	100.00

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 affiliate.
- 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 2022, BITGC held a total of 12 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. For acts or management recommendations that need urgent approval or endorsement, the Chairperson shall call the matter to a vote during the said meeting. In the event the votes are tied, the Chairperson shall cast his or her vote to break the tie.

Name	Role	No. of meetings attended	% Present
Vivienne K. Tan	Chairman, Non-executive Director	11	91.67
Lucio C. Tan III	Vice Chairman, Non-executive Director	10	83.33
Edgar A. Cua	Member, Independent Director	12	100.00
Isabelita M. Papa	Member, Independent Director	12	100.00
Florido P. Casuela	Member, Executive Director	12	100.00
Felix Enrico R. Alfiler	Member, Non-executive Director	- [a]	-
Jose Arnulfo A. Veloso	Member, Executive Director	5 [b]	83.33

[a] Appointed as member of the committee effective December 29, 2022.
[b] Stepped down as member of the committee effective July 5, 2022.

Board Oversight RPT Committee (BORC)

GRI 2-15

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 2022, BORC held a total of 14 meetings: 12 regular and 2 special 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. For acts or management recommendations that need urgent approval or endorsement, the Chairperson shall call the matter to a vote during the said meeting. In the event the votes are tied, the Chairperson shall cast his or her vote to break the tie.

Name	Role	No. of meetings attended	% Present
Domingo H. Yap	Chairman, Independent Director	14	100.00
Wilfrido E. Sanchez	Vice Chairman, Independent Director	8 (a)	100.00
Federico C. Pascual	Member, Independent Director	14	100.00
Edgar A. Cua	Member, Independent Director	14	100.00
Isagani A. Cortes	Non-voting Member	12	86.00
Analisa I. San Pedro	Non-voting Member	14	100.00

(a) 8 out of 8; Appointed to the committee as a member on April 26, 2022. Appointed as Vice Chairman on December 29, 2022.

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 12 members: five independent directors, 6 non-executive directors and one executive director.

Meetings and Attendance:

- In 2022, BSPC held a total of 39 meetings: 22 regular meetings, 6 special meetings and 11 joint 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. For acts or management recommendations that need urgent approval or endorsement, the Chairperson shall call the matter to a vote during the said meeting. In the event the votes are tied, the Chairperson shall cast his or her vote to break the tie.

Name	Role	No. of meetings attended	% Present
Felix Enrico R. Alfiler	Chairman, Non-executive Director	- (a)	-
Federico C. Pascual	Vice Chairman, Independent Director	39	100.00
Florido P. Casuela	Member, Executive Director	39	100.00
Leonilo G. Coronel	Member, Non-executive Director	39	100.00
Edgar A. Cua	Member, Independent Director	39	100.00
Isabelita M. Papa	Member, Independent Director	39	100.00
Sheila T. Pascual	Member, Non-executive Director	36	92.31
Wilfrido E. Sanchez	Member, Independent Director	39	100.00
Lucio C. Tan III	Member, Non-executive Director	29	74.36
Michael G. Tan	Member, Non-executive Director	39	100.00
Vivienne K. Tan	Member, Non-executive Director	39	100.00
Domingo H. Yap	Member, Independent Director	32 (b)	100.00
Jose Arnulfo A. Veloso	Member, Executive Director	16 (c)	100.00

(a) Appointed as member of the committee effective December 29, 2022.
(b) 32 out of 32. Appointed as a member of the committee on April 26, 2022
(c) Stepped down as member of the committee effective July 5, 2022.

Corporate Governance and Sustainability Committee

GRI 2-12

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 2022, the committee held a total of 14 meetings: 12 regular meetings and 2 special 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. For acts or management recommendations that need urgent approval or endorsement, the Chairperson shall call the matter to a vote during the said meeting. In the event the votes are tied, the Chairperson shall cast his or her vote to break the tie.

Name	Role	No. of meetings attended	% Present
Federico C. Pascual	Chairman, Independent Director	14	100.00
Wilfrido E. Sanchez	Vice Chairman, Independent Director	14	100.00
Edgar A. Cua	Member, Independent Director	9 (a)	100.00
Domingo H. Yap	Member, Independent Director	13	92.86
Isabelita M. Papa	Member, Independent Director	14	100.00

(a) 9 out of 9. Elected as a member of the committee effective April 26, 2022

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 2022, the Executive Committee held a total of 49 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. For acts or management recommendations that need urgent approval or endorsement, the Chairperson shall call the matter to a vote during the said meeting. In the event the votes are tied, the Chairperson shall cast his or her vote to break the tie.

Name	Role	No. of meetings attended	% Present
Leonilo G. Coronel	Chairman, Non-executive Director	49	100.00
Florido P. Casuela	Vice Chairman, Executive Director	49	100.00
Sheila T. Pascual	Member, Non-executive Director	45	91.84
Lucio C. Tan III	Member, Non-executive Director	40	81.63
Michael G. Tan	Member, Non-executive Director	48	97.96
Vivienne K. Tan	Member, Non-executive Director	49	100.00
Federico C. Pascual	Non-voting Member, Independent Director	48	97.96
Wilfrido E. Sanchez	Non-voting Member, Independent Director	49	100.00
Felix Enrico R. Alfiler	Member, Non-Executive Director	-[a]	-
Jose Arnulfo A. Veloso	Member, Executive Director	22[b]	88

[a] Appointed as member of the committee effective December 29, 2022.
[b] Stepped down as member of the committee effective July 5, 2022.

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 affiliate.

Structure and membership:

- Consists of seven members: four independent directors, two non-executive directors and one executive director
- 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 2022, ROC held a total of 33 meetings: 24 regular meetings and 9 joint 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. For acts or management recommendations that need urgent approval or endorsement, the Chairperson shall call the matter to a vote during the said meeting. In the event the votes are tied, the Chairperson shall cast his or her vote to break the tie.

Name	Role	No. of meetings attended	% Present
Edgar A. Cua	Chairman, Independent Director	33	100.00
Isabelita M. Papa	Vice Chairman, Independent Director	33	100.00
Florido P. Casuela	Member, Executive Director	33	100.00
Leonilo G. Coronel	Member, Non-Executive Director	33	100.00
Wilfrido E. Sanchez	Member, Independent Director	24[a]	100.00
Vivienne K. Tan	Member, Non-Executive Director	32	96.97
Domingo H. Yap	Member, Independent Director	23[b]	95.83

[a] 24 out of 24: Appointed as member of the committee until April 25, 2022. Re-elected as a member on August 26, 2022
[b] Appointed as member of the committee effective April 26, 2022.

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 2022, the Trust Committee held a total of 12 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. For acts or management recommendations that need urgent approval or endorsement, the Chairperson shall call the matter to a vote during the said meeting. In the event the votes are tied, the Chairperson shall cast his or her vote to break the tie.

Name	Role	No. of meetings attended	% Present
Sheila T. Pascual	Chairman, Non-executive Director	11[a]	91.67
Leonilo G. Coronel	Member, Non-executive Director	11	91.67
Vivienne K. Tan	Member, Non-executive Director	9	75.00
Federico C. Pascual	Non-voting Member, Independent Director	11	91.67
Wilfrido E. Sanchez	Non-voting Member, Independent Director	11	91.67
Florido P. Casuela	Ex-officio, Executive Director	12[b]	100.00
Felix Enrico R. Alfiler	Member, Non-Executive Director *	- [c]	-
Joy Jasmin R. Santos	Ex-officio, Chief Trust Officer	12	100.00
Jose Arnulfo A. Veloso	Member, Executive Director	6[d]	100

[a] 5 out of 6 from her election as Chairman effective July 5, 2022
[b] 6 out of 6 as Chairman; Appointed as ex-officio member effective July 5, 2022
[c] Appointed as member of the committee effective December 29, 2022.
[d] Stepped down as member of the committee effective July 5, 2022.

MANAGEMENT COMMITTEE

As the highest-ranking officer in the organization, the Acting President 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 Acting President in the implementation of the overall strategy and oversees the management and affairs of the Bank. The 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.

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. In concurrent capacity, he is 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.

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

A strong and independent oversight is established at all levels within the Bank. Below provides a list of the Management Committees:

- Acquired Asset Disposal Committee (AADC)
- Annual Institutional Top Performance Awards Committee
- Asset and Liability Committee (ALCo)
- Asset Disposal Committee (Head Office)
- Capital Management Sub-Committee
- Committee on Accreditation of Overseas Remittance Agent-Selection of Expatriate Personnel and Branch Site (Overseas)
- Committee on Decorum and Investigation (CoDI)
- Domestic Branch Site Selection Committee (DBSSC)
- Ethical Standards Committee (ESC)
- Financial Crime Risk Review Committee (FCRRC)
- Institutional Banking Sector Credit Committee (IBSCC)
- Institutional Transaction Banking Group Steering Committee
- IT Evaluation Committee (ITEC)
- IT Project Prioritization Committee
- Management Committee (ManCom)
- Management Risk Committee (MRC)
- Metro Manila Commercial Credit Committee
- Occupational Safety, Health, and Family Welfare Committee
- Operations Committee (OpCom)
- PNB Retirement Fund Board
- PNB Service Excellence Awards Selection Committee
- PNB Succession Management Program – Talent Board
- Procurement Committee
- Promotion Committee A
- Promotion Committee B
- Promotion Committee C
- Provincial Commercial Credit Committee (PCCC) for Luzon Accounts
- Provincial Commercial Credit Committee (PCCC) for Visayas and Mindanao Accounts
- Retail Banking Sector Credit Committee (RBSCC)
- Senior Management Credit Committee (SMCC)
- Technology Committee (TechCom)

COMPLIANCE

GRI 2-27, 3-3

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 business and affairs, exercising prudence in arriving at decisions, enforcing internal discipline and a system of checks and balances in operating processes, and upholding transparency and accountability to various stakeholders, including customers, investors, stockholders, and 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 because 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 which shall be the responsibility and shared accountability of all employees, management and the Board of Directors.

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 five divisions: Financial Crime Risk, Regulatory Compliance Risk, 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 further 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

Due to the high risk of money laundering, terrorist financing/weapons of mass destruction, proliferation financing, bribery, and corruption locally and overseas, the mitigation of financial crime risks is crucial in preserving the integrity of the financial system.

A robust financial crime compliance effort provides added protection to the Bank from the risks associated to existing and potential customers. Appropriate governance of all matters pertaining to financial crimes are properly implemented as these concerns are timely presented to the Board Audit and Compliance Committee for its approval or notation. This is to ensure that the institution shall not be used as a conduit for money laundering and terrorist financing by having adequate controls, systems, policies and mechanisms in place.

The Financial Crime Risk Division (FCRD) encompasses five key areas: anti-money laundering, counter terrorist financing, sanctions, anti-bribery and corruption, and tax transparency; and this was expanded to cover not only money laundering, but also other forms of financial crime. To mitigate the different risks, the division ensures an end-to-end robust control framework is in place and is embedded enterprise-wide. The division also provides trainings to upskill and retool employees and to keep them abreast in the changes in policies and procedures set forth by legislation, regulations, banking guidance, and global best practices.

Regulatory Compliance Risk

The Regulatory Compliance Risk Division (RCRD) 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

Compliance Assurance Division (CAD)'s primary responsibility is to review and assess a business unit's compliance with applicable rules and regulations, prescribed practices, internal policies and procedures, or ethical standards in relation to regulatory and money laundering/terrorist financing risks. CAD's testing reviews mitigate risks that may erode the franchise value of PNB by providing recommendations on areas of non-compliance and inadequate controls after the proper identification of root causes of these findings. Compliance Assurance's testing coverage is determined by the results of the Risk and Control Self-Assessment (RCSA) performed by the business units and subjected to review and challenge by RCRD and FCRD and Risk Management Group. Special reviews may be conducted as instructed by the Chief Compliance Officer, Senior Management, the Board Audit & Compliance Committee and/or the Board of Directors.

Compliance Operations

The Compliance Operations Division is responsible for the management and oversight of the GCG's administration, issues management, risk assessments, data governance, management information, data analysis, and regulatory reporting.

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 role instituted by the Bangko Sentral ng Pilipinas (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 of the effectiveness of the Fraud Risk Management Framework of the organization. IAG achieves this through the competent application of systematic and disciplined processes, expertise, and insight.

IAG maintains its independence from the responsibilities of management and it reports functionally 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. Internal audit's independence from the responsibilities of management is critical to its objectivity, authority, and credibility. It is established through: accountability to the governing body; unfettered access to people, resources, and data needed to complete its work; and freedom from bias or interference in the planning and delivery of audit services.

On the other hand, external assurance providers (external auditors) provide additional assurance to: a) satisfy regulatory expectations that serve to protect the interests of the stakeholders and b) satisfy requests by management and the governing body to complement internal sources of assurance. 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.

Internal Audit Group aligns and collaborates its audit activities and maintains open communication line with the external auditors.

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 to 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 to the Bank's Articles of Incorporation and By-Laws, (ii) authorization on issuance of additional shares, and (iii) transfer or other mode of disposition of all or substantially all assets of the Bank.

The rights and responsibilities of shareholders are discussed in detail in the PNB Corporate Governance Manual and PNB 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 26, 2022.

Before the ASM

On January 28, 2022, the Board of Directors approved the holding of the ASM on April 26, 2022 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 29, 2022 to March 30, 2022 in The Philippine Star and in the BusinessWorld, and from April 7, 2022 to April 13, 2022 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.

All 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 2022 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 included in 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 26, 2022. The Minutes of the ASM were uploaded to the Bank's website on April 28, 2022. 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 makes use of the print, broadcast and online media as main communication channels because of their extensive reach and accessibility. The bank distributes press releases or announcements through these channels to inform the various stakeholders of the Bank about relevant news and updates. In 2022, the bank released 15 press releases. As necessary, the bank holds press briefings and interviews with journalists. Also, the bank regularly shares economic views and insights from the Bank Economist to banking and finance beat reporters, as part of our contribution to their economic reports.

Investor Relations

Investor relations enable the Bank to keep the communication and information open with investors and help 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/issues 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 2022, PNB 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. In addition, PNB replied to various queries from investors/analysts.

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 18, 2022	Virtual Analysts' Briefing on the LTG Companies' 2021 Full-Year Financial Results
May 13, 2022	Virtual Analysts' Briefing on the LTG Companies' 2022 Three-Month Financial Results
August 12, 2022	Virtual Analysts' Briefing on the LTG Companies' 2022 Six-Month Financial Results
November 11, 2022	Virtual Analysts' Briefing on the LTG Companies' 2022 Nine-Month Financial Results

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, by-laws, 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

GRI 2-26
FN-CB-510a.2

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

GRI 3-3, 205-1

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

GRI 3-3

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 Bank's Consumer Protection Risk Management System (CPRMS) and the 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 and 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.

Consumer assistance mechanisms 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 have been incorporated to ensure customer satisfaction and retention is achieved. A monthly summary is reported to the Management Committee and to the Risk Oversight Committee for transparency and evaluation.

In 2022, synergy between key point persons from concerned offices with the usual top complaints was established. Monthly report on Customer Engagement and Consolidated Complaints Report was also enhanced to include key results indicators with Red-Amber-Green (RAG) Rating to establish a measure of success of concerned offices handling customer concerns based on standard parameters.

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 through 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.

Outsourcing and Vendor Management

GRI 2-6, 3-3

The partnership of the Accreditation and Vendor Management Department of the Corporate Services Division (CSD) and Vendor Risk Monitoring Department (VRMD) of the Risk Management Group was strengthened this year. Working hard in coordination with the stakeholders and the business units, PNB was able to maintain an efficient working relationship and safe working environment with its suppliers, vendors, and third-party service providers.

The vendor-onboarding process is on track to comply with the BSP requirements and to ensure that the Bank has chosen the best providers. PNB also continues to develop its processes by streamlining the requirements, allowing no controls to be compromised. All concerns have been taken into consideration and were adopted to the process improvement. CSD and VRMD continuously provide guidance to maintain the effectiveness of monitoring and oversight activities.

The outsourcing and vendor management were also partially automated by launching third-party risk management modules in the Governance, Risk and Compliance (GRC) system. Full implementation of the module is expected to take place in 2023.

Selection Process for Senior Management

GRI 3-3

The bank recognizes that employees are its most valuable resource. PNB remains consistent in its effort to ensure a steady pool of qualified and competent talents who will sustain the leadership and improve the performance of the bank, resulting in excellent customer service and increase in shareholder value. Before a senior officer (with rank of Vice President and up) is appointed, suitable candidates are identified from various sources. Interviews will 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 qualifications and capabilities of the candidates, including other factors to be considered in the selection. Once candidate is selected, submission of all requirements will be completed as well as faithful adherence to all the conditions of regulatory bodies. 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 & 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
GRI 3-3, 404-2

While the pandemic has permanently changed the workplace, the Bank's Learning and Development (L&D) team has consistently strived and thrived throughout the year 2022.

The PNB Institute for Banking Excellence (IBE) conducted various trainings in the form of Face-to-Face (F2F) sessions and Virtual instructor-led Trainings (VILTs) using the MS Teams platform. These were for technical and soft skills development as the Bank was continuing the shift to cater to a hybrid workplace. For highly specialized topics, out-of-house training programs were also made available.

The Learning and Development programs were further supplemented by courses offered in the e-learning platform, LinkedIn Learning, which provides on-demand online learning content available 24/7/365. Regulatory training topics such as the Anti-Money Laundering (AML) Home Study Program and Information Security Awareness Training (ISAT) were integrated in the platform as well.

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.

The mentoring program was also re-launched, guided by the framework for modern mentoring in the context of an Asian culture and following internationally accepted principles and practices. 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
GRI 2-19

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
GRI 3-3, 401-2

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
GRI 3-3, 401-2

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 for 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, and the guaranteed bonuses equivalent to a three-month salary.

Retirement
GRI 201-3

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 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 ten (10) 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.

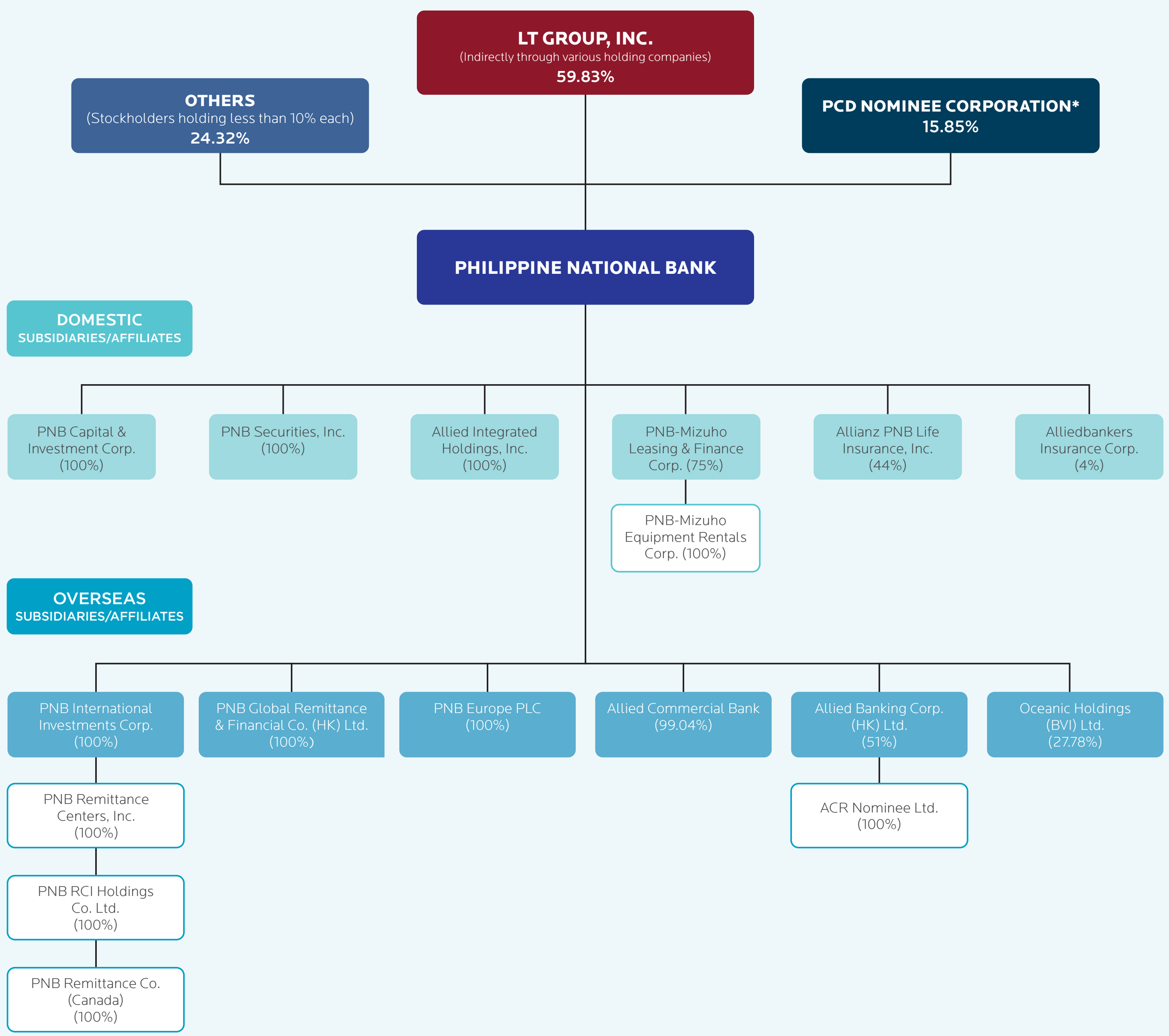
PNB Shareholdings of Holding Companies Under LT Group, Inc.

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

GRI 2-2

As of December 31, 2022



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

Note:

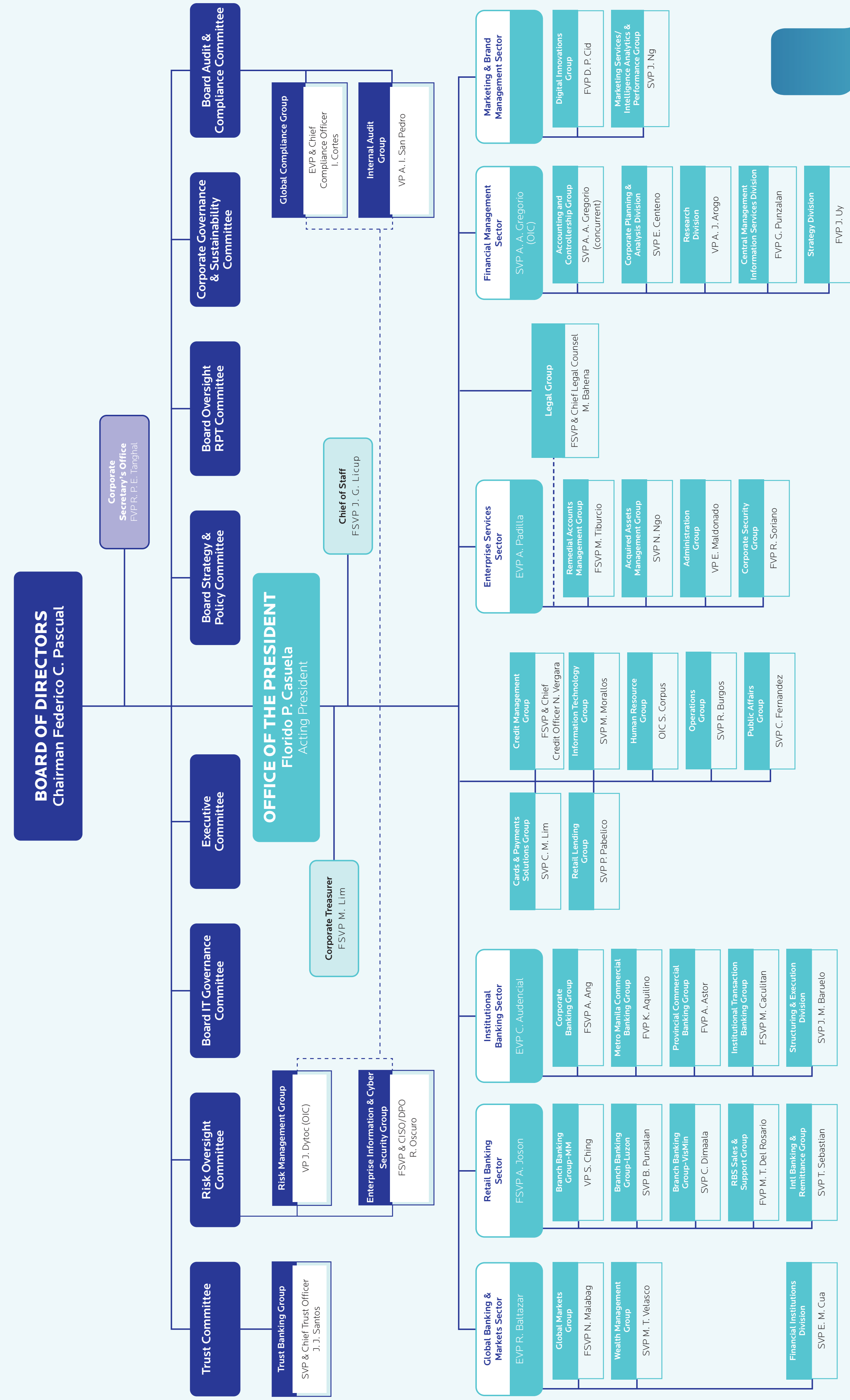
Dormant Overseas Subsidiary
1. PNB Corp. Guam

Magkaisa sa Pagsulong Ng Bayan

TABLE OF ORGANIZATION

GRI 2-2

As of January 31, 2023



PNB SUSTAINABILITY REPORT

At PNB, we remain committed to create shared value with our stakeholders.

OUR SUSTAINABILITY PERFORMANCE AT A GLANCE

ECONOMIC AND GOVERNANCE

1 NO POVERTY; 2 ZERO HUNGER	SDG 1: No Poverty SDG 2: Zero Hunger	• PhP62.1 Bn or 12.3% of total loan portfolio supports agricultural production, food manufacturing, wholesale/retail food selling, and food-related activities
3 GOOD HEALTH AND WELL BEING	SDG 3 : Good Health and Well-being	• PhP1.28 Bn or 0.3% of the total loan portfolio supports medical facilities and health programs
5 GENDER EQUALITY	SDG5: Gender Equality	• 59.13% of employees at management level are female • 26% of Board Members and Board Advisors are female • 3 out of 8 Board Committees are chaired by women
6 CLEAN WATER AND SANITATION	SDG 6: Clean Water and Sanitation	• PhP4.6 Bn or 0.9% of the total loan portfolio supports water collection and supply, and wastewater treatment and disposal
7 AFFORDABLE AND CLEAN ENERGY	SDG 7: Affordable and Clean Energy	• PhP73.4 Bn or 14.5% of total loan portfolio supports power transmission, generation and distribution (of which Clean Energy is P4.1B or 0.8% of the total loan portfolio)
8 DECENT WORK AND ECONOMIC GROWTH	SDG 8: Decent Work and Economic Growth	• PhP19,676 Mn direct economic value generated • PhP9,763 Mn spent in employee wages and benefits
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	SDG 9: Industry, Innovation, and Infrastructure	• PhP128.7 Bn or 25.5% of total loan portfolio supports operation of toll roads and bridges, telecommunications, logistics, and construction companies and construction-related activities.
11 SUSTAINABLE CITIES AND COMMUNITIES	SDG 11: Sustainable Cities and Communities	• PhP19.6 Bn or 3.9% of the total loan portfolio supports green buildings, transportation, and projects of LGUs.
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	SDG 12: Responsible Consumption	• 1,399 accredited vendors / suppliers and third-party service providers
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	SDG16: Peace, Justice and Strong Institution	• Received Four Golden Arrows at the 2022 ACGS Golden Arrow Awards

ENVIRONMENT

SDG 6: Clean Water and Sanitation	• 103.62 megalitres of total water consumed • 153.11 megalitres total of water withdrawn
SDG 7: Affordable and Clean Energy	• 20,471,843.39 KWH of energy consumed
SDG 11: Sustainable Cities and Communities	• 3,946.26 metric tons of non-hazardous wastes generated by domestic and overseas offices and branches
SDG 12: Responsible Consumption	• 183.60 tons of paper used / consumed
SDG 13: Climate Action	• 20,383.37 tCO3 of GHG emissions by PNB domestic and overseas branches and offices

CUSTOMERS

SDG9: Industry, Innovation, and Infrastructure	• 651 domestic branches nationwide and 71 overseas branches and offices in 17 jurisdictions • 1,575 ATMs, 174 CAMs and Corporate CAMs, and 8,367 POS Terminals • 25,341 enrolled users and 6,504 new enrollments in the PNB Cashnet mobile app • 1,508,741 enrolled users and 347,878 new enrollments in the PNB Digital and Account Access Portal
SDG 12: Responsible Consumption	• 100% compliance with the marketing and labeling guidelines of the Bank. • No incidents of non-compliance with regulations and / or voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship.

EMPLOYEES

SDG 3: Good Health and Well-being	• 100% of employees covered by the OHS management system • 16,204,320 safe manhours of employees • No reported incidents of work-related injuries, fatalities, or death
SDG 4:Quality Education	• 8,283 employees underwent 404,506.00 total of training hours • Total average of training hours per employee is 48.83
SDG 5: Gender Equality	• 66% of employees are female • No incidence of reported complaints related to discrimination based on gender
SDG 8: Decent Work and Economic Growth	• 8,318 full-time employees • 100% of employees receive regular performance and career development review • 1,041 employees promoted

SOCIETY

SDG 3: Good Health and Well-being	• 124 emergency runs conducted and 95 individuals needing medical attention were serviced in Misamis Oriental and Bohol through the (2) ambulance donations of PNB to Philippine Red Cross
SDG 4: Quality Education	• 30 decommissioned desktop computers and one laptop donated to Dr. Pablito V. Mendoza Senior HS in Bustos, Bulacan • 14,593 participants attended 207 Financial Literacy / Wellness sessions
SDG 9: Industry, Innovation, and Infrastructure	• 100 communities served by Bank on Wheels
SDG15: Life on Land	• 833 seedlings of falcata tree (paraserianthes falcataria) were planted by the Philnabankers in Brgy Mamuyao, Tanay, Rizal • 1,150 forest and fruit-bearing tree seedlings / saplings in the backyards and communities of Philnabankers through the PNB CommuniTree Program

Our Sustainability Journey Continues: An Introduction

Two years into our Three-Year Sustainability Transition Plan, we remain committed to improve the way we do our business and how we operate in communities where we have presence.

Our goal is to ensure that our Bank will grow and become sustainable so we can continue to provide the best financial solutions to our customers across borders and generations. We also want to be able to contribute significantly to the economy, society, and the environment through our business and operations. As such, we continue to improve our products and services, promote good governance, strengthen our risk management system, integrate sustainability principles into various aspects of our operations, and comply with regulatory requirements.

The year 2022 was marked by significant milestones for our Bank. We updated the charters of several board and management committees to align with BSP Circulars 1085 and 1128 on the roles and responsibilities of the Board and the Management; revisited our material sustainability topics for relevance with the participation of our internal and external stakeholders through an online survey; revised the Terms of Reference (TOR) and expanded the membership of our Sustainability Technical Working Group (TWG) and Steering Committee, and embarked on the development of our own Environmental and Social Risk Management System (ESRMS).

Aside from continuing to adopt a hybrid work arrangement for our employees to help them adapt to the "new normal" after the pandemic, we also built our succession planning program and rolled out a mentoring program for our employees to ensure the continuity of business. We also renewed our membership with the Philippine Business Council for Women Empowerment (PBCWE) to help us deliver our commitment to integrate gender equality and inclusion criteria in various areas of operations.

Moreover, we aligned with the Tan Yan Kee Foundation, Inc. (TYKFI), the CSR arm of the Lucio Tan Group of Companies, for our corporate social responsibility activities and initiatives.

We ended the year with recognitions for promoting workplace gender equality and inclusion, practicing good governance, and implementing sustainability-related initiatives.

For the second time, we were awarded by a joint program of the European Union and the UN Women as *Runner-Up for Transparency and Reporting* in the UN Women 2022 Philippines Women's Empowerment Principles (WEPs) Awards on October 20, 2022. Our Bank was cited for our commitment to transparency and reporting that reflects gender data and indicators.

We were also cited as one of the recipients of the ASEAN Asset Class Award during the 2021 ASEAN Corporate Governance Scorecard (ACGS) Regional Virtual Awards held on December 1, 2022. Also, we received the 4 Golden Arrows recognition from the Institute of Corporate Directors (ICD) during the ACGS Golden Arrow Awards Night held on January 20, 2023 for our best corporate governance practices.

In addition, we were honored by Asia Corporate Excellence and Sustainability Awards (ACES) as one of "Asia's Most Influential Companies" last November 18, 2022 for showing genuine interest in the well-being of our stakeholders through corporate social responsibility initiatives that are integrated into our policies and operations, with a high level of employee and top management involvement in our community engagement, environment, and social empowerment programs.

We will continue to work towards building and improving our sustainability framework even after the completion of our Three-Year Sustainability Transition Plan which will be in 2023.

Our aspiration is to make sustainability "business as usual" or BAU for our Bank—to help improve the quality of life of our stakeholders, protect the planet, and ensure that by 2030, PNB would have made a significant contribution to building a sustainable world.

UPDATES ON INTEGRATING SUSTAINABILITY PRINCIPLES IN OUR BUSINESS AND OPERATIONS

Our sustainability journey continued as we entered the second year of implementing our Three-Year Sustainability Transition Plan. Below are the salient activities and initiatives conducted by the Bank in 2022:

1. The Risk Oversight Committee (ROC) and Management Risk Committee (MRC) Charters were updated to include monitoring of sustainability risks. In addition, the Enterprise Risk Management Framework (ERMF) was also reviewed and updated to include, among others, the Bank's sustainability policy as part of the coverage. The updated ERMF was approved by the Board during its December 2022 meeting.
2. We revised the charter of the Bank's Corporate Governance and Sustainability (CorGov) Committee to include sustainability clauses and provisions to align with the requirements of BSP Circulars 1085, 1128, and 1149.
3. General provisions on sustainability financing were included in the charters of the Senior Management Credit Committee, Institutional Banking Sector Credit Committee, Metro Manila Commercial Credit Committee, and Provincial Commercial Credit Committee (with approval from the PNB Chief Credit Officer) in August 2022 to align with the provisions of BSP Circulars 1085 and 1128.
4. Sustainability clauses have been incorporated in the Enterprise Outsourcing and Vendor Risk Management Policy last August 16, 2022. Sustainability risk assessment is included in the Bank's vendor due diligence and periodic oversight exercises. Vendor compliance to ESG is now considered in all vendor assessment activities – from onboarding to annual review to service renewal.
5. The copy of the Bank's sustainability policy was shared with existing and prospective vendors.
6. We conducted ESG portfolio reviews on 1,727 loan accounts, and established baseline data for limit-setting for Medium to High E&S risk accounts and target-setting for green and eligible goals. We continue to review and update our industry limits to incorporate projections of the various lending units.
7. We continued to implement the use of our

ESG screening checklists and forms as part of enhanced due diligence for high and medium E&S risk corporate banking accounts, publicly listed companies, project finance accounts, and commercial banking borrowers. The ESG Scorecard and questionnaires were again updated / enhanced in August 2022.

8. Our Institutional Baking Sector (IBS) developed and launched the Green Ribbon Recognition Program to incentivize Relationship Managers. The objective of this recognition program is to promote and encourage the build-up and booking of pipeline loans that are green and social eligible to promote Sustainable Financing in compliance with BSP Circulars 1085 and 1128.
9. We continued to automate our Bank forms, shift our customers to e-SOA, and migrate our existing customers to the Bank's digital channels. To simplify our processes, we also rolled out the use of Adobe Sign to automate capture of e-signatures through workflow process, and we plan to develop an online platform where housing and auto loan applications are uploaded, processed, and evaluated for approval.
10. We continued to support and service our ESG investors by offering Green Bonds and other investment tools in close coordination with PNB Capital, Inc. such as CITICORE ENERGY REIT Corp. Initial Public Offering Common Shares, Arthaland Corporation Fixed-Rate ASEAN Green Bonds, and CITICORE Energy REIT (CREIT) 5Y-Fixed-Rate ASEAN Green Bonds. We also partnered with PNB Capital to secure Green Bond and company offerings booked through the Philippine Dealing System's Electronic Securities Issue Portal (e-SIP).
11. We continued to offer the PNB US Equity Sustainability Leaders Feeder Fund, a UITF tool which allows our 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, and participated in the BDO ASEAN Sustainability Bonds, RCBC ASEAN Sustainability Bonds, ACEN Green Bonds, and ALCO ASEAN Green Bonds via Investment Management Account (IMA) and Trust arrangements in 2022.
12. We updated the Terms of Reference (TOR) of the Bank's Sustainability Technical Working Group (TWG) and SteerCom to align with the requirements of BSP Circulars 1085, 1128, and 1149. Revisions on the TOR include the change in the Chairmanship of the SteerCom, the creation of the Vice Chairman role, and expansion of the membership to cover business and support units in both the TWG and SteerCom.
13. We revisited and updated our material sustainability topics by conducting a materiality assessment exercise.
14. We engaged the assistance of Tan Yan Kee Foundation, Inc., the CSR arm of the Lucio Tan Group of Companies, and its Subject Matter Experts to help develop the PNB Environmental and Social Risk Management System (ESRMS) and meet the April 2023 deadline of the BSP.

OUR SUSTAINABILITY POLICY

GRI 2-23, 2-24

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, and 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 this sustainability commitment which earned the Bank recognitions from the Institute of Corporate Directors (ICD) and the Securities and Exchange Commission (SEC) for good governance practices and initiatives.

Recognizing the Bank's essential role in helping shape the environment and the social landscape, we believe that our Bank's Sustainability footprint should also extend to our products and services as well as to supporting the businesses and activities of our customers. As such, the Bank commits to support projects and activities that will contribute to the achievement of the 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 impact 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.

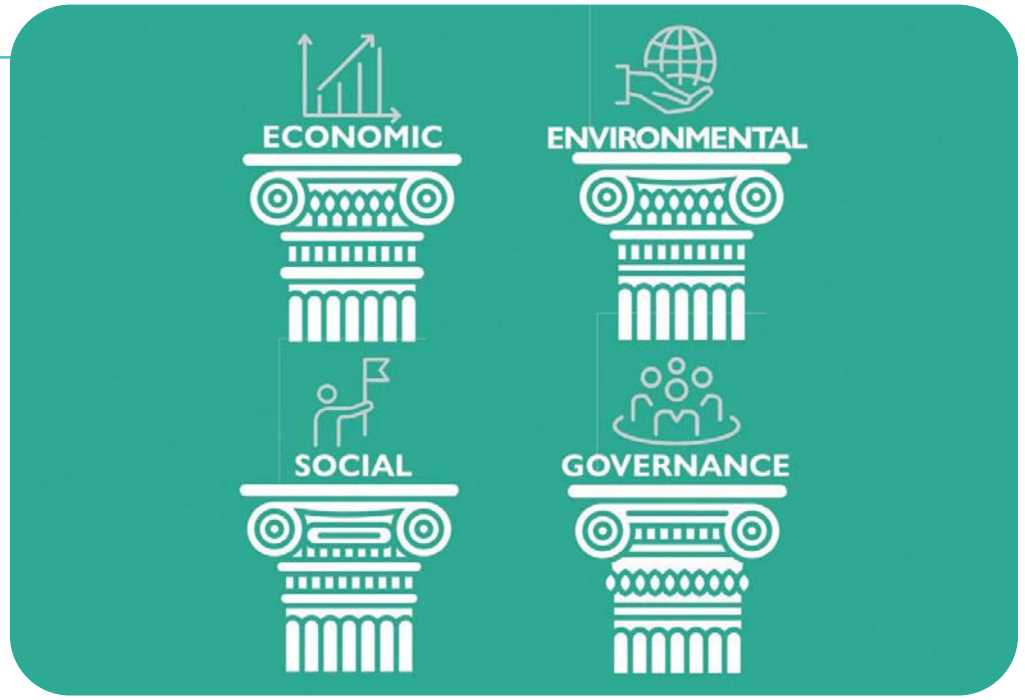
To promote social inclusion and gender equality, the Bank will support and make available socially-inclusive and gender-sensitive financial solutions. The Bank will do this by integrating social inclusion principles and using gender lens in financing businesses; financing or refinancing projects that 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 wherever we are in the world.

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.

This Policy applies to all business and operations of PNB, including activities, initiatives, events, sponsorships, and engagements that the Bank supports.

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 have 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 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, 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 Commitment to our Stakeholders

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, 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 SUSTAINABILITY GLOBAL STANDARDS AND BEST PRACTICES

SDG 17

At PNB, we are committed to improve the way we conduct our business and operate in our communities by aligning with the local and global standards and best practices such as the FATF International Standards on Anti-Money Laundering and Combating the Financing of Terrorism, ASEAN Corporate Governance Scorecard (ACGS), Global Reporting Initiative (GRI) Standards, Sustainable Development Goals (SDGs), and UN Women Empowerment Principles (WEPs) to name a few.

In support of WOMEN'S EMPOWERMENT PRINCIPLES
Established by UN Women and the UN Global Compact Office

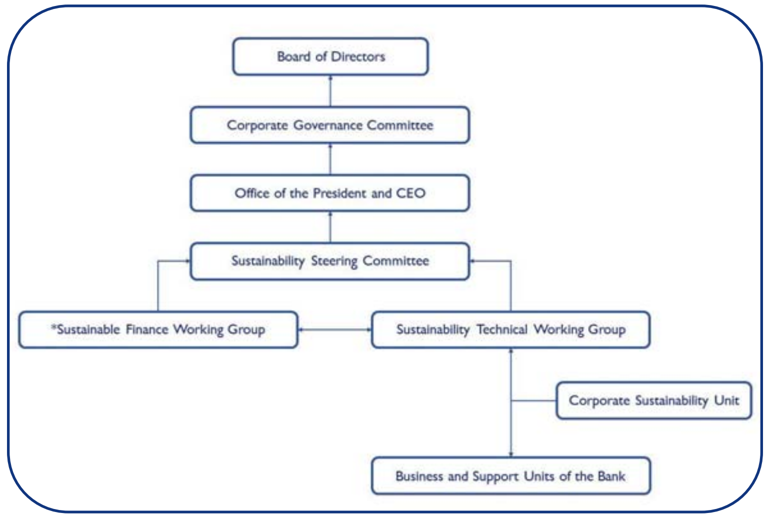
DISCLAIMER: *The views expressed in this publication are those of the authors and do not necessarily represent the views of the UN Global Compact, UN Women or the United Nations.*

OUR SUSTAINABILITY LEADERSHIP STRUCTURE[1]

GRI 2-9, 2-12, 2-13, 2-14, 2-16, 2-24

The Bank's Chairperson and President are our staunch Sustainability champions and drivers. They are at the forefront of the Bank's Sustainability Leadership Structure.

At the Board level, the Bank's Corporate Governance and Sustainability (CorGov) Committee is tasked to promote sustainability advocacies and exercise corporate governance oversight functions. This committee provides guidance and direction to the Bank's management team on integrating sustainability and ESG principles in our scope of business and areas of operations.



At the Management level, PNB has a Sustainability Steering Committee composed of the heads of the various business and support functions. The Steering Committee meets every month to provide technical assistance, guidance, and direction to the Sustainability Technical Working Group (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, the Corporate Governance and Sustainability (CorGov) Committee, and Board of Directors for approval or action.

The Bank's Sustainability TWG, on the other hand, is composed of the one-downs or assigned representatives from various business and support units. The group meets every month to go over sustainability-related issues or concerns of the Bank before presenting or escalating them to the Steering Committee for guidance, notation, and / or to request recommending approval from the Corporate Governance and Sustainability (CorGov) Committee.

Originally formed in 2020 to put together PNB's Three-Year Sustainability Transition Plan, the Sustainability TWG continues to implement sustainability activities and initiatives, as well as monitors the implementation of the Bank's Three-Year Sustainability Transition Plan and Sustainability Framework. The group was also instrumental in the development of the Bank's company-wide Sustainability Policy and Sustainable Finance Framework.

At the helm of the Sustainability TWG is the Corporate Sustainability Unit (CSU) that works closely and in collaboration with the various business and support units of the Bank. Reporting under the Public Affairs Group, 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 (CorGov) Committee. The unit also serves as the central point of all CSR and employee volunteerism-related activities of the Bank.

The CSU reports to both the Corporate Governance and Sustainability (CorGov) Committee and Board of Directors regularly.

In December 2022, upon the instructions of the Corporate Governance and Sustainability (CorGov) Committee and the Office of the President, the Sustainability TWG and Steering Committee Terms of Reference (TOR) were revised to align its leadership, composition, and work to the new guidance contained in BSP Circulars 1085 (Sustainable Finance Framework); 1128 (ESRMS) and 1149 (Guidelines for the Integration of Sustainability Principles in Investment Activities of Banks).

Among the salient revisions on the Terms of Reference (TOR) is the transfer of chairmanship of the Sustainability Steering Committee from the Public Affairs Group Head to the Risk Management Group Head, the creation of the Vice Chairperson position for both the Sustainability Steering Committee and TWG, and the expansion of the Sustainability Steering Committee and TWG composition to include businesses and support groups that will participate in sustainability initiatives, particularly in putting together the ESRMS.

TECHNICAL WORKING GROUP	STEERING COMMITTEE
Chairman: Corporate Sustainability Unit Vice Chairman: Risk Management Group Members: 1. Administration Group – Corporate Services Division and Building Facilities Department 2. Credit Management Group 3. Enterprise Information and Cyber Security Group 4. Financial Management Sector - Corporate Planning and Analysis Division 5. Global Compliance Group 6. Global Markets Group 7. Human Resource Group 8. Information Technology Group 9. Internal Audit Group 10. Institutional Banking Sector 11. International Banking and Remittance Group 12. Operations Group 13. Public Affairs Group 14. Retail Banking Sector – Sales and Support Services Division 15. Retail Lending Group 16. Trust Banking Group 17. Wealth Management Group	Chairman: Risk Management Group Head Vice Chairman: Credit Management Group Head Members: 1. Institutional Banking Sector Head 2. Global Compliance Group Head 3. Retail Banking Sector Head 4. Global Markets Group Head 5. Enterprise Information and Cyber Security Group Head 6. Financial Management Sector Head 7. Public Affairs Group Head 8. Trust Banking Group Head 9. Wealth Management Group Head 10. Information Technology Group Head 11. Retail Lending Group Head 12. Operations Group Head 13. International Banking and Remittance Group Head 14. Internal Audit Group Head 15. Administration Group Head 16. Human Resource Group

OUR REPORT COVERAGE AND PARAMETERS

GRI 2-3

This Sustainability Report is prepared in accordance with the Global Reporting Initiative (GRI) Standards and the sustainability reporting guide provided by the Philippine Securities and Exchange Commission (SEC) through Memorandum Circular No. 4, Series of 2019. This report also incorporates the reporting standards and metrics created by the Sustainable Accounting Standards Board (SASB) and the Task Force on Climate-related Financial Disclosures (TFCD).

This report covers our domestic and overseas operations, and reflects our significant financial, social, and environmental contributions from January 1 to December 31, 2022.

[1] *The Sustainability Finance Working Group or SFWG, a sub-group of the Sustainability TWG of the Bank has not yet been activated in 2022.*

ENGAGING OUR STAKEHOLDERS

GRI 2-29

We place importance in our stakeholders' opinions, concerns, and expectations as this helps shape 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.

In the "new normal", where we adopt a hybrid manner of working, we continue to utilize online platforms such as Microsoft Teams and Zoom, and even social media applications such as Meta (formerly called Facebook), Twitter, Viber, and WhatsApp to communicate with various stakeholders.

We have also started going back to the old ways of connecting with our stakeholders, particularly those who are not tech-savvy or have no access to online communication platforms, through use of phone calls, printed letters sent via postal or courier service, face-to-face meetings, and onsite activities.

The table below shows our mode of engagement with our stakeholders, 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, WhatsApp, Viber • Emails • Hybrid meetings / events / townhalls (combination of face-to-face and virtual meetings) • 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 to promote employee well-being conducted via digital platforms or in hybrid fashion (virtual and face-to-face): in-house and external on site trainings and webinars; employee welfare and wellness (medical and mental teleconsultation hotlines, annual physical examination, 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 Equality Policy
Customers	• Regular virtual / face-to-face meetings with relationship managers and branch personnel • Telephone calls • Website updates • Emails • Social media and messaging applications for updates (i.e., Meta or formerly called Facebook, Messenger, Twitter, Instagram, Viber, WhatsApp) • Virtual and onsite events	• Products and services that are responsive to financial needs • Fast and efficient customer service • Protection of customer information • Accessibility and convenience of customer touchpoints • Waived fees for certain 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
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, proper awarding and onboarding of winning suppliers / vendors • Timely release of payments • Alignment with the vendors / third-party service providers and concerned PNB Units on the Bank's sustainability thrusts • Creation of a responsible outsourcing / procurement and supply chain policy and practices
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 affected by the pandemic, financial assistance for medical / hospitalization needs, burial assistance, etc.)	• 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 / onsite Financial Literacy/Financial Wellness sessions • Virtual / onsite meetings and events / activities (i.e., donation turnovers, etc.) • 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 and 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 employees, subsidiaries, and affiliate.

REVISITING OUR MATERIAL SUSTAINABILITY TOPICS

GRI 3-1, 3-2

In October 2022, PNB conducted its own Material Sustainability Assessment Exercise to identify and determine the importance of material sustainability topics or issues among the Bank's internal and external stakeholders.

As part of the exercise, we reviewed relevant reports and documents to help us better understand what was important to our stakeholders. This included the review of customer complaint reports from the Customer Experience Division and Social Media team of the Bank, feedback reports we received from the roundtable discussions and financial wellness sessions conducted, results of the employee engagement survey, media reports, as well as available credit ratings on the Bank, and others. In addition, we also reviewed the GRI Reporting Standards, our own Sustainability Reports for the last three years, and the sustainability reports of our industry peers to identify common material sustainability topics.

The desk review of related documents resulted to the identification of 33 material sustainability topics for PNB and its stakeholders. The Bank's internal and external stakeholders were then asked to rank these pre-identified sustainability topics according to their perceived importance in two separate online surveys.

The online surveys were rolled out to the Bank's employees, customers, shareholders, suppliers / vendors, third-party service providers, and community partners (i.e., NGOs, foundations, etc.) from October to November 2023. The results of the online surveys were then reviewed, analyzed,

PNB

PNB and Sustainability

Take the online survey and we will plant a tree in your name.

We want to know what you think about PNB and Sustainability!

At PNB, we believe that sustainability must start from within.

Our goal is to make PNB a better success partner to You -- our customers, our shareholders, and our stakeholders.

Help us do a better job by taking this online survey and giving us feedback on the economic, social, environmental, and governance-related topics or issues that are interesting and important to you.

As a token for taking the time to help us with this survey, we will make a small donation to the reforestation program of Tan Yan Kee Foundation, Inc. (TYKFI), the CSR arm of the Lucio Tan Group of Companies. The Foundation will plant a tree in your name.

On your browser, please type www.pnb.com.ph/esgsurvey then click enter, and you will be directed to the survey site.

Deadline for accomplishing the survey is on November 15, 2022.

Questions or concerns? Connect with menesesmjd@pnb.com.ph or cordovamv@pnb.com.ph.

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PNB Financial Center, Diosdado Macapagal Boulevard, Pasay City

and mapped to show how each sustainability topic ranked in relevance for the Bank and its stakeholders.

Below is the list of material sustainability topics / issues per category in no particular order: These were presented to and noted by the Sustainability TWG, Steering Committee, Corporate Governance and Sustainability (CorGov) Committee, and the Board of Directors last December 2022.

Economic and Governance	Environment	Employees	Customers	Society
• Good Governance (transparency and accountability, anti-corruption/anti-bribery) • Risk Management • Socio-Economic and Environmental Compliance • Indirect Economic Impact • Economic Performance (Profitability and Responsible Spending) • Responsible Outsourcing and Supply Chain	• Emissions and Climate Change • Efficient Resource Management (water, energy, emissions, waste)	• Safe, Secure, and Collaborative Work Environment • Employment (Competitive Compensation, Employee Recognition and Rewards) • Labor / Management Relations • Learning and Development • Gender Equality / Diversity and Inclusion • Market Presence	• Customer Data Privacy and Security • Digital Banking and Innovation • Financial Inclusion and Literacy • Customer Engagement and Satisfaction • Marketing and Labeling	• Responsible Financing and Investing • Community Relations and Initiatives • Human Rights / Non-Discrimination

For ease and efficiency of data collection and reporting, we grouped the sustainability topics into similar sustainability categories or themes. The Bank's performance on these material sustainability topics is captured in this report.
We endeavor to revisit and reassess the relevance of these material sustainability topics for the Bank and its stakeholders on a yearly basis.

OUR REPORTING PROCESS

GRI 2-14

We continue to learn in the process of preparing our own Sustainability Report. Our reporting and writing process enabled us to develop an appreciation of our existing best practices and a better understanding of 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 initiatives to the conglomerate for inclusion in their own sustainability report. We align the reporting guidelines that we use with that of the conglomerate's, including the metrics, data gathering method, and submission schedules, for consistency and accuracy.

Below is the process our Bank went through in preparing this Sustainability Report. We hope to further improve on how we report on our Bank's economic, environmental, social, and governance performance.

Engagement of Stakeholders

- Kicked off the sustainability reporting preparation with concerned PNB Units through an orientation session
- Released email notices to all employees and selected external stakeholders on the Bank's plan to roll out an online Sustainability Materiality Assessment exercise
- Rolled out separate online sustainability materiality assessment surveys to internal and external stakeholders via e-mail, SMS, Meta (formerly called Facebook), LinkedIn, and PNB website

Assessment and Validation of Material Topics

- Reviewed relevant documents to identify material sustainability topics for the Bank and its stakeholders
- Reviewed and analyzed the results of the online sustainability materiality assessment surveys
- Presented the results of the materiality assessment exercise to the Sustainability TWG and Steering Committee, Corporate Governance and Sustainability (CorGov) Committee, and the Board of Directors for comments / notation

Data Gathering and Reporting

- Relevant data and information pertaining to the Bank's economic, environmental, social and governance-related performance were collected from concerned PNB Units in two phases:
- (a) November 2022 for the Disclosure of Management Approach, Qualitative Data, and partial quantitative covering January to September 2022;
- (b) Remaining qualitative data and quantitative data covering October to December 2022
- The Bank's CSU primarily prepared the Sustainability Report with inputs from the different business and support units of the Bank

Management Review

- Upon completion, the report went through the following process of review and affirmation of disclosures: (a) contributing business and support units of the Bank; (b) Sustainability TWG and Steering Committee, (c) Office of the President; and (d) Corporate Governance and Sustainability (CorGov) Committee

OUR ECONOMIC PERFORMANCE

GRI 3-3, 201-1
SDG 8, 9, 11

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 to social development causes, and support for CSR and sustainability initiatives of the Bank.

Economic Value Distribution Table

Economic Impact (In Philippine Peso)	2020 In Millions	% of Total	2021 In Millions	% of Total	2022 In Millions	% of Total
Amount paid to suppliers / vendors	4,623	23.62%	4,350	25.08%	4,604	23.40%
Consolidated membership fees and dues	13	0.07%	15	0.09%	19	0.10%
Consolidated charitable contributions and sustainability-related activities	25	0.13%	29	0.17%	20	0.10%
Wages and benefits paid to employees	10,168	51.95%	9,986	57.59%	9,763	49.62%
Taxes paid to government	4,743	24.23%	2,961	17.07%	5,270	26.78%
TOTAL	**19,572**	**100.00%**	**17,341**	**100.00%**	**19,676**	**100.00%**

Source: PNB Financial Management Sector

In 2022, our payments to suppliers and service providers increased as the Bank returned to normal operations and embarked on projects and initiatives to improve its operations. 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.

The expenses of the Bank for its charitable contributions and sustainability-related activities and initiatives decreased as the Covid-19 vaccination campaign was already completed the previous year. In addition, the Bank's CSR and sustainability activities and initiatives rolled out for the reporting period were more inward-looking. This is consistent with the Bank's belief that sustainability should start from within the organization.

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".

Creating Economic, Social, and Environmental Impact through Our Business

GRI 3-3, 203-1, 203-2
FN-CB-000.B
SDGs 1, 2, 3, 5, 6, 7, 8, 9, 11, 12, 16, 17

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.

As of 2022, a total of PhP289.6 billion or 57.4% of the Bank's total loan portfolio was used to finance businesses and projects on food manufacturing, agricultural production, water distribution and supply, energy generation and distribution, construction and operation of tolls roads and bridges, telecommunications infrastructure, and construction

of green buildings and health facilities that promote nation-building and countryside development.

We take pride in servicing and supporting our clients who are ESG investors. As part of our investment process, we conduct annual credit review on the issuers, which includes their ESG scores, to assess their commitment to environmental protection and social responsibility. The credit review is coordinated with our Credit Management Group that prepares the financial analysis portion of the report. The review covers credit, market, and liquidity considerations.

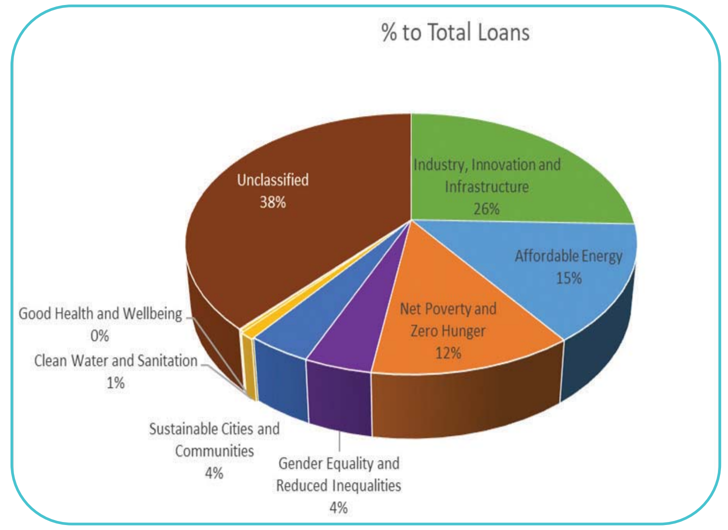
In 2022, Our Bank, through our Wealth Management Group, offered Green Bonds and other offerings for our investor-clients in close coordination with PNB Capital and Investment Corporation. The securities offered for the year that met two (2) Environmental (Sustainable Cities and Communities; Climate Action) and two (2) Social (Good Health and Well-Being; Decent Work and Economic Growth) Sustainable Development Goals were the CITICORE ENERGY REIT (CREIT) Corp. Initial Public Offering Common Shares, Arthaland Corporation 5Y and 7Y Fixed-Rate ASEAN Green Bonds, and CITICORE ENERGY REIT (CREIT) 5Y-Fixed-Rate ASEAN Green Bonds.

The partnership of our Wealth Management Group and PNB Capital allowed us to secure Green Bonds and Corporate Offerings booked thru the Philippine Dealing System's Electronic Securities Issue Portal (e-SIP), an online ordering system that enables the efficient digital processing of orders and documents in the primary market.

Our Trust Banking Group has an existing Unit Investment Trust Fund, a global feeder fund which was launched in 2021. Called the PNB US Equity Sustainability Leaders Feeder Fund, it allows Filipino clients to invest in US companies with superior 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.

We also participated in the BDO ASEAN Sustainability Bonds, RCBC ASEAN Sustainability Bonds, ACEN Green Bonds, and ALCO ASEAN Green Bonds via Investment Management Account (IMA) and Trust arrangements in 2022.

We plan to engage in Sustainable Financing Transactions (SFTs) to finance or refinance projects and expenditures that



Source: PNB Institutional Banking Sector

have positive environmental and social impacts. Currently, we are assessing our Sustainable Finance Framework (SFF) for further improvement.

Sourcing and Supply Chain Management

GRI 2-6, 3-3
SDG 12

Our Bank has a simple procurement process that is aligned with the outsourcing regulations of the BSP.

We source from accredited vendors / suppliers and third-party service providers, conduct bid assessments, and issue Purchase Orders or Letters of Awards to winning vendors or third-party service providers.

We have a Procurement Committee composed of members of the Bank's Senior Management Team that meet regularly to review and deliberate on the submitted bids of accredited third-party service providers.

Purchase of goods and services are not limited to Metro Manila-based accredited vendors / suppliers and third-party service providers. For provincial and overseas branches and offices, our Procurement Department helps purchase or source from local vendors in the area to minimize transportation costs.

Purchasing or sourcing from non-accredited entities is strongly discouraged. However, exceptions are allowed in cases when the service engagement is considered seasonal or occasional, one-time, or an emergency need.

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 annually. We continued to improve our process of accreditation, risk assessment, due diligence, and periodic oversight or monitoring of third-party service providers.

We enhanced our accreditation criteria to accommodate more applicants for vendor accreditation. We also subjected our Vendor Management Framework to annual review and audit.

We updated our existing vendor-related forms and documents to reflect ESG criteria such as the third-party service providers' gender composition of management and manpower complement, and their compliance with environmental and social laws, policies, and regulations, among others. In addition, we ensured that third-party service providers engaged by the Bank are able to provide their business continuity or mitigation action plans.

To encourage alignment with our sustainability agenda, we ensured that our third-party service providers are informed about the Bank's sustainability policy and initiatives through emails. We also included the PNB Sustainability Policy in the orientation and accreditation application kit of interested vendors. We encourage service providers' participation in efforts such as the latest online Sustainability Materiality Assessment Survey that we rolled out in the last quarter of the year.

As of December 2022, the Bank has 1,399 accredited vendors / suppliers and third-party service providers. This list is regularly updated and disseminated to all PNB offices and units for reference and guidance.

OUR SOCIO-ECONOMIC AND ENVIRONMENTAL COMPLIANCE PERFORMANCE

GRI 2-27
SDG 16

Our commitment to contribute to the improvement of the environment and society in general through 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 also ensure that we align with the ESG-related regulations, laws, and policies of our host countries.

We keep our people updated on all applicable laws, rules, regulations, and policies that govern our business and operations through the regular release of email bulletins and conduct of 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 (CorGov) Committee reviews the Bank's sustainability performance using various benchmarks, including economic, social, and environmental performance indicators.

In addition, the Sustainability Steering Committee and TWG review and deliberate on all sustainability-related initiatives. They also endorse and recommend actions to the Office of the President and the Corporate Governance and Sustainability (CorGov) Committee.

At the management level, our Corporate Sustainability Unit (CSU) under the Public Affairs Group, spearheads various initiatives aimed to effect meaningful social, environmental, and economic change. Our CSU works closely with the different units of the Bank that play important roles in the effective implementation of the Bank's sustainability agenda.

All non-compliance cases are handled by our Bank's Legal Group. 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 addressed by the Bank through appropriate channels and are closely monitored.

As needed, the Bank's management ensures that concerned PNB units correct practices immediately and monitors their compliance.

OUR ENVIRONMENTAL PERFORMANCE

We continue to do our part in ensuring that our business and operations do not have any adverse impact on the environment.

To do this, we use and manage our resources efficiently to reduce our environmental footprint. We continue to record our resource usage, as well as plan to do an inventory and assessment of our emissions next year, to monitor our environmental footprint and come up with actions on how to better manage it.

Moreover, we recognize that our significant environmental footprint is extended to our business, particularly through our lending business. As such, we ensure that the businesses that we finance or support do not harm the environment and the society in general, while closely monitoring and managing the environmental and social risks of our existing clients.

On the other hand, to help the Bank improve its resiliency against harsh climate and environmental risks, as well as geological hazards, we continue to revisit and enhance our risk monitoring processes and continuity plans regularly.

Power Fuel, and Water Consumption

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

Power and water are important to our domestic and overseas operations. We source these from third-party utility service providers.

To reduce and manage our energy consumption and emissions, we upgraded our outdated equipment and acquired energy-efficient devices. We are also using energy-efficient LED lights and inverter-type air-conditioning units for some of our offices and branches. Employees are also constantly enjoined to do their part in reducing the carbon footprint of the Bank by turning equipment and lights off when not in use.

We also implemented various initiatives to reduce water consumption, reuse water, and mitigate water management risks in our head offices, as well as in our branches. We conducted regular maintenance activities year-round to ensure sufficient water supply, inspect water supply equipment for wear and tear, and repair water leakages when spotted. Water-efficient fixtures and fittings were also put in place to help conserve water. In addition, we reminded employees and customers to consume water wisely through regular release of emails and posting of reminders in the premises.

Moreover, we continue to implement a car-pooling program for our employees to help them in their travel to and from work while at the same time helping to reduce the Bank's and our employees' carbon footprint. Launched in March 2020 during the height of the Covid-19 pandemic, the "**Share-A-Ride Program**" is the Bank's carpooling initiative to assist employees with ongoing transportation concerns and fuel hike. As of December 2022, there are 124 active Philnabankers sharing their rides with their co-Philnabankers.

Electricity and water consumption at our PNB Financial Center in Pasay City and PNB Makati Center further decreased in 2022 from 2021 as we only reported on the PNB-leased areas in these buildings owned by the PNB Holdings Corporation, Inc. Our adoption of alternative work arrangement (AWA) also contributed to the reduced water and power consumption for the reporting period.

At our domestic branches, there was a slight increase in the power consumption of our Metro Manila branches as they resumed their regular banking operations full blast. While our water consumption in 2022 decreased in almost all areas of our operations, there was, however, an observed increase in water consumption of our Visayas branches and offices. The increase in water consumption was due to water leakage from broken pipes and water lines after the onslaught of Typhoon Odette in December 2021 in the region. More water was consumed in cleaning the branches after the typhoon and during the rainy season. In addition, some branches were operating during Saturdays, contributing further to the increase in water consumption.

There is limited available data on the energy and water consumption of our overseas branches and offices as most of them do not have sub-meters to measure and track consumption. Expenses for power and water consumption are already included in their monthly office rental fees.

The following matrix shows comparative data on the Bank's energy and water consumption. We also included a report on our water withdrawn, discharged, and consumed for 2022. Moving forward, we will continue to work on improving our data collection and reporting of our resource consumption.

Power Consumption

Location / Facility	2020 (in kwh)	2021 (in kwh)	2022 (in kwh)
PNB Financial Center (Pasay)	7,562,382.28	2,647,866.80	2,246,736.72
PNB Makati Center (Ayala Avenue)	6,201,770.00	1,615,213.00	1,256,044.80
Metro Manila Branches	5,309,357.00	5,169,493.82	6,189,813.56
Luzon Branches	5,140,111.00	6,723,747.54	5,411,800.94
Visayas Branches	3,029,871.00	2,789,278.00	2,785,912.33
Mindanao Branches	3,250,192.00	2,595,855.00	2,474,771.04
PNB Overseas Branches and Offices[2]	No data provided	1,067,359.96	106,764.00
TOTAL	**30,493,683.28**	**22,608,814.12**	**20,471,843.39**

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

Water Consumption

Location / Facility	2020 (in megaliter)	2021 (in megaliter)	2022 (in megaliter)
PNB Financial Center (Pasay)	132.53	55.00	9.80
PNB Makati Center (Ayala Avenue)	34.37	9.80	7.55
Metro Manila Branches	57.46	41.61	56.87
Luzon	46.03	53.19	47.11
Visayas	21.07	40.38	118.98
Mindanao	18.50	41.27	22.34
Overseas[2]	No data provided	590.24	0.90
TOTAL	**309.96**	**831.49**	**263.55**

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

Water Withdrawn, Discharged, and Consumed in 2022

LOCATION	WATER WITHDRAWN (in megaliter)	WATER DISCHARGED (in megaliter)	WATER CONSUMED (in megaliter)
PNB Financial Center (Pasay)	9.80	0.00	0.00
PNB Makati Center (Ayala Avenue)	7.55	0.00	0.00
Metro Manila Branches	6.74	6.53	43.60
Luzon	0.00	0.00	47.11
Visayas	118.98	0.00	0.00
Mindanao	9.74	0.00	12.60
Overseas[3]	0.30	0.30	0.30
Subtotal	153.11	6.83	103.61
TOTAL			**263.55**

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

[2]Data on PNB Overseas Branches and Offices are from PNB Guam, PNB Hong Kong, PNB Tokyo, and PNB Singapore only.
[3]Data for PNB Overseas Branches and Offices is for PNB Tokyo.

Fuel consumption at the PNB Financial Center in Pasay City for the reporting period refers to the weekly testing / maintenance of the generator sets for areas leased by the Bank and the use of these during power outages, as well as the fuel consumed by the Bank's motor pool. Regular preventive maintenance by a third-party generator set provider and Bank-owned vehicles were conducted for fuel efficiency and for reduction of carbon emissions.

We further regulate our fuel consumption by implementing a trip maximization policy where official business travels are subject for approval, and, if possible, we schedule trips in the same areas. Also, the conduct of virtual activities and meetings, as well as webinars, have contributed to the reduction of our fuel consumption and emissions.

Our total fuel consumption significantly increased in 2022, and this can be attributed to employees' gradual return to office, as well as the improved data collection from our domestic branches. Client visits, onsite sales events and activities, ocular visits of project and business locations, and attendance to onsite external trainings and events resumed this year. On the other hand, majority of our overseas offices and branches reported that they do not have generator sets as back-up for power outages and have no bank-issued cars.

Fuel Consumption

LOCATION / FACILITY	2020 (in liters)	2021 (in liters)	2022 (in liters)
PNB Financial Center (Pasay)	4,036.61	3,972.20	58,279.87
PNB Makati Center (Ayala Avenue)	3,972.20	0.00	0.00
Metro Manila Branches	0.00	0.00	13,880.79
Luzon Group of Branches	0.00	0.00	1,480,784.02
Visayas Group of Branches	0.00	0.00	7,811.00
Mindanao Group of Branches	0.00	0.00	754,054.24
Overseas Offices and Branches[4]	0.00	0.00	0.00
TOTAL	**8,008.81**	**3,972.20**	**2,314,809.92**

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

Breakdown of the Bank's Fuel Usage in 2022

LOCATION / FACILITY	FUEL DIESEL (Liters)	FUEL GASOLINE (Liters)	BANK VEHICLES (Gasoline / Liters)	BANK VEHICLES (Diesel/ Liter)	EQUIVALENT IN GIGAJOULES
PNB Financial Center (Pasay)	600.00	0.00	34,299.01	23,380.86	2,084.30
PNB Makati Center (Ayala Avenue)	0.00	0.00	0.00	0.00	0.00
Metro Manila Branches	9,779.25	4,101.54	0.00	0.00	511.88
Luzon	1,480,784.02	0.00	0.00	0.00	56,269.79
Visayas	7,811.00	0.00	0.00	0.00	296.82
Mindanao	754,054.24	0.00	0.00	0.00	344.24
Overseas	0.00	0.00	0.00	0.00	0.00
TOTAL	**2,253,028.51 (liters)**	**4,101.54 (liters)**	**34,299.01 (liters)**	**23,380.86 (liters)**	**59,507.04 (gigajoules)**

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

[4]Overseas branches do not use generator sets as back-up for power outages and have no bank-issued cars

Our Emissions
GRI 3-3, 305-1, 305-2, 305-5
SDG 7, 8, 12, 13

TYPE OF GHG EMISSIONS	2020 (in Tonnes CO2e)	2021 (in Tonnes CO2e)	2022 (in Tonnes CO2e)
PNB Financial Center			
Direct (Scope 1) GHG Emissions[5]	4.09	3.97	133.98
Indirect (Scope 2) GHG Emissions[6]	9,812.63	18,869.61	1,600.13
PNB Makati Center			
Direct (Scope 1) GHG Emissions	0.00	0.00	0.00
Indirect (Scope 2) GHG Emissions	0.00	0.00	894.56
PNB Domestic Branches			
Metro Manila Branches			
Direct (Scope 1) GHG Emissions	0.00	0.00	33.57
Indirect (Scope 2) GHG Emissions	0.00	118.39	4,408.39
Luzon			
Direct (Scope 1) GHG Emissions	0.00	0.00	3,720.22
Indirect (Scope 2) GHG Emissions	0.00	0.00	3,854.28
Visayas			
Direct (Scope 1) GHG Emissions	0.00	0.00	19.62
Indirect (Scope 2) GHG Emissions	0.00	0.00	1,984.13
Mindanao			
Direct (Scope 1) GHG Emissions	0.00	0.00	1,894.43
Indirect (Scope 2) GHG Emissions	0.00	0.00	1,762.53
PNB Overseas Branches and Offices			
Direct (Scope 1) GHG Emissions	0.00	0.00	0.00
Indirect (Scope 2) GHG Emissions	0.00	4,653.13	76.04
Total Direct (Scope 1) GHG Emissions	**4.09**	**3.97**	**5,803.32**
Total Indirect (Scope 2) GHG Emissions	**9,812.72**	**23,641.13**	**14,580.05**
Total Carbon Footprint	**9,816.72 tCO2e**	**23,645.1 tCO2e**	**20,383.37 tCO2e**

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

Our data collection and reporting on our GHG Emissions improved in 2022. Aside from our head offices in Makati and Pasay, we also included data from our domestic and overseas branches in the report. Our emissions went down by 3.3 tons compared to last year.

We included Scope 1 and Scope 2 emissions of our domestic and overseas operations. We computed our Scope 1 emissions based on the United Nations Framework Convention on Climate Change (UNFCCC) GHG emissions calculator while we computed our Scope 2 emissions based on the Philippine Department of Energy's 2015-2017 National Grid Emission Factor (NGEF).

In December 2022, we embarked on a mission to do an accounting of our GHG emissions and that of our employees with the assistance of Tan Yan Kee Foundation, Inc. (TYKFI) and its pool of subject matter experts. This activity will commence in January 2023 and is expected to be completed in April 2023.

The exercise will cover all domestic and overseas operations of the Bank. An expected result from this exercise is a baseline GHG emissions data of the Bank. Once the baseline GHG emissions of the Bank are accounted for and established, our next action is to come up with strategies or sustainable practices that will help us reduce and manage our carbon footprint.

[5]Source for Scope 1 Computation: https://unfccc.int/documents/271269
[6]Source for Scope 2 Computation: https://www.doe.gov.ph/electric-power/2015-2017-national-grid-emission-factor-ngef?withshield=2

Resource and Waste Management

GRI 3-3, 306-1, 306-2, 306-3, 306-4, 306-5
SDG 3, 6, 11, 12, 13

We observe and practice proper waste disposal to manage our environmental footprint. We adhere to the strict implementation of the local government regulations on proper waste segregation and disposal.

We have designated Pollution Control Officers (PCOs) to monitor and ensure compliance of our branches and offices with local and national laws. These Pollution Control Officers (PCOs) undergo regular training and seminars to keep them abreast of environmental regulations.

Our domestic offices and branches mainly generate non-hazardous office wastes such as plastics and paper. These are regularly collected by the local government units (LGUs) and DENR-accredited garbage disposal service providers and are disposed in DENR-accredited landfills.

We encourage our employees to follow the reuse-reduce-recycle principle in managing solid waste materials. We recycle plastic and metal containers and bottles as plant pots or use them to catch water dripping from the aircon units at the branches. We also collect and sell plastic bottles and shredded paper wastes to recycling centers or junkshops and we use the proceeds from the sale of these to support the Bank's waste management initiatives and employee volunteerism or community outreach activities. On the other hand, other solid non-recyclable waste materials such as used face masks and single-use plastics are properly segregated and disposed.

Another solid waste generated by the Bank is electronic waste. Old computers are replaced once declared defective and obsolete, or because of a system migration or upgrade. Instead of throwing away old computers, our Information Technology Group (ITG), who oversees all IT-related purchases and disposals, makes sure that serviceable computers and computer parts and peripherals are repaired for office use or refurbished for donation to different NGOs or public schools. Electronic items that are unrepairable and no longer fit to be recycled are also properly disposed by the Bank.

To help reduce our electronic waste, ITG integrated sustainability requirements in the Bank's selection of hardware and software systems and service providers. Desktop computers, which consume 150-200 watts of power, were replaced with more energy-efficient tiny and mini desktop computers which only use 18 watts of power. In addition, our Bank shifted to the use of laptops as the standard computer for non-branch personnel to support them in the new hybrid work arrangement.

Moreover, we do not throw away old office furniture and equipment. Old office tables, chairs, filing steel and wood cabinets, sofas, and side tables to name a few are repaired and refurbished so we could use them again. For old office furniture that can no longer be repaired, we bid these out to interested third parties and book the proceeds as income for the Bank.

Wastewater or effluents from our Head Offices are from the toilets and cafeterias from the buildings. For our PNB Makati Center, wastewater is discharged to the sewer line of the Manila Water Company, Inc., which then goes to the water company's centralized treatment plants located in Makati City. Wastewater from our PNB Financial Center, on the other hand, is treated first in the Sewage Treatment Plant (STP) located inside the head office complex (operated and maintained by PNB Holdings Corporation) before it is released to the Manila Bay. In our domestic branches, the wastewater generated are mainly from the use of toilets and cleaning of the branches, which go straight to the sewer line of the community.

The succeeding table lists down the common non-hazardous waste materials from our domestic offices and branches. 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 are included in the report for 2022.

On the other hand, we have limited data on waste materials generated by our overseas branches and offices for the reporting period. This is also the first time that we are

Common Types of Wastes from PNB Head Offices

Waste Category	2020 (MT)	2021 (MT)	2022 (MT)
Solid Waste (i.e., paper wastes, construction debris, elevator parts, tree branch cuttings, etc.)	232.00	100.00	490.00
Used oil	1.62	0.43	0.43
Lead acid batteries	0.50	0.00	0.15
Busted Fluorescent /LED Lights	1.49	0.45	0.15
Contaminated Rugs	0.30	0.30	0.00
Total Non-Hazardous Solid Waste	**232.00**	**100.00**	**490.00**
Total Hazardous Solid Waste	**3.91**	**1.18**	**0.73**

Source: Source: PNB Administration Group

Common Types of Wastes from the Branches

	Metro Manila Branches			Luzon Branches			Visayas Branches			Mindanao Branches			Overseas Branches[7]		
Waste Category	2020 (MT)	2021 (MT)	2022 (MT)	2020 (MT)	2021 (MT)	2022 (MT)	2020 (MT)	2021 (MT)	2022 (MT)	2020 (MT)	2021 (MT)	2022 (MT)	2020 (MT)	2021 (MT)	2022 (MT)
Solid Waste (i.e., paper wastes, construction debris, elevator parts, tree branch cuttings, etc.)	26.70	9.67	3,677.96	53.23	42.37	49.50	21.92	29.54	7.15	12.14	11.68	3.40	0.00	0.00	1.00
Used Oil (i.e., from gen sets during power outages and weekly testing)	0.38	0.14	0.01	3.36	1.91	1.22	0.21	0.29	0.03	1.16	0.64	0.10	0.00	0.00	0.00
Lead Acid Batteries (from gen sets)	2.67	0.06	0.00	5.42	2.71	1.01	0.69	1.64	0.01	0.41	1.63	0.41	0.00	0.00	0.00
Busted Fluorescent /LED Lights	0.08	0.51	217.35	0.30	4.01	0.00	0.04	0.20	0.05	0.05	0.19	0.17	0.00	0.00	0.00
Contaminated Rugs	0.25	0.08	0.00	0.69	0.50	2.24	0.12	0.16	0.00	0.06	0.02	0.00	0.00	0.00	0.00
Expired Paints	0.03	0.01	0.00	0.01	0.001	2.24	0.02	0.06	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Ozone depleting substances (i.e., aerosol spray cans for disinfectants, air fresheners, etc.)	0.03	0.00	0.00	0.03	0.038	0.00	0.01	0.05	0.00	0.06	0.04	0.00	0.00	0.00	0.00
Electronic Wastes (i.e., old defective machines, old/ broken IT-related equipment / peripherals, etc.)	0.12	0.01	0.00	0.20	0.206	2.079	0.18	0.11	0.00	0.27	0.31	0.00	0.00	0.00	1.00
Total Non-Hazardous solid Waste	**26.7**	**9.67**	**3,677.96**	**53.23**	**42.37**	**49.5**	**21.92**	**29.54**	**7.15**	**12.14**	**11.68**	**3.4**	**0.00**	**0.00**	**1.00**
Total Hazardous solid Waste	**3.56**	**0.81**	**217.36**	**10.01**	**9.375**	**8.789**	**1.27**	**2.51**	**0.09**	**2.01**	**2.83**	**0.68**	**0.00**	**0.00**	**1.00**
TOTAL	**30.26**	**10.48**	**3,895.32**	**63.24**	**51.745**	**58.289**	**23.19**	**32.05**	**7.24**	**14.15**	**14.51**	**4.08**	**0.00**	**0.00**	**2.00**

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

[7] *Data for PNB Overseas Branches and Offices is for PNB Guam.*

Waste Disposal

LOCATION	WASTE DIVERTED FROM DISPOSAL BY RECOVERY OPTION						WASTE DIRECTED TO DISPOSAL BY DISPOSAL OPERATION					
	Hazardous (Metric Ton)			Non-Hazardous (Metric Ton)			Hazardous (Metric Ton)			Non-Hazardous (Metric Ton)		
	Preparation for reuse	Recycling	Others	Preparation for reuse	Recycling	Others	Incineration	Landfilling	Others	Incineration	Landfilling	Others
PNB Financial Center (Pasay)	0.00	0.58	0.00	0.00	490.78	0.00	0.10	0.30	0.00	0.00	0.00	0.00
PNB Makati Center (Ayala Avenue)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Metro Manila Branches	0.00	0.00	0.00	0.00	777.96	0.00	0.00	2,028.18	0.00	0.00	793.21	0.00
Luzon	0.00	0.00	0.00	0.00	0.59	0.00	0.00	0.60	0.00	0.00	0.00	0.00
Visayas	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.17	7.02	0.00
Mindanao	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.78	0.00	0.00	3.41	0.00
Overseas[8]	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL	**0.00**	**0.58**	**0.00**	**0.00**	**1,269.34**	**0.00**	**0.10**	**2,030.86**	**0.00**	**0.17**	**803.63**	**0.00**

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

including their waste materials in our reporting. We will work on improving our overseas data collection moving forward.

Our usage of paper increased as our branches and offices returned to full operations, while we are still working towards automating our forms and digitizing our processes. As part of our digitalization plan, we partnered with Adobe Sign to digitize our loan implementation and transaction documents to make it safer and easier for our customers to do transactions anytime, anywhere while reducing our own environmental footprint.

We continue our efforts to decrease paper consumption by encouraging 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.

Paper Consumption

Description	2020 (MT)	2021 (MT)	2022 (MT)
Copy Paper Short	17,500,000	16,376,500	25,075,500
Copy Paper Long	6,000,000	14,041,500	8,243,000
Deposit Slip	595,800	491,809	505,790
Withdrawal Slip	79,000	117,742	206,105
Signature Card	1,106,700	984,900	1,308,800
Customer Information Form - Individual	1,134,000	606,800	760,900
Customer Information Form - Business	55,000	79,300	98,200
Cash Transfer Slip	60,000	69,557	109,035
TOTAL	**129.98**	**180.60**	**183.60**

Source: PNB Administration Group

[8]*No data provided. Wastes generated by the overseas branches and offices were collected, managed, and disposed by the building owners / landlords.*

Dealing with Climate Change and Managing Our Environmental & Social Risks and Impacts

GRI 2-24, 201-2
FN-CB-410a.2.
SDG 9, 13, 16

We recognize that climate change as well as environmental and social risks could threaten the Bank's operations and sustainability. To future-proof our Bank, we embarked on a serious mission to embed sustainability principles in our business and all areas of operations.

We continue to assess and manage our environmental risks and the impact 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 environmental as well as 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
- 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 people
- 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 continue to assess and improve our evaluation, due diligence, and monitoring processes for loan accounts with high and medium E&S risks to manage and mitigate our environmental and social risk exposures.

Projects for financing are evaluated thoroughly as part of our enhanced due diligence process, and regulatory compliance is ascertained by submission of government permits and licenses. Negative impacts identified during assessment are provided with risk mitigation measures and are regularly monitored.

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.

In addition, to further strengthen our operational and infrastructure resiliency, we continue to enhance our risk monitoring tools, business continuity plans, crisis management plan, and crisis communications plan to include climate and environment-related risks.

We also continue to revisit and improve our ESG Screening Checklist and ESG Scorecard which is part of our enhanced due diligence process to determine and manage the level of E&S risk exposures of our loan accounts. The ESG scorecards are integrated in the credit risk assessment and rating of identified loan accounts of the Bank.

Currently, we are planning to further enhance our risk management system by integrating environmental and social risk factors in all areas of our operations. To do this, we sought the assistance of Tan Yan Kee Foundation, the CSR arm of the Lucio Tan Group of Companies, and its pool of subject matter experts, to help us put together our Environmental and Social Risk Management System or ESRMS.

Part of the work under this ESRMS project is the conduct of hazard mapping of locations of all our domestic and overseas offices, data centers, critical service providers, collaterals, and business offices and project locations of our major clients using the HazardHunterPh. The hazards considered in the hazard mapping exercise include the nearest active fault lines, nearest active volcano and ashfall, floods, and severe wind.

Still under the ESRMS project, we embarked on the task of converting environmental physical and transition risks into financial risks for the Bank, and linked the risk drivers to the Bank's credit, market, and liquidity models.

CARING FOR OUR CUSTOMERS AND COMMUNITIES

We continue to work towards improving our operations to provide the best financial solutions and customer service. Our goal is to ensure that we able to help contribute to the financial growth and wellness of our customers while growing our business and, at the same, creating a better tomorrow for the next generation.

Aligned with our belief that sustainability should start from within, and to demonstrate our commitment to the society at large, we continue to find balance in supporting both our internal and external stakeholders through significant initiatives.

Working on Improving Our Customer Experience

GRI 3-3
SDG 12

We value our customers as they are an integral part of our business. We recognize that they have the right to be protected in all stages of their dealings with the Bank, which may start even before the actual consumption of the Bank products and services. As such, we endeavor to ensure that our customers are well-informed and protected and become responsible consumers, who are given an avenue to air out their concerns regarding the Bank products and services.

We continue to provide our clients various channels for their inquiries, requests, and complaints such as our 24/7 customer care hotline, email, Facetime, Skype, and Messenger in all branches overseas and nationwide. In 2022, majority of our customer touchpoints is inquiries, followed by requests and complaints. Moreover, to better improve the Bank's management of customer concerns, an annual report to analyze the trends and effectiveness in resolving issues is presented to the Management Committee and the Board of Directors.

Our Consumer Protection Policy includes Consumer Assistance Mechanism where the Bank ensures that any reported complaint is recorded, monitored, and addressed in a timely manner. Every month, a report on Customer Engagement and Consolidated Complaints is submitted / presented to the Management Committee and Board Risk Oversight Committee. On a quarterly basis, in accordance with the BSPs requirement, the Bank submits the BSFI Consolidated Complaints Report to the regulators.

We continue to gather qualitative feedback from our customers at point of call through our "After Call Survey for 8573-8888", as well as conduct monthly call and email satisfaction surveys to help us further improve our products and services, policies, processes, and customer engagement.

As part of the Bank's commitment to a better customer experience, we are improving our customer channels to provide more customer-centric options that will cater to their preferences and priorities. We believe that this journey is in partnership with our customers and stakeholders who have been generous in giving us feedback which allows us to deliver our best in satisfying their needs, as well as to maintain our relationship with them in the future.

Our Digital Innovation and Transformation

GRI 3-3
SDG 9

We align our digital strategy and initiatives with the key strategic business pillars of our Bank. We also conduct regular market and customer trends analysis, competitive scans, regulatory mandates, and industry direction to keep us abreast with what is happening in the market and allow us to understand and serve our customers better. Together with the digital priorities of the Bank's key retail business units, these inputs allow us to formulate our strategic direction which guides our digital innovation and transformation.

The implementation of our digital program is governed at a high level by the Projects Prioritization Committee, where major strategic projects are cleared and approved. Execution of these priorities are then approved and monitored by the Mobile Steering Committee, Technology Committee, and Board IT Governance Committee to ensure that the digital initiatives are aligned with enterprise priorities, are on track, and that business results contribute to the overall targets of the Bank.

Product development, marketing campaigns, and business results of the digital discipline are reviewed with the President and with the Board Strategy and Policy Committee (BSPC). Risk management of the digital services and related products are governed through the Risk Oversight Committee.

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, Anti-Money Laundering (AMLA) Rules and Regulations, Data Privacy Law, 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 we launched other NRPS services such as the Person to Merchant (P2M) and Person to Business (P2B) payment streams. Another BSP framework that our Bank participates in is the planned 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 part of our digitalization efforts, we continue to automate our Bank forms, shift customers to e-SOA, and migrate existing customers to the Bank's digital channels. We are also working towards automating and enhancing our existing systems and processes to reduce our environmental footprint.

We continue to operate and maintain our automated teller machines (ATMs) and cash accept machines (CAMs) to make it easy for our customers to access their funds. As of December 2022, we have a total of 1,575 ATMs, 145 CAMs, 29 Corporate CAMs, and 8,367 point-of-sales (POS) terminals for the 24-hour banking convenience of our customers.

	2020	2021	2022
ATMs	1,578	1,586	1,575
CAMs	144	165	145
Corporate CAMs (CCAMs)	18	22	29
POS Terminals	7,120	6,603	8,367

Source: PNB Digital Innovations Group and Institutional Transaction Banking Group (ITBG)

Furthermore, we continue to improve our mobile banking platform - the PNB Digital App - with enhanced security features, expanded payment and disbursement capabilities, and access to more products to provide a better mobile banking experience for our customers.

As of December 2022, the Bank recorded a 349% increase in new enrollments in its digital platforms – PNB Digital and Account Access Portal. The new enrollments resulted to an overall increase of 31% in its total digital user base. There was also a marked increase in customer engagement with a significant growth in financial transaction count and volume, increasing by 118% and 160%, respectively. We continued to boost awareness, enrollment, and usage of the app through a paperless way, extensively using the Bank's digital media assets (Meta or formerly called Facebook, Instagram, YouTube, email, SMS), to promote the mobile app to PNB's current and prospective clients.

Similar efforts have been made in PNB's corporate internet platform. In February 2022, the Bank introduced the PNB CashNet+ mobile app, which is a more efficient method of conducting online business transactions. Through this app, clients may view accounts, monitor accounts receivables, as well as initiate and approve payments. By the end of 2022, the application has 1,976 account users while 1,715 corporate accounts have been onboarded in a span of less than four months.

Digital Banking (Mobile and Internet)	2020	% increase	2021	% increase	2022	% increase
New Enrollments	221,418	17%	56,342	-75%	347,878	517%
Enrolled Users	749,564	42%	805,906	8%	1,508,741	31%

Source: PNB Digital Innovations Group

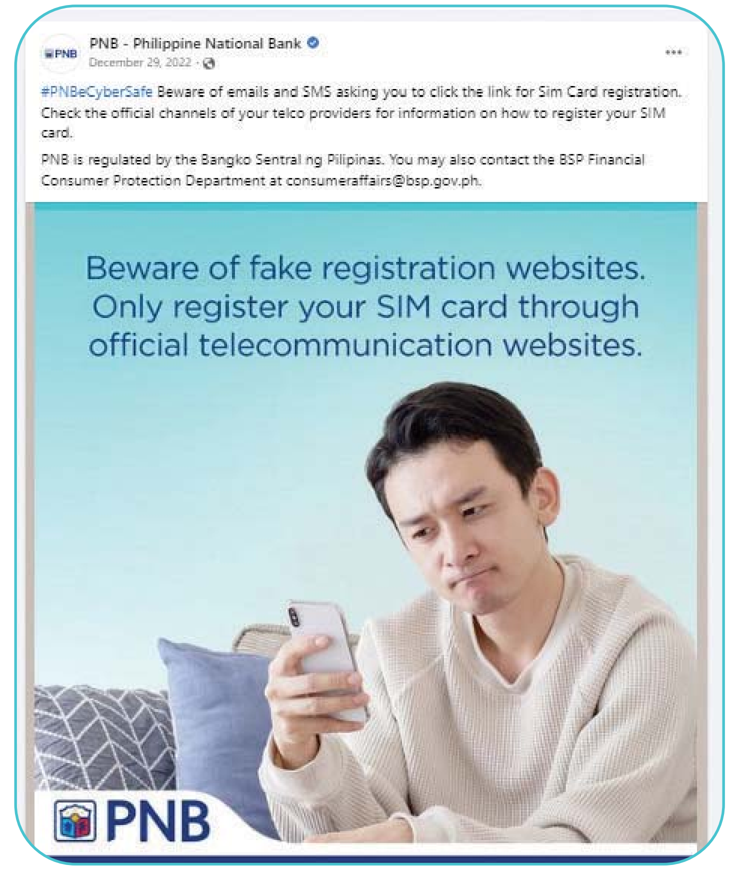
Corporate Internet Banking (PNB C@shNet Plus)	2020	2021	% Increase	2022	% Increase
New Enrollments	10,714	8,123	-24%	6,504	-20%
Total Enrollments based on Corporate Code	10,714	18,837	76%	25,341	35%

Source: PNB Institutional Transaction Banking Group (ITBG)

For 2022, our Bank has not been cited for any violation of the policies and regulations that govern our digital products and services.

Protecting Our Customers and the Bank: Data Privacy and Security, and Fraud Controls

GRI3-3, 418-1
FN-CB-230a.2.
SDG 9, 16



We put information protection at the forefront of our priorities as we value all information the Bank holds. We go above and beyond to safeguard information—ensuring the confidentiality, integrity, and availability of information, and respecting the privacy of our data subjects (e.g., customers, employees) in adherence to the general principles of transparency, legitimate purpose, and proportionality.

Our Enterprise Information Security Management System Manual and Enterprise Data Privacy Policy reinforce our commitment to information security and data privacy by implementing appropriate organizational, physical, and technical security measures. We ensure strict compliance with local and international laws and regulations, including the Data Privacy Act (DPA), General Data Protection Regulation (GDPR), Financial Consumer Protection Act (FCPA), and Bangko Sentral ng Pilipinas (BSP) circulars and memoranda on information technology and cybersecurity, among others. In addition, to ensure continuous compliance of our overseas branches with applicable legislations, our Data Privacy Department has assisted in preparing localized versions of data privacy manuals, complementary to the Enterprise Data Privacy Policy. We also follow global standards, such as the ISO/IEC 27000 series, which further strengthens our efforts to make it at par with industry peers.

In our day-to-day operations, Philnabankers embody security and privacy principles. We ensure that everyone understands our responsibilities especially in keeping information secure. Our Enterprise Information and Cyber Security Group (EICSG) makes this possible through regular dissemination of email advisories, publication of awareness content, and conduct of trainings. They also monitor updates and trends from the regulators, professional associations, and our partner vendors to ensure the continued suitability, adequacy, and effectiveness of the Bank's information security and privacy practices.

Since most of our projects required technology intervention during the pandemic, project management relating to IT risk elements were improved. Policies on data protection across all phases of the data life cycle, whether in transit, stored, or in-process, including strict implementation of encryption and multi-factor authentication, among others, were also put in place. To enable a hybrid work arrangement for our personnel, we implemented a device management strategy which only allows authorized users and devices to access Bank information assets. Those working remotely are also provided with Virtual Private Network (VPN) access to ensure protected network connection when using public networks. VPN encrypts internet traffic, making it difficult to track activities online and steal data.

As part of our service delivery excellence, our goals and targets for ensuring data protection and privacy of customer data are aligned with our three-year strategic plan for the Bank's Data Privacy Management System. Our Data Protection Officer (DPO), with the assistance of the Data Privacy Department (DPD), works with our Customer Experience Division (CED) to accommodate requests and resolve concerns of our customers. Moreover, our efforts in maintaining transparent processing of customer data ensures consistent communication about how we process and protect information, details of which are available on the PNB Data Privacy Statement accessible to the public through our official website. We continue to promote customer privacy and security awareness by sending advisories and tips to our customers about phishing and online scams via e-mail, SMS, and by posting the same on our official PNB website and social media channels.

In addressing the rise in incidents of fraud cases experienced by the financial community, we strengthened our security controls by sending SMS and e-mail notifications to our customers for their banking transactions. Our 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. We have also enhanced our web facilities, lowered the authority limits of our frontliners, rotated our branch personnel on a periodic basis, and further enhanced our risk management process for high-risk accounts 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 and in case of changes in customer profile and transaction behavior.

Marketing and Labeling Our Products and Services

GRI 3-3, 417-1, 417-2, 417-3
SDG 12

Our Marketing Services and Intelligence Analytics and Performance Group (MSIAPG) supports the Bank by providing the following services: execution of data analytics programs, identification of business and customer insights, and conduct of market qualitative and quantitative research studies to empower the business to make data-driven decisions. We also develop creative marketing collaterals; provide digital content creation and dissemination (e.g., website content and maintenance, SMS push, electronic direct mail or EDM); organize internal and external events; create marketing campaigns; and manage brand development and implementation.

All our advertising and promotional collaterals 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 Meta (formerly called Facebook), Instagram, Twitter, YouTube, and LinkedIn to share information and updates with our customers. These channels are maximized to improve audience engagements, attain business goals, and assist our Customer Experience Division (CED) in managing customer concerns.

For the reporting period, there were no reported incidents of non-compliance with 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. The Bank performed regular updating of marketing materials to ensure that all product information is up-to-date and compliant with its standard operating procedures.

Moreover, we conducted a series of brand experience workshops in 2022 to revisit and ensure that we are delivering the best experience in every customer touchpoints of the Bank. This initiative helped us discover opportunities for improvement and develop data-driven strategies.

Promoting Financial Inclusion and Literacy

GRI 203-2
SDG 4, 10
FN-CB-240a.4., FN-CB-000.A, FN-CB-000.B

PNB's business units conducted financial literacy / wellness sessions among existing and potential customers. The Bank also conducted roundtable discussions on different sustainable finance-related topics (e.g., renewable energy) for its own employees and borrowers. Among the partners of the Bank in conducting these activities included government agencies and private institutions such as BSP, Pag-IBIG, The Philippine Bayanihan Society Singapore (PBSS), Philippine Chamber of Commerce in Singapore, and Armed Forces of the Philippines, among others.

In 2022, the Bank transitioned to the "new normal" set-up using various modes of communication. Learning sessions, webinars, and roundtable discussions were conducted locally and abroad via face-to-face and virtual platforms such as MS Teams, Zoom, and Meta or Facebook Live to an estimated 14,593 participants from identified target groups such as borrowers, lenders, professionals, skilled workers, investors, entrepreneurs, students, teachers, police officers, religious groups, and even among church communities, and overseas Filipinos and their dependents. Among the topics discussed were money management and saving tips, growing money through investing, economic and market forecasts, availing loans, and PNB products and services.

As of 2022, we generated a total of 5,770,278 checking and savings account, and 2,871 consumer loan accounts.

Responsible Corporate Citizenship and Community Engagement

GRI 3-3, 413-1, 413-2
SDG 3, 4, 15, 17

Together with our Corporate Sustainability Unit (CSU), Human Resource Group (HRG) and other PNB units, we develop, implement, and monitor CSR and volunteerism activities for the Bank and its employees. Email notices containing information on the activity, registration links, and even activity guidelines are sent out to employees to announce any scheduled activity or initiative.

To encourage participation, we provide free meals and transportation, activity shirt, and tools / materials for the undertaking. Area and branch employees, as well as employee interest groups or clubs, can organize and conduct their own CSR or community outreach activities with support from the Bank. These activities are documented and posted on the internal communications channel of the Bank - the PNB Engage. Employee volunteers may also enter their CSR or community outreach activities to the Best CSR and Sustainability category of the bank-wide Service Excellence Awards Recognition Program where they can win prizes that they can donate or use to support their advocacies. Below are the significant CSR and employee volunteerism activities of the Bank in 2022:

Partnership with TYKFI for the Dr. Lucio C. Tan Green Legacy Program

In the third quarter of 2022, our Bank rolled out an Online Sustainability Materiality Survey for its employees and external stakeholders such as the customers, vendors / third-party service providers, regulators, outsourced personnel, and community partners.

Using the random sampling method, the online survey generated 1,810 survey respondents out of the 2,495 target respondents. The online survey generated a list of relvant material sustainability topics and themes for the Bank and its stakeholders.

As a gesture of gratitude to stakeholders, the Bank and our employee volunteers intend to collaborate with Tan Yan Kee Foundation, Inc. (TYKFI) for the Dr. Lucio C. Tan Green Legacy Program for a tree-planting initiative in 2023.

PNB CommuniTree: Together as One for the Environment

In celebration of the Bank's 106th anniversary, PNB partnered with Tan Yan Kee Foundation, Inc. (TYKFI) to organize a tree-planting activity for Philnabankers in Brgy. Mamuyao, Tanay, Rizal last July 30, 2022. A total of 833 seedlings of falcata tree (*paraserianthes falcataria*) were planted by the Philnabankers from North Metro Manila Region under the supervision of TYKFI representatives and community partners in the one-hectare land adopted by the Bank in the area. In addition, Philnabankers in other parts of the country planted a total of 1,150 forest and fruit-bearing tree seedlings / saplings.

Donation of Decommissioned Computers for Public Schools

Our Bank donated 30 decommissioned desktop computers and a laptop to the Dr. Pablito V. Mendoza Senior High School in Bustos, Bulacan last December 7, 2023. Instead of throwing away old computers after a system upgrade, the Bank repairs / refurbishes, and donates these units to NGOs or public schools. Since 2019, PNB has been donating decommissioned computers to drive environmental, social, and educational value.

Emergency Response for Communities through PNB Ambulance Units

Two ambulance units donated by PNB to the Philippine Red Cross in 2020 continue to provide emergency response to their assigned communities.

For 2022, the unit assigned in Bohol provided a total of 23 ambulance runs and serviced 44 individuals in need of medical transportation. The ambulance unit assigned in Guinoog, Misamis Oriental, on the other hand, responded to 101 emergency responses and serviced 51 individuals needing medical assistance / transportation.

CARING FOR OUR PEOPLE

Our people will always be our most valued asset. By helping our employees succeed and improve their well-being, 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 (HRG). 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 various aspects of the Philnabankers' welfare.

Philnabankers in the Post-Pandemic Era

GRI 2-6, 2-7, 2-30, 202-2, 3-3, 401-1, 405-1
SDG 5, 8, 10

As of December 2022, the Bank had a total of 8,318 full-time and permanent employees. Women employees took up 66% or 5,523 of the total employee population while male employees comprised 34% or 2,795 of the Bank's talent pool. This includes 54 retired employees (14 males and 40 females) who were previously re-hired under management contracts.

For the reporting period, 1,796 (21.59%) of employees adopted the alternating work arrangement (AWA) set-up.

Employee Breakdown by Gender

	GENDER	NO. OF EMPLOYEES	TOTAL
2020	Female	6,014	9,071
	Male	3,057	
2021	Female	5,745	8,656
	Male	2,911	
2022	Female	5,523	8,318
	Male	2,753	

Source: PNB Human Resource Group

Employee Breakdown by Contract, Position, Gender, and Age

CATEGORGY	MALE	MALE	MALE	FEMALE	FEMALE	FEMALE	TOTAL
Contract	<30 y.o.	30-50 y.o.	>50 y.o.	<30 y.o.	30-50 y.o.	>50 y.o.	
Regular	548	1,608	495	1,185	3,027	1,002	7,865
Probationary	87	27	16	166	51	52	399
Contractual/Fixed Term	0	0	14	0	0	50	54
Total	**635**	**1,635**	**525**	**1,351**	**3,078**	**1,094**	**8,318**
Position							
Officers	0	94	103	1	122	162	482
Managers	134	867	308	231	1,708	722	3,970
Supervisors	0	0	0	0	0	0	0
Rand and File	501	674	114	1,119	1,248	210	3,866
Total	**635**	**1,635**	**525**	**1,351**	**3,078**	**1,094**	**8,318**

Source: PNB Human Resource Group

Breakdown of Employees per Gender and Island Group

	GENDER	REGION	NO. OF EMPLOYEES	TOTAL
2022	**Female**	NCR	3,254	**5,523**
		Luzon	1,155	
		Visayas	618	
		Mindanao	494	
		Overseas	2	
	Male	NCR	1,820	**2,795**
		Luzon	411	
		Visayas	267	
		Mindanao	293	
		Overseas	4	
				8,318

Source: PNB Human Resource Group

Gender Breakdown per Gender and Rank

	2020			2021			2022		
RANK	FEMALE	MALE	TOTAL	FEMALE	MALE	TOTAL	FEMALE	MALE	TOTAL
President	0	1	1	0	1	1	0	1	1
Executive Vice President	1	4	5	1	3	4	1	3	4
First Senior Vice President	4	1	5	5	6	11	6	6	12
Senior Vice President	13	8	21	12	5	17	11	13	24
First Vice President	18	18	36	14	20	34	18	16	34
Vice President	32	28	60	30	24	54	38	29	67
Senior Asst Vice President	80	53	133	91	55	146	90	51	141
Assistant Vice President	122	70	192	120	69	189	121	78	199
Senior Manager	184	147	331	202	151	353	204	147	351
Manager 2	285	156	441	291	168	459	304	150	454
Manager 1	539	278	817	566	269	835	544	278	822
Assistant Manager 2	929	363	1,292	919	359	1278	918	377	1,295
Assistant Manager 1	916	441	1,357	841	422	1263	691	357	1,048
Senior Specialist	225	159	384	200	144	344	194	129	323
Specialist	244	152	396	233	132	365	208	120	328
Senior Assistant	428	224	652	412	219	631	405	213	618
Assistant	880	411	1,291	832	381	1,213	831	369	1,200
Senior Clerk	1,114	541	1,655	976	482	1,458	939	457	1,396
Junior Clerk	0	2	2	0	1	1	0	1	1
TOTAL	**6,014**	**3,057**	**9,071**	**5,745**	**2,911**	**8,656**	**5,523**	**2,795**	**8,318**

Source: PNB Human Resource Group

Gender Breakdown per Group

Group	2020 Female	2020 Male	2020 Total	2021 Female	2021 Male	2021 Total	2022 Female	2022 Male	2022 Total
CORPORATE SECRETARY'S OFFICE	14	4	18	4	17	21	6	16	22
CREDIT MANAGEMENT GROUP	160	175	335	167	148	315	158	147	305
ENTERPRISE INFORMATION & CYBER SECURITY GROUP	8	11	19	10	9	19	14	15	29
ENTERPRISE SERVICES SECTOR	175	176	351	174	172	346	167	167	334
FINANCIAL MANAGEMENT SECTOR	82	41	123	43	94	137	41	90	131
GLOBAL BANKING AND MARKETS SECTOR	30	21	51	18	36	54	26	56	82
GLOBAL COMPLIANCE GROUP	34	21	55	21	35	56	17	29	46
HUMAN RESOURCE GROUP	57	23	80	20	56	76	21	50	71
INFORMATION TECHNOLOGY GROUP	150	247	397	244	144	388	236	129	365
INSTITUTIONAL BANKING SECTOR	245	109	354	97	242	339	94	242	336
INTERNAL AUDIT GROUP	87	49	136	55	88	143	49	84	133
MARKETING AND BRAND MANAGEMENT SECTOR	25	18	43	17	22	39	15	26	41
OFFICE OF THE CORPORATE TREASURER	21	3	24	2	16	18	2	18	20
OFFICE OF THE PRESIDENT	2	3	5	4	2	6	4	2	6
OPERATIONS GROUP	546	331	877	300	518	818	433	549	982
PUBLIC AFFAIRS GROUP	5	2	7	3	8	11	3	6	9
RETAIL BANKING SECTOR	4,123	1,707	5,830	1,636	3,955	5,591	1,365	3,560	4,925
RISK MANAGEMENT GROUP	44	19	63	25	48	73	20	42	62
STRATEGY SECTOR	15	7	22	0	0	0	0	0	0
Trainees (BOTP, JEDI, MTP)	108	58	166	40	47	87	46	92	138
TRUST BANKING GROUP	58	23	81	19	65	84	19	69	88
RETAIL LENDING GROUP	0	0	0	0	0	0	59	134	193
Grand Total	**6,014**	**3,057**	**9,071**	**5,747**	**2,911**	**8,656**	**2,795**	**5,523**	**8,318**

Source: PNB Human Resource Group

For 2022, 4,713 or 57% of the total employee population are within the 30- to 50-year-old age range, with more women within the said age range at 65.31% (3,078) compared to men at 34.69% (1,635).

Majority of the employees (5,074 or 61%) are from the National Capital Region, with women comprising 64.13% and the men at 35.87% of the total employees from this area. This is expected as the Bank has more offices and branches located in the NCR than the rest of the regions. For our offices and branches in the provinces, as well as overseas, we hire employees from the same localities as much as possible. We help facilitate with the deployment and relocation of our expatriates to their assigned host country.

Four hundred eighty-two (482) or 5.79% of our total employee population are officers, 3,970 are managers (47.73%), and 3,866 (46.48%) are from rank and file. Four hundred eighty-two (482) of the employees hold key management positions from the rank of AVP to President. From this figure, 285 or 59.13% are women leaders from the rank of AVP to EVP while men leaders comprise 40.87% (197) 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 continues to have the highest number of employees for three consecutive years. The Information Technology Group, Enterprise Services Sector,

and Credit Management Group still continue to have the highest number of female employees.

Our Transformation Office leads the Bank's branch rationalization initiative and movements of certain business and support units within the organization. The said office also reviews the Bank's efforts towards resource optimization, especially in the use of technology. Hiring of new employees, particularly for senior officer positions, goes through a strict review process and are subject to Corporate Governance and Sustainability (CorGov) Committee and Board approvals.

In 2022, we had 674 new hires, comprising 8.10% of the total employee population. Our hiring rate increased by 203% from the 222 new hires in 2021. There were more women new hires in 2022 at 64.698% (436) compared to male new hires at 35.31% (238).

In addition, majority of the new hires are from ages 30 years old and below (68% or 458), with most of them within the rank-and-file level (407) and hailing from the National Capital Region (33%).

To attract talents, we participated in career talks and job fairs in partnership with reputable colleges and universities, provided internship programs for students, and used social media channels.

Breakdown of New Hires per Age, Gender, and Rank

AGE RANGE OF NEW HIRES	2022 FEMALE	2022 MALE	2022 TOTAL	2021 FEMALE	2021 MALE	2021 TOTAL	2022 FEMALE	2022 MALE	2022 TOTAL
Under 30	275	112	387	98	43	141	307	151	458
31 to 50	333	183	516	44	35	79	120	78	198
51 and over	17	25	42	1	1	2	9	9	18
Total	**626**	**319**	**945**	**143**	**79**	**222**	**436**	**238**	**674**

Source: PNB Human Resource Group

Breakdown of 2022 New Hires per Island Group

AGE RANGE	FEMALE	MALE	TOTAL
Under 30			
• NCR	188	79	267
• Luzon	43	23	66
• Visayas	45	21	66
• Mindanao	31	28	59
• Overseas	0	0	0
31-50			
• NCR	90	68	158
• Luzon	12	3	15
• Visayas	13	5	18
• Mindanao	5	2	7
• Overseas	0	0	0
Over 50			
• NCR	6	8	14
• Luzon	3	1	4
• Visayas	0	0	0
• Mindanao	0	0	0
• Overseas	0	0	0
Total:	**436**	**238**	**674**

Source: PNB Human Resource Group

Our management allows lateral transfers of employees from one unit or assignment to another whenever there are vacancies. Internal applicants go through a series of career discussions and are sometimes asked to take exams to assess job fit. For 2022, there were a total of 5,346 employee lateral transfers within the Bank.

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. Aside from helping acquaint them with real-life corporate environment, these students also become our source of candidates for the Bank's future manpower requirements.

For 2022, the Bank's attrition rate was 12.16% (1,032 employees with voluntary and involuntary separations, excluding those with End of Contracts or EOC), an increase of 4.92% from 2021. Out of this number, 805 employees or 9.49% are voluntary separations due to resignations and early retirements.

The highest attrition bank-wide are females at 507 or 62.98%, while the age bracket of 26-41 has the highest number of employees who left the Bank among all age groups at 511 or 63.48%. In terms of rank, more employees at the Rank-and-File level (435 or 54.03%) (432 or 53.66%) left the Bank. More employees (422 or 52.42%) with 0-5 years of service rendered also left the Bank.

Gender	Officer	Rank-and-File	No. of Separations	Attrition Rate
Female	221	286	507	62.98%
Male	149	149	298	37.02%
Grand Total	**370**	**435**	**805**	**100.00%**

Source: PNB Human Resource Group

AGE	NO. OF SEPARATIONS	ATTRITION RATE
25 and below	136	16.89%
26 to 41	511	63.48%
42 to 57	151	18.76%
58 to 67	7	0.87%
Grand Total	**805**	**100.00%**

Source: PNB Human Resource Group

TENURE	NO. OF SEPARATIONS	ATTRITION RATE
0 to 5	422	52.42%
6 to 9	127	15.78%
10 to 14	119	14.78%
15 to 19	52	6.46%
20 to 24	12	1.49%
25 to 29	33	4.10%
Over 50	40	4.97%
Grand Total	**805**	**100.00%**

Our Employee Compensation and Benefits Package

GRI 2-30, 401-2, 401-3
SDG 5, 8, 10

We exercise fairness and non-discrimination in designing our remuneration and rewards package. We ensure that our employees' salary and benefits package are based on their assigned role, 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 in the remuneration and rewards package of the employees is presented to the Corporate Governance and Sustainability (CorGov) Committee and the Board of Directors for review and approval.

We provide competitive salaries and law-mandated benefits to our employees that include sick, emergency, and vacation leaves. In addition, we provide our employees with COVID-19 Quarantine Leave (CQL) for a maximum of 10 days for reporting onsite and five days for working from home.

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, Inc. (TYKFI), the CSR arm of the Lucio Tan Group of Companies.

For 2022, there were a total of 439 employees who took parental leaves, 368 or 83.83% of which are female. The Bank's return rate for men and women employees who took parental and solo parental leaves was at 100%. Retention rate for employees who took parental leaves was at 95.39%, while retention rate for those who availed of solo parental leaves was at 93%.

Benefits Breakdown in 2022

TYPE OF BENEFITS	# OF WOMEN WHO AVAILED	# OF MEN WHO AVAILED	TOTAL
SSS	273	213	486
PhilHealth	164	73	237
Pag-IBIG	223	103	326
Parental leave	368	71	439
Vacation Leave	2,586	1,210	3,796
Sick Leave	2,609	1,167	3,776
Medical benefits (aside from PhilHealth)	N/A	N/A	N/A
Housing assistance (aside from Pag-IBIG)	N/A	N/A	N/A
Retirement fund (aside from SSS)	111	25	136
Further education support	N/A	N/A	N/A
Company Stock options	N/A	N/A	N/A
Telecommuting	33	16	49
Flexible working hours	1,109	773	1,882

Source: PNB Human Resource Group

Parental Leave

	2020			2021			2022		
	FEMALE	MALE	TOTAL	FEMALE	MALE	TOTAL	FEMALE	MALE	TOTAL
Total number of employees that were entitled to parental leave	130	6	136	141	7	148	237	69	306
No. of qualified employees who took parental leave	128	6	134	141	7	148	237	62	299
No. of qualified employees who took parental leave and returned after the leave expired	128	6	134	137	7	144	237	62	299
Return to Work Rate	**100%**	**100%**	**100%**	**97.3%**	**97.3%**	**100%**	**100%**	**100%**	**100%**
Among those who availed the parental leave in 2022 how many of them returned and are still with the company in 2022							**128**	**7**	**135**
Total number of employees that took parental leave in 2021							**141**	**7**	**148**
Retention Rate							**90.78%**	**100%**	**95.39**

Source: PNB Human Resource Group

Solo Parental Leave

	2022		
	FEMALE	MALE	TOTAL
Total number of employees that were entitled to parental leave	173	11	184
No. of qualified employees who took parental leave	131	9	140
No. of qualified employees who took parental leave and returned after the leave expired	131	9	140
Return to Work Rate	**100%**	**100%**	**100%**
Among those who availed the parental leave in 2022 how many of them returned and are still with the company in 2022	130	7	137
Total number of employees that took parental leave in 2021	141	7	148
Retention Rate	**92%**	**100%**	**93%**

Source: PNB Human Resource Group

Employee Learning and Development

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

We always put human capital development at the forefront of our people strategy. We provide access to learning opportunities to our employees to help them improve their productivity, self-sufficiency, and quality of life. Our Human Resource Group's Institute for Banking Excellence (IBE) ensures that capacity-building activities for employees across the organization are aligned with the strategic objectives, mission, goals, and values of the Bank.

We design our training activities and programs based on the learning and development needs of our employees. These include 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.); and technical / specialized training (i.e., business writing, presentation skills, use of MS Office, etc.), among others.

In addition, we also provide trainings for our employees on self-management, communication, developing empathy and resilience, stress management, and adapting to hybrid work to help them cope and thrive in the "new normal". Other training topics provided to employees were on diversity and inclusion, whistleblower policy, product orientation, digital fluency, and financial literacy.

We also send our employees to external trainings on specialized topics such as sustainability, corporate social responsibility, Lean Six Sigma, basic first aid, and disaster response, among others.

Our Bank has 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 to the branch officer role or function. To date, the Bank has a total of 558 JEDI graduates, 662 MTP graduates, and 1,476 BOTP graduates.

Part of our holistic approach to developing competencies is having a formal mentoring program. In 2022, we launched a new mentoring program called "**PNB-Bloom**" *(Building Leaders by Opening Opportunities thru Mentoring)* to support leadership development through mentorship. It aims to leverage on workplace mentoring as a tool to retain and engage high-potential employees and ultimately provide a steady supply of capable leaders for the Bank.

The program commenced with IBE partnering with the Center for Innovation, Change and Productivity (CICP) to conduct the first batch of a mentor certification workshop entitled "Mentoring the Next Generation Leaders". This aimed to tool / re-tool mentors as they navigate through the new work environment. This certification program also gave them an opportunity to practice the skills they developed with the mentees assigned to them. By developing and recognizing mentors and mentees within the Bank, we will instill a passion for mentoring, strengthen our mentoring culture, and support the sustainability thrust of PNB. For the pilot batch of this program, 29 mentors, composed of leaders nominated by their group heads, participated.

A Succession Management Program has also been established to ensure availability of talents with potential and required competencies and who are ready to assume vacant critical positions as the need arises. Further, individual developmental plans for identified successors are developed and closely monitored to address identified learning gaps.

In 2022, we sent ten (10) officers (5 women and 5 men) to the Asian Institute of Management's Management Development Program who are expected to graduate in 2023. This program is an enhanced and accelerated leadership program which is tailor-fit for executives and leaders who are constantly managing change in order to lead, inspire, and transform a hyper-connected workforce. Often tagged as a full-360, non-degree mini-MBA, the program primes participating executives for self-awareness, personal mastery, and transformative leadership in today's business context. The program is designed to challenge the participant's mental toughness, management cadence, big-picture thinking, insightful learning, and collaborative leadership.

RANK	NO. OF PARTICIPANTS IN THE MANAGEMENT DEVELOPMENT PROGRAM
Rank and File	0
Managers	1
Supervisors	0
Officers	9
TOTAL	**10**

Source: PNB Human Resource Group

We encourage all our employees to have at least thirty-two (32) hours of training every year, which forms part of their accomplishment in the performance review. To maximize the use of LinkedIn Learning, learning engagement activities have been instituted for the personal development of employees through the Monthly Themed Learning Journeys.

Moreover, to facilitate compliance and mandatory training, special training content such as the Anti-Money Laundering and the Information Security Awareness Training (ISAT) modules are being hosted in the platform, eliminating the need to manually deploy learning materials and assessment. As of December 2022, we have activated 99.10% employees on the LinkedIn Online Learning platform with 565,718 course completions.

For 2022, a total of 8,283 or 99.58 % of the total employee population received 404,506 training hours, with an average of 48.83 training hours per employee. Of the total number of trained employees, more women (5,499 or 66.39%) attended in-house and external trainings than men (2,789 or 33.61%). Employees in the rank-and-file also received more trainings for the reporting period, logging in a total of 245,519 training hours.

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

	2020			2021			2022		
	FEMALE	MALE	TOTAL	FEMALE	MALE	TOTAL	FEMALE	MALE	TOTAL
No. of Employees	6,014	3,057	**9,071**	5,745	2,911	**8,656**	5,499	2,784	**8,283**
No. of Training Hours	152,265.50	86,928.00	**239,193.00**	140,141.33	90,580.45	**230,721.78**	267,921.00	136,585.00	**404,506.00**
Average No. of Training Hours Per Employee			**26.37**			**26.65**			**48.83**
Average No. of Training Hours Per Gender	25.32	28.43		24.39	311.11		48.72	49.0	

Source: PNB Human Resource Group-Institute of Banking Excellence

Training Hours by Rank

	2020			2021			2022		
	OFFICERS	RANK AND FILE	TOTAL	OFFICERS	RANK AND FILE	TOTAL	OFFICERS	RANK AND FILE	TOTAL
No. of Employees	4,691	4,380	**9,071**	4,644	4,012	**8,656**	4,441	3,842	**8,283**
No. of Training Hours	67,263.00	171,930.50	**239,193.50**	90,730.25	139,991.53	**230,721.78**	158,987.00	245,519.00	**404,506.00**
Average No. of Training Hours	14.34	39.25	**26.37**	19.54	34.89	**26.65**	35.80	63.90	**48.83**

Source: PNB Human Resource Group-Institute of Banking Excellence

We conduct regular performance reviews to measure and evaluate the employee's performance, strengths, areas for improvements, and career growth and development. For administration, a semi-annual review of the rank & file's performance is conducted while an annual review and submission of performance evaluation report is done for the officers.

As of December 2022, 100% of our employees received regular performance and career development reviews. A total of 1,041 (12.03%) employees were promoted, with 677 or 65% women promoted and 364 or 35 % of men promoted.

Ensuring the Safety, Health, and Wellness of Our People

GRI 2-8, 3-3, 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-8, 403-9, 403-10, 410-1
SDG 3, 8

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

All our employees are covered by the health and safety policies of the Bank that cover various facets. Our Bank's policies are based on the Occupational Safety and Health (OSH) Act, Department of Labor and Employment (DOLE) provisions, Anti-Sexual Harassment Act of 2007 and Safe Spaces Act. We also ensure that our safety and security programs are at par with our peers in the industry. To do this, we conduct regular reviews and updates of our safety and security programs.

We have an 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. This committee meets regularly to discuss and manage reported work-related hazards. It also monitors and evaluates existing initiatives by ensuring that these are aligned to 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 safety inspection/ assessment of branches. Work-related incidents are reported to the committee and are covered by the Bank's Guidelines for Notification and Keeping of Records of Accidents or Illnesses at the Workplace.

We identify occupational hazards from occupational risks through parameters identified by the DOLE. Our Risk Management Group constantly studies and assesses these risks.

We have a business continuity plan (BCP) that is being followed by all units and employees during disasters / calamities or any situation that could affect or disrupt our business and operations. This BCP is regularly reviewed and updated to enable the Bank to continue its operations even when disasters or calamities happen.

All our employees, whether on permanent or probationary status, are provided health insurance plan and group accident insurance coverage on the day they start working in the Bank. We also advise our employees to undertake annual physical examination to monitor their health condition.

Our health and safety policies are communicated through email blasts, virtual group huddles / meetings and issuance of memoranda. Our health and safety programs and trainings for employees, on the other hand, are made available through release of email notices or advisories. We also promote health and wellness by releasing health bulletins and organizing fitness activities.

We provide regular trainings for our employees, specifically those appointed as Safety Officers at PNB offices and branches, on Basic Occupational Safety and Health Program, Safety Program Audit, Loss Control Management, Standard First Aid and Basic Life Support, and Disaster Preparedness. Trainings are evaluated through feedback channels, discussions, and surveys by the organizer and the Bank's training team.

We adopted a telecommuting work policy and a hybrid work arrangement for our employees. These are updated based on the current situation. Employees are always advised to wear their masks onsite and to observe physical distancing and health protocols while within the office and branch premises.

In terms of securing and protecting our people, customers, and assets in all our offices and branches, our Corporate Security Group (CSG) under the Enterprise Services Sector has been very active at the forefront.

Embedded in CSG's Security Program is a hybrid Integrated Security System interfacing the strength and competence of both its organic and non-organic security personnel, monitoring and securing PNB personnel and premises on a 24/7 basis.

Complementing its Guard Manning System, the group conducts regular and random / targeted security survey and assessment of local branches and offices nationwide, including security assessment of all offsite ATMs. CSG has also been at the forefront of pursuing and apprehending internal and external fraudsters within the Bank.

The Bank ensures that members of our security force are regularly updated in their trainings, individually and as a group, not only on the topic of safety and security but also on disaster management and emergency response. As part of our pre-requisite in deploying security personnel, our Bank ensures that all members of the security force are licensed and have undergone "In-Service Enhancement Training" which includes guidelines on good customer service, good manners and right conduct, and policies on violation and lapses. Also, related topics on gender equality and diversity and basic human rights are integrated in the training program of third-party service providers engaged by the Bank.

Our Corporate Security Group (CSG) continues to innovate in its practices to deliver the best security initiatives.

In 2022, the Bank has a total of 3,088 outsourced personnel assigned in different offices and branches nationwide and in our host countries.

Breakdown of PNB Outsourced Personnel by Role, Age, and Location of Assignment

	Type of Service Rendered	Luzon			Visayas			Mindanao			Overseas			Total
		< 30 y.o.	30-50 y.o.	> 50 y.o.	< 30 y.o.	30-50 y.o.	> 50 y.o.	< 30 y.o.	30-50 y.o.	> 50 y.o.	< 30 y.o.	30-50 y.o.	> 50 y.o.	
2022	Security	0	1,466	0	0	395	0	0	339	0	0	2	1	**2,203**
	Maintenance	12	22	1	0	0	0	0	0	0	1	0	0	**36**
	Janitorial/Housekeeping	127	352	50	31	70	17	32	62	4	0	3	6	**754**
	Clerical	1	0	0	0	0	0	0	0	0	0	0	0	**1**
	Driver	1	27	15	0	0	0	0	0	0	0	0	0	**43**
	IT-related	30	10	2	0	0	0	0	0	0	0	0	0	**42**
	Messengerial	0	0	0	0	0	0	0	0	0	0	9	0	**9**
	Total	**171**	**1,877**	**68**	**31**	**465**	**17**	**32**	**401**	**4**	**1**	**14**	**7**	**3,088**

Source: PNB Administration Group, Corporate Security Group, Information Technology Group, RBS-Branch Banking Group, and International Banking and Remittance Group

	PNB OFFICES	Age Group			Total
		< 30 y.o.	30-50 y.o.	> 50 y.o.	
2022	NCR/Luzon	171	1,877	68	**2,116**
	Visayas	31	465	17	**513**
	Mindanao	32	401	4	**437**
	Overseas	1	14	7	**22**
	Total	**235**	**2,757**	**96**	**3,088**

Source: PNB Administration Group, Corporate Security Group, Information Technology Group, RBS-Branch Banking Group, and International Banking and Remittance Group

For the reporting period, there were no reported work-related illness, injuries, or fatalities among our employees or any of the outsourced personnel of the Bank.

Managing Labor Relations

GRI 2-30, 3-3, 402-1
SDG 8, 10, 16

Our Bank continues to enjoy the industrial peace that is the fruit of cooperation and collaboration, anchored on mutual trust and respect, between the top management and the labor union.

Forty-six percent (46%) or 4,012 of the total employee population are covered by the Collective Bargaining Agreement (CBA) of the Bank, 3,844 or 44% of the total employee population are union members, with more female members (2,542) compared to male members (1,302).

As practiced, we provide 30 days or a minimum of 4 week's notice to our employees and prior to the implementation of significant operational changes that could substantially affect them, particularly for cases of redundancies, change of assignments or roles, and lateral transfers. Aside from issuing a formal letter to the concerned employees, we also communicate these changes through release of email advisories, especially for employees with significant change of management assignments or roles.

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 CBA was again successfully renewed for another three 3 years covering the period from July 1, 2022 to June 30, 2025.

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.

Promoting Lawful and Ethical Behavior

GRI 2-24, 2-25, 2-26, 3-3, 205-1, 205-2 205-3
FN-CB-510a.2.
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.

We continue to assess our operations for risks related to bribery and corruption, particularly our outsourcing and vendor management practices. We also check for any complacency in control measures, short-cuts in the observance and non-implementation of policies, and deviations from the standard operating procedures (SOPs) of the Bank.

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. 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 2022, 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.

Our Commitment to Gender Equality and Inclusion

GRI 3-3, 406-1
SDG 5, 8, 10, 16, 17

We are committed in providing our employees an inclusive and gender-balanced workforce. We demonstrate this by adopting and observing the principles of diversity and inclusion, as well as the principles of gender equality, across all people programs of the Bank such as recruitment, promotion, career development, training, pay administration, and even in employee engagement activities.

We also observe these principles in the execution of marketing strategies and development of marketing materials which follow the Bank's general policy on gender equality, and diversity and inclusion. The Bank ensures that its marketing collaterals, as well as communication materials, produced internally or through an agency, are gender-neutral, inclusive, and portray all genders in realistic, diverse, and respectable manner.

We continue to provide a safe and secure working environment for our employees. We have established polices on diversity and inclusion, gender equality, anti-sexual harassment, and whistleblowing. We strictly implement our Anti-Sexual Harassment Policy and Whistleblower Policy to ensure the protection of our employees of all genders. The policies include provisions on what constitutes the acts of harassments, 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.

In 2022, the Bank was awarded for the second year in a row by a joint program of the European Union and the UN Women as *Runner Up for Transparency and Reporting* in the UN Women 2022 Philippines Women's Empowerment Principles (WEPs) Awards. PNB was recognized for commitment to transparency and reporting that reflects gender data and indicators, with the intention to measure, analyze, and report on performance and impact of gender on its adaptive policies and programs, tracking performance in progress towards gender equality, and women's economic empowerment.

Including gender data in sustainability reporting is important to reflect the level of support and commitment that we have for gender equality. Reporting gender data and the results of our efforts helps us gain access to the most important resource –our people. At PNB, we want to attract and retain valuable talent – regardless of gender. This is especially relevant as more women join the workforce.

We also renewed our membership with the Philippine Business Coalition for Women Empowerment (PBCWE) to further improve our gender equality and inclusion policies and practices. We plan 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.

For the reporting period, there were no reported incidents of discrimination among our employees, customers, third-party service providers, and outsourced personnel.

Recognizing Excellence at Work

We recognize our employees' contribution and efforts to inspire them to continue doing their best for the Bank and serve as role models to fellow Philnabankers.

We organized a hybrid Service Excellence Awards and Recognition Night to recognize loyal employee awardees, as well as honor employees who have gone above and beyond their line of work in the following areas: transformation, revenue generation, commitment to corporate social responsibility and sustainability, customer service and ideation / innovation. A total of 432 Philnabankers were recognized during the event consisting of loyalty awardees, and Service Excellence, What Outstanding Work! (WOW), and Circle of Excellence awardees.

In addition to the bank-wide 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, raising funds to help employees in need, and promoting PNB products and services.

Moreover, our business units such as the Retail Banking Sector (RBS) and International Banking and Remittance Group (IBRG) also hold their respective virtual annual awards and recognition ceremonies to celebrate great achievements and honor top-performing employees.

Our Institutional Banking Sector (IBS) recently launched their Green Ribbon Recognition Program. This recognition program aims to promote the growth of green and social eligible loans portfolio of the Bank by recognizing Relationship Managers (RMs) and the lending unit's efforts to market, refer, and book loans that are sustainable, thereby contributing to the Bank's overall sustainability objectives. It has two awards categories which will have two winners every year - the Green Ribbon Award for the loan account assessed as a "green project" and the Social Development Advocate Award for the loan account assessed to contribute positively to the society in general.

Promoting Wellness and Work-Life Balance

SDG 2, 3, 4, 8, 12, 13, 14, 15

We value and care for the overall well-being of our employees. We continue to develop and implement activities through different platforms to help our employees improve their physical, mental, and spiritual wellness; develop camaraderie among themselves; strengthen their social and organizational commitment; and promote work-life fit.

Health and Wellness

GRI 403-6

The Bank, through our Human Resource Group (HRG), conducted various activities for holistic employee health and wellness that is focused on the employees' spiritual nourishment, physical and mental health, as well as financial wellness.

We sponsored virtual power classes on yoga, as well as organized fun runs and cycling activities during the Bank's anniversary in July 2022 in partnership with the Anniversary Committee. We also provided health care coverage which includes Annual Physical Examination (APE), medical teleconsultation hotlines, 24/7 Mental Health Hotline via KonsultaMD, and an internal mental health hotline manned by an in-house certified Psychosocial Support Facilitator for our employees.

Webinars on mental health and developing good habits for employees (e.g., Mental Health in a Pocket: Your Guide in Understanding Workplace Well-Being, The Bakit List: A Conversation on Your Mental Health Why's, Psychological First Aid, and Make It A Habit: Building Good Habits and Breaking Bad On, etc.) were also conducted in partnership with the Bank's healthcare provider.

Cultivating Spiritual Wellness

We launched our semi-monthly Spiritual Service Talk that covers various lessons from the Bible. Each session is led by a member (e.g. pastor, brother, or priest) of an established faith organization such as the Christ's Commission Fellowship (CCF) or The Feast / Archdiocesan Shrine of Nuestra Señora De Guia, to name a few. This program aims to strengthen employees' personal values and sense of purpose.

Communicating with and Engaging Philnabankers

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.

Aside from sending out advisories through email blasts and release of memoranda online, we also communicate any news or happenings inside the Bank among our employees through the channel, PNB Engage on SharePoint.

The PNB Engage on SharePoint is the Bank's official internal communications channel that features the following: messages and updates from the President; Philnabanker Communities; HR stories on the core values, internal job vacancies, and other employee-related matters; corporate sustainability initiatives; technology features; downloadable electronic greeting cards; awards and accolades of the Bank; press releases; and stories and updates from business and support groups.

In addition, we held Senior Management Team Meetings where the President, the group and sector heads, and their respective one-downs came together virtually via MS Teams to discuss key challenges and opportunities for the Bank, as well to as discuss how to improve profitability and efficiency as we continue to execute the PNB Strategy.

We produced the *Mensahe Ng Pangulo*, which is a weekly audio-visual message of the President to all Philnabankers, particularly for the branch front-liners, to align them with our Bank strategy, share important messages that drive our success, and help create a positive and more collaborative workplace. The *Mensahe Ng Pangulo* is released 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 meetings.

During the first semester of the year, the Human Resource Group (HRG) shared to the management the result of the employee engagement survey that was conducted in 2021. In October 2022, another employee engagement 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. The survey was participated in by 5,898 or 71% of the Bank's workforce.

We also launched the Sustainability e-Greeting Cards Project for our internal and external stakeholders in October 2022. The objective of this project is to help business and support units establish or maintain relations with their respective clients or external partners, as well as help the Bank communicate its business strategy and sustainability thrusts, activities, and initiatives to its external stakeholders for alignment of expectations. The project is also aligned to the Bank's thrust on sustainability as it promotes the use of online channels.

Fresh Vegetables for Our Employees and Outsourced Personnel

To help promote healthy eating, PNB employees and outsourced personnel were provided access to affordable fresh, organically grown, and affordable vegetables and fruits from the Tan Yan Foundation Inc.'s (TYKFI) farm in Nueva Ecija.

Philnabankers can buy the fresh produce from Tan Yan Kee Foundation, Inc. (TYKFI) 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. The Bank's outsourced personnel, on the other hand, can buy fresh produce at a very low price straight from the Tan Yan Kee Foundation, Inc. (TYKFI) staff who deliver regularly at the head offices in Pasay and Makati.

On Dr. Lucio C. Tan's birthday last June 2022, Tan Yan Kee Foundation, Inc. (TYKFI) distributed free organic vegetables to 385 outsourced personnel of the Bank.

Project P.L.A.N.E.T. (Protect, Love, and Nurture the Environment Together) Campaign

We continued our Project P.L.A.N.E.T. (Protect, Love, and Nurture the Environment Together) Campaign for the reporting period. It is an internal environmental awareness and carbon footprint reduction campaign for Philnabankers launched in July 2019.

In 2022, the campaign's messaging made use of global and local ESG observances like the World Wetlands Day and Plastic-Free July. Through the Project P.L.A.N.E.T., Philnabankers were provided tips on how to live more sustainably and help reduce their personal carbon footprint.

ESG Bulletins were also sent out with topics on the Bank's Sustainability Policy, Sustainability Definition, Sustainable Development Goals, Gender Equality, Diversity and Inclusion, Climate Change, and Greenhouse Gases, etc. These ESG Bulletins help create awareness on relevant sustainability topics for Philnabankers.

Digital Wellness and Sustainability Fair

We continue to promote holistic employee well-being, sustainable lifestyle, and work-life harmony.

Last October 2022, we partnered with Philippine Airlines (PAL) to organize a Digital Wellness and Sustainability Fair with the theme of *"Welcoming Wellness and Sustainability in the Hybrid Workspace"* for the employees of both companies. The week-long fair offered online and onsite activities, which included wellness webinars on career, social, financial, physical and community well-being.

PNB Shirt for A Cause Project

On the occasion of the Bank's 106th Anniversary Celebration, volunteers from Institutional Banking Sector (IBS), Human Resource Group (HRG), and Public Affairs Group (PAG) organized *"A Shirt for A Cause Project"*. PNB shirts bearing the "Proud Philnabanker" slogan were sold to employees with the objective of promoting company pride. Proceeds from the sale of these shirts were donated to the Pagtutulungan ng Bayan Fund, an employee-giving campaign that raises funds to provide financial medical assistance to Philnabankers and their immediate relatives who are ill, involved in accidents, or victims of disasters.

A total of Php103,698.52 was raised during the campaign which ran from July 5, 2022 to July 29, 2022. The Bank's Cards and Payments Solutions Group matched the amount of fund collected by donating another P106,000.00 for the Pagtutulungan ng Bayan Fund.

In addition to selling shirts, the volunteers also encouraged Philnabankers to donate to the cause by using their PNB Credit Cards and donating their credit card rewards points.

PNB Employee Volunteerism on Fire

GRI 413-1, 413-2

As of December 2022, there were a total of 845 Philnabankers who rendered an estimated 2,775 volunteer manhours in their respective communities by organizing or joining community outreach or employee volunteerism activities such as packing and distribution of relief goods / food, tree-planting, coastal clean ups, community clean-up drives, gift-giving, feeding programs, bloodletting, and medical and dental missions.

Employee volunteers also participated in different fundraising and resource mobilization activities led by Philnabankers and by other non-government organizations.

An estimated 1,665 children and adults, 832 families, and 48 communities benefitted from these CSR and volunteerism activities in 29 domestic and overseas areas or locations where the Bank has presence.

MEMBERSHIP IN ASSOCIATIONS

GRI 2-28

- 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 (PBCWE)
- 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

CONTACT INFORMATION

GRI 2-3

Your opinions, feedback, and recommendations will be much appreciated. You may contact 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 Corporate Sustainability Unit
7/F PNB Financial Center, Pres. Diosdado Macapagal Boulevard, Pasay City
Tel. No.: (+632) 8 526-3131 local 2618
Corporate Sustainability Manager: Ms. Mariamel V. Cordova
Email: cordovamv@pnb.com.ph

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

GLOBAL REPORTING INITIATIVE (GRI) CONTENT INDEX

Statement of Use	Philippine National Bank has reported in accordance with the GRI Standards for the period January 1-December 31, 2022.
GRI 1 Used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	None

GRI STANDARD / OTHER SOURCE	DISCLOSURE	LOCATION (Page No.)	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
GENERAL DISCLOSURES						
GRI 2: General Disclosures 2021	2-1: Organizational details	4, 70, 82-83, 186-189, 195-204 Back Page				
	2-2: Entities included in the organization's sustainability reporting	Only the overseas and domestic branches and offices of the Bank are covered in the Sustainability Report. The Sustainability Report is included as a separate section in the Bank's Annual Report which contains the Operational Highlights and Audited Financial Statements.				
	2-3: Reporting period, frequency and contact point	95, 136 PNB reports on its sustainability activities and initiatives annually.				
	2-4: Restatements of information	In our 2020 and 2021 Sustainability Reports, there were errors on our reported Greenhouse Gas Emissions. It was labeled tC02e (tonnes of carbon dioxide equivalent) but the figures were in kilograms of carbon dioxide equivalent (kgC02e). The emissions in 2020 should be 9,816.72 tC02e instead of 9,816,725.98 tC02e while the emissions in 2021 should be 2,368.08 tC02e instead of 2,368,085.74 tC02e.				
	2-5: External assurance	No external assurance.	2-5	Not applicable	No requirement for external assurance.	
	2-6: Activities, value chain and other business relationships	4, 10-19, 79, 101-102				
	2-7: Employees	120-124				
	2-8: Workers who are not employees	128				
	2-9: Governance structure and composition	58-59, 94-95				
	2-10: Nomination and selection of the highest governance body	62				
	2-11: Chair of the highest governance body	6-7, 56, 59				
	2-12: Role of the highest governance body in overseeing the management of impacts	69, 94-95				
	2-13: Delegation of responsibility for managing impacts	94-95				
	2-14: Role of the highest governance body in sustainability reporting	94-95, 99				
	2-15: Conflicts of interest	27-28, 67-68				

GRI STANDARD / OTHER SOURCE	DISCLOSURE	LOCATION (Page No.)	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
	2-16: Communication of critical concerns	Critical concerns are communicated to the Board through regular and special meetings, which are conducted in accordance with the Bank's By-Laws and Manual on Corporate Governance. On communicating critical concerns to the Board on sustainability-related matters that concern the Bank, please see pages 94-95 for reference.				
	2-17: Collective knowledge of the highest governance body	64				
	2-18: Evaluation of the performance of the highest governance body	63-64				
	2-19: Remuneration policies	63, 80, 124				
	2-20: Process to determine remuneration	63, 80, 124				
	2-21: Annual total compensation ratio		2-21-a to 2-21-c	Confidentiality Constraints	Topic on salaries is deemed sensitive and confidential for the Bank. Employees' salary and benefits package are based on their assigned role, competency level, work performance, previous work experience, certifications, and employment tenure, among others.	
	2-22: Statement on sustainable development strategy	6-7, 20				
	2-23: Policy commitments	90-93				
	2-24: Embedding policy commitments	90-93, 94-95, 111-112, 130-131				
	2-25: Processes to remediate negative impacts	77, 130-131				
	2-26: Mechanisms for seeking advice and raising concerns	77, 130-131				
	2-27: Compliance with laws and regulations	72-73, 102				
	2-28: Membership associations	136				
	2-29: Approach to stakeholder engagement	96-97				
	2-30: Collective Bargaining Agreements	130				
MATERIAL TOPICS						
GRI 3: Material Topics 2021	3-1: Process to determine material topics	98-99				
	3-2: List of material topics	98-99				
ECONOMIC AND GOVERNANCE						
GRI 3: Material Topics 2021	3-3: Management of Material Topics	100				

GRI STANDARD / OTHER SOURCE	DISCLOSURE	LOCATION (Page No.)	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
GRI 201: Economic Performance 2016	201-1: Direct economic value generated and distributed	100				
	201-2: Financial implications and other risks and opportunities due to climate change	111-112 The Bank has only started work on integrating climate and E&S criteria in its credit and operational risk management systems in December 2022.				
	201-3: Defined benefit plan obligations and other retirement plans	80-81				
GRI 3: Material Topics 2021	3-3: Management of Material Topics	100-101				
GRI 203: Indirect Economic Impacts 2016	203-1:Infrastructure investments and services supported	100-101				
	203-2: Significant indirect economic impacts	100-101, 118				
GRI 3: Material Topics 2021	3-3: Management of Material Topics	100,101-102				
GRI 204: Procurement Practices	204-1: Proportion of spending on local suppliers		201-1	Information unavailable/ incomplete	Data not available during the reporting period. The Bank will include in next year's reporting.	
GRI 3: Material Topics 2021	3-3: Management of Material Topics	77, 130-131				
GRI 205: Anti-corruption 2016	205-1: Operations assessed for risks related to corruption	130-131				
	205-2: Communication and training about anti-corruption policies and procedures	130-131				
	205-3: Confirmed incidents of corruption and actions taken	131				
EVIRONMENT						
GRI 3: Material Topics 2021	3-3: Management of material topics	103-106				
GRI 302: Energy 206	302-1: Energy consumption within the organization	105-106				
GRI 3: Material Topics 2021	3-3: Management of material topics	103-105				
GRI 303: Water and Effluents 2018	303-1: Interactions with water as a shared resource	103-105				
	303-2: Management of water discharge-related impacts	103-105				
	303-3: Water Withdrawal	105				
	303-4: Water discharge	105				
	303-5: Water consumption	105				
GRI 3: Material Topics 2021	3-3: Management of material topics	107				
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	107				

GRI STANDARD / OTHER SOURCE	DISCLOSURE	LOCATION (Page No.)	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
	305-2 Energy indirect (Scope 2) GHG emissions	107				
	305-3: Other indirect (Scope 3) GHG emission		305-3	Information unavailable/ incomplete	The Bank has yet to complete its GHG emissions inventory in 2023, including its financed emissions and other sources of Scope 3 emissions.	
	305-4: GHG emissions intensity		305-4			
	305-5: 305-5 Reduction of GHG emission	103-104, 106				
	305-6: Emissions of ozone-depleting substances (ODS)		305-6	Information unavailable/ incomplete	The Bank is not engaged in activities dealing with ozone-depleting substances.	
GRI 3: Material Topics 2021	3-3: Management of material topics	108-110				
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	108-110				
	306-2 Management of significant waste-related impact	108-110				
	306-3 Waste generated	109				
	306-4 Waste diverted from disposal	110				
	306-5 Waste directed to disposal	110				
CUSTOMERS AND COMMUNITIES						
GRI 3: Material Topics 2021	3-3: Management of material topics	118-119, 135				
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	118-119, 135				
	413-2: Operations with significant actual and potential negative impacts on local communities	118-119, 135 No operations with significant actual and negative impacts on the communities				
GRI 3: Material Topics 2021	3-3: Management of material topics	117				
GRI 417: Marketing and Labeling 2016	417-1: Requirements for product and service information and labeling	117				
	417-2: Incidents of non-compliance concerning product and service information and labeling	117				
	417-3: Incidents of non-compliance concerning marketing	117				
GRI 3: Material Topics 2021	3-3: Management of material topics	50-52, 115-116				
GRI 418: Customer Privacy	418-1: Substantiated complaints concerning breaches of customer data privacy and losses of customer data	115-116				
GRI 3: Material Topics 2021	3-3: Management of material topics	114-115				

GRI STANDARD / OTHER SOURCE	DISCLOSURE	LOCATION (Page No.)	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
	Digital innovation and transformation	114-115				
GRI 3: Material Topics 2021	3-3: Management of material topics	78, 113				
	Customer engagement and satisfaction	78, 113				
EMPLOYEES						
GRI 3: Material Topics 2021	3-3: Management of material topics	79, 120-122, 124				
GRI 202: Market Presence 2016	202-1: Ratios of standard entry level wage by gender compared to local minimum wage		202-1	Confidentiality constraints	Topic on salaries is deemed sensitive and confidential for the Bank. Employees' salary and benefits package are based on their assigned role, competency level, work performance, previous work experience, certifications, and employment tenure, among others	
	202-2: Proportion of senior management hired from the local community		201-2	Information unavailable/ incomplete	Members of the Bank's senior management are hired based on their competency level, previous work experience, and certifications, among others.	
GRI 3: Material Topics 2021	3-3: Management of material topics	79,120-123				
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	123-124				
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	80, 124-125				
	401-3 Parental leave	125				
GRI 3: Material Topics 2021	3-3: Management of material topics	130				
GRI 402: Labor / Management Relations	402-1: Minimum notice periods regarding operational changes	130				
GRI 3: Material Topics 2021	3-3: Management of material topics	128-129				
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	128-129				
	403-2 Hazard identification, risk assessment, and incident investigation	128-129				
	403-3 Occupational health services	128-129				
	403-4 Worker participation, consultation, and communication on occupational health and safety	128-129				

GRI STANDARD / OTHER SOURCE	DISCLOSURE	LOCATION (Page No.)	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
	403-5 Worker training on occupational health and safety	128-129				
	403-6 Promotion of worker health	128-129, 133				
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	128-129				
	403-8 Workers covered by an occupational health and safety management system	128-129				
	403-9 Work-related injuries	129				
	403-10: Work-related ill health	129				
GRI 3: Material Topics 2021	3-3: Management of material topics	80, 126-127				
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	127				
	404-2: Programs for upgrading employee skills and transition assistance	80, 126-127				
	404-3: Percentage of employees receiving regular performance and career development reviews	128				
GRI 3: Material Topics 2021	3-3: Management of material topics	60-62, 120-124, 131-132				
GRI 405: Diversity and Equal Opportunity 2016	405-1: Diversity of governance bodies and employees	60-62, 120-124				
	405-2: Ratio of basic salary of remuneration of women to men		405-2	Confidentiality Constraints	Topic on salaries is deemed sensitive and confidential for the Bank. Employees' salary and benefits package are based on their assigned role, competency level, work performance, previous work experience, certifications, and employment tenure, among others.	
GRI 3: Material Topics 2021	3-3: Management of material topics	131-132				
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	132				
GRI 3: Material Topics 2021	3-3: Management of material topics	129				
GRI 410: Security Practices	410-1:Security personnel trained on human rights policies and procedures	129				

SUSTAINABILITY ACCOUNTING STANDARDS BUREAU (SASB) CONTENT INDEX

This content index provides an overview of PNB's Environmental, Social, and Governance data that align with industry-specific ESG guidance framework of SASB Standards for the Financials Sector - Commercial Banks 2018. Other SASB codes are omitted due to lack of applicability, confidentiality, and unavailability of data.

TOPIC	CODE	ACCOUNTING METRICS	LOCATION / RESPONSE
FINANCIAL SECTORS- COMMERCIAL BANKS			
Data Privacy	FN-CB-230a.2	Description of approach to identifying and addressing data security risks	115-116
Financial Inclusion & Capacity Building	FN-CB-240a.4	Number of participants in financial literacy initiatives for unbanked, underbanked, or underserved customers	118
Incorporation of Environmental, Social, and Governance Factors in Credit Analysis	FN-CB-410a.2	Description of approach to incorporation of environmental, social, and governance (ESG) factors in credit analysis	111-112
Business Ethics	FN-CB-510a.2	Description of whistleblower policies and procedures	77,130-131
ACTIVITY METRIC			
FN-CB-000.A		(1) Number and (2) value of checking and savings accounts by segment: (a) personal and (b) small business	118
FN-CB-000.B		(1) Number and (2) value of loans by segment: (a) personal, (b) small business, and (c) corporate	100-101, 118

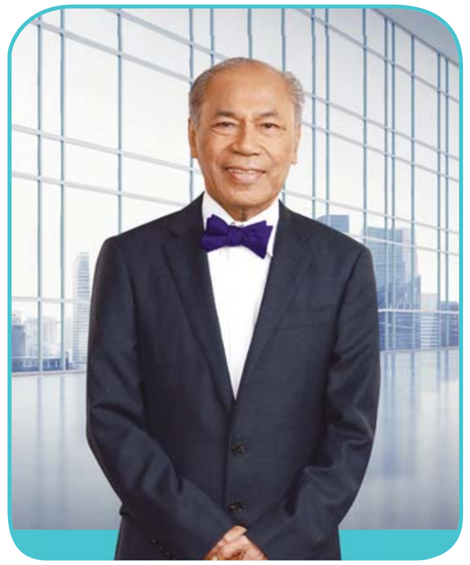
TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURE (TCFD) CONTENT INDEX

RECOMMENDED DISCLOSURES	LOCATION / RESPONSE
Governance Disclose the organization's governance around climate-related risks and opportunities	
a) Describe the board's oversight of climate-related risks and opportunities	94-95, 111-112
b) Describe management's role in assessing and managing climate- related risks and opportunities	94-95, 111-112
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material	
a) Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term	111-112
b) Describe the impact of climate- related risks and opportunities on the organization's businesses, strategy and financial planning.	111-112
c) Describe the resilience of the organization's strategy, taking into consideration different climater-elated scenarios including a 2°C or lower s	111-112
Risk Management Disclose how the organization identifies, assesses, and manages climate-related risks	
a) Describe the organization's processes for identifying and assessing climate- related risks	111-112
b) Describe the organization's processes for managing climate- related risks	111-112
c) Describe how processes for identifying, assessing, and managing climate- related risks are integrated into the organization's overall risk management	111-112
Metrics and Targets Disclose the metrics and targets used to assess and manage relevant climate- related risks and opportunities where such information is material	
a) Disclose the metrics used by the organization to assess climate- related risks and opportunities in line with its strategy and risk management process	111-112
b) Describe the targets used by the organization to manage climate- related risks and opportunities and performance against targets	111-112

BOARD OF DIRECTORS

FEDERICO C. PASCUAL
Chairman /
Independent Director

LEONILO G. CORONEL
Vice Chairman /
Non-Executive Director



FLORIDO P. CASUELA
Executive Director /
Acting President

ISABELITA M. PAPA
Independent Director

SHEILA T. PASCUAL
Non-Executive Director

WILFRIDO E. SANCHEZ
Independent Director

FELIX ENRICO R. ALFILER
Non-Executive Director

EDGAR A. CUA
Independent Director

ESTELITO P. MENDOZA
Non-Executive Director

CARMEN K. TAN
Non-Executive Director

LUCIO C. TAN
Non-Executive Director

LUCIO C. TAN III
Non-Executive Director

BOARD OF DIRECTORS

MICHAEL G. TAN
Non-Executive Director

VIVIENNE K. TAN
Non-Executive Director

DOMINGO H. YAP
Independent Director

BOARD ADVISORS

CHESTER Y. LUY
Board Advisor

WILLIAM T. LIM
Board Advisor

CHRISTOPHER J. NELSON
Board Advisor

FLORENCIA G. TARRIELA
Board Advisor

RUTH PAMELA E. TANGHAL
Corporate Secretary

BOARD OF DIRECTORS

FEDERICO C. PASCUAL

CHAIRMAN / INDEPENDENT DIRECTOR

Age: 80
Nationality: Filipino
No. of Years served as a Director: 9

EDUCATION

- Bachelor of Arts, Ateneo de Manila University
- Bachelor of Laws (Member, Law Honors Society), University of the Philippines
- Master of Laws, Columbia University

DATE OF FIRST APPOINTMENT

- May 27, 2014 (as Independent Director)
- April 27, 2021 (as Chairman of the Board)

DIRECTORSHIP IN OTHER LISTED COMPANIES

- None

OTHER CURRENT POSITIONS

- Chairman of PNB-Mizuho Leasing and Finance Corporation, PNB-Mizuho Equipment Rentals Corporation, and PNB Capital and Investment Corporation
- Independent Director of Allianz PNB Life Insurance, Inc. and PNB International Investments Corporation
- 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
- Member, Multi Sectoral Governing Council of Bureau of Customs

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: 76
Nationality: Filipino
No. of Years served as a Director: 10

EDUCATION

- Bachelor of Arts, Major in Economics, Ateneo de Manila University
- Advance Management Program, University of Hawaii

DATE OF FIRST APPOINTMENT

- 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
- Director of Software Ventures International
- Director of Toyota Pasong Tamo/Toyota Global City/Toyota Angeles City/M2 Car Accessories

OTHER PREVIOUS POSITIONS

- Chairman of PNB-IBJL Leasing and Finance Corporation and PNB-IBJL Equipment Rentals Corporation
- Independent Director of Megawide Construction Corporation and DBP-Daiwa Capital Market Philippines
- 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, U.S. Aid, 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 Institute of Corporate Directors

FLORIDO P. CASUELA

EXECUTIVE DIRECTOR / ACTING PRESIDENT

Age: 81
Nationality: Filipino
No. of Years served as a Director: 17

EDUCATION

- Bachelor of Science in Business Administration, Major in Accounting, University of the Philippines
- Master 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

GOVERNMENT CIVIL SERVICE ELIGIBILITIES

- Certified Public Accountant, Economist, Commercial Attaché

DATE OF FIRST APPOINTMENT

- May 30, 2006 (as Director)
- July 5, 2022 (as Acting President)

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, PNBRCI Holding Co., Ltd., Allianz PNB Life Insurance, Inc., Surigao Micro Credit Corporation, and Bancnet, Inc.
- Senior Adviser of the Bank of Makati (a Savings Bank), Inc.

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 Bangko Sentral ng Pilipinas
- 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

FELIX ENRICO R. ALFILER

NON-EXECUTIVE DIRECTOR

Age: 73
Nationality: Filipino

EDUCATION

- Bachelor of Science and Master in Statistics, University of the Philippines

DATE OF FIRST APPOINTMENT

- January 1, 2012 (as Independent Director)
- April 27, 2021 (as Board Advisor)
- December 29, 2022 (as Director)

DIRECTORSHIP IN OTHER LISTED COMPANIES

- None

OTHER CURRENT POSITIONS

- Chairman/Independent Director of PNBRCI Holding 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

BOARD OF DIRECTORS

EDGAR A. CUA

INDEPENDENT DIRECTOR

Age: 67
Nationality: Filipino
No. of Years served as a Director: 7

EDUCATION

- Bachelor of Arts in Economics (Honors Program), Ateneo de Manila University
- Master of Arts in Economics, University of Southern California
- Master of Planning Urban and Regional Environment, University of Southern California
- Advanced Chinese, Beijing Language and Culture University
- Sustainable Development Training Program, Cambridge University

DATE OF FIRST APPOINTMENT

- May 31, 2016

DIRECTORSHIP IN OTHER LISTED COMPANIES

- None

OTHER CURRENT POSITIONS

- Chairman/Independent Director of Allied Integrated Holdings, Inc. (formerly PNB Savings Bank)
- Vice Chairman/Independent Director of PNB Capital and Investment Corporation
- Independent Director of Allied Commercial Bank, Xiamen, PNB-Mizuho Leasing and Finance Corp. and PNB-Mizuho Equipment Rentals Corporation
- Director of Davao Unicar Corporation

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 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: 92
Nationality: Filipino
No. of Years served as a Director: 14

EDUCATION

- Bachelor of Laws (cum laude), University of the Philippines
- Master of Laws, Harvard University

DATE OF FIRST APPOINTMENT

- January 1, 2009

DIRECTORSHIP IN OTHER LISTED COMPANIES

- Director of San Miguel Corporation and Petron Corporation

OTHER CURRENT POSITIONS

- Practicing lawyer for more than 60 years

OTHER PREVIOUS POSITIONS

- Chairman of Prestige Travel, Inc.
- Professorial 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 (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 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: 74
Nationality: Filipino
No. of Years served as a Director: 1

EDUCATION

- Bachelor of Science in Commerce – Banking & Finance, University of Santo Tomas

DATE OF FIRST APPOINTMENT

- August 5, 2021

DIRECTORSHIP IN OTHER LISTED COMPANIES

- None

OTHER CURRENT POSITIONS

- Independent Director of PNB-Mizuho Leasing and Finance Corporation and PNB-Mizuho Equipment Rentals Corporation
- 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 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: 60
Nationality: Filipino
No. of Years served as a Director: 3

EDUCATION

- Bachelor of Science in Business Management, Ateneo de Manila University

DATE OF FIRST APPOINTMENT

- 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, Philippine Airlines, Inc., and Zuma Holdings and Management Corporation
- Business Development Manager of Allied Banking Corporation (Hong Kong) Limited

OTHER PREVIOUS POSITIONS

- Marketing Development Officer of Asia Brewery Incorporated

WILFRIDO E. SANCHEZ

INDEPENDENT DIRECTOR

Age: 85
Nationality: Filipino
No. of Years served as a Director: 2

EDUCATION

- Bachelor of Arts, Ateneo de Manila University
- Bachelor of Laws, Ateneo De Manila University
- Master of Laws, Yale Law School

DATE OF FIRST APPOINTMENT

- 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., Asia Brewery, Inc., and Tanduay Distillers, Inc.
- Director of EEI Corporation, House of Investments, Inc., Kawasaki Motor Corporation, EMCOR, Inc., K-Servico, Inc., J-DEL Investments and Management Corp., WODEL, Inc., KS Prime Financial Corp., and Trimotors Technology Corp.
- Trustee of JVR Foundation, Inc. and Gokongwei Brothers Foundation

OTHER PREVIOUS POSITIONS

- Vice Chairman/Director of Antonelli Realty Holdings, Inc.
- Trustee of NYK-TDG Friendship Foundation, Inc. and Asian Institute of Management
- 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, Asiabest Group International Inc., Magellan Capital Holdings Corporation, and Joint Research and Development Corporation

CARMEN K. TAN

NON-EXECUTIVE DIRECTOR

Age: 81
Nationality: Filipino
No. of Years served as a Director: 7

DATE OF FIRST APPOINTMENT

- May 31, 2016

DIRECTORSHIP IN OTHER LISTED COMPANIES

- Director of LT Group, Inc., 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., Manufacturing Services & Trade Corp., Progressive Farms, Inc., PMFTC, Inc., Shareholdings Inc., Sipalay Trading Corp., Tanduay Distillers, Inc., Tangent Holdings Corporation, Trustmark Holdings Corp., Alliedbankers Insurance Corporation, 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.

MAJOR AFFILIATIONS

- Trustee of Tan Yan Kee Foundation
- Member of Tzu Chi Foundation

LUCIO C. TAN

NON-EXECUTIVE DIRECTOR

Age: 88
Nationality: Filipino
No. of Years served as a Director: 23

EDUCATION

- Bachelor of Science in Chemical Engineering, Far Eastern University
- Doctor of Philosophy, Major in Commerce, University of Santo Tomas

DATE OF FIRST APPOINTMENT

- 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., Asia Brewery, Inc., and Basic Holdings Corporation
- Chairman and President of Tangent Holdings Corporation, Trustmark Holdings Corporation, Buona Sorte Holdings, Inc., Asian Alcohol Corporation, Himmel Industries, Inc., Charter House, Incorporated, Foremost Farms, Inc., Progressive Farms, Inc., and Zuma Holdings and Management Corporation
- Chairman of Allied Commercial Bank Xiamen, Allied Banking Corporation (Hong Kong) Limited, Allianz PNB Life Insurance, Inc., Eton Properties Philippines, Inc., Fortune Tobacco Corporation, PNB Holdings Corporation, Tanduay Distillers, Inc., Alliedbankers Insurance Corporation, Air Philippines Corporation, PMFTC, Inc., Grandspan Development Corporation, and University of the East
- 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., PNB Savings Bank, 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: 30
Nationality: Filipino
No. of Years served as a Director: 2

EDUCATION

- Bachelor of Science in Electrical Engineering, Stanford University
- Master of Science, Major in Computer Science, Stanford University

DATE OF FIRST APPOINTMENT

- April 27, 2021

DIRECTORSHIP IN OTHER LISTED COMPANIES

- Vice Chairman and Chief Operating Officer of LT Group, Inc.
- Director and Vice President 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 Corporation, MacroAsia Catering Services Inc., MacroAsia SATS Food Industries, MacroAsia SATS Inflight Services Corporation, Prior Holdings Corporation, Belton Communities, Inc., Eton City, Inc., First Homes, Inc., ALI Eton Property Development Corporation, 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 Corporation
- 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: 56
Nationality: Filipino
No. of Years served as a Director: 10

EDUCATION

- Bachelor of Applied Science in Civil Engineering, Major in Structural Engineering, University of British Columbia, Canada

DATE OF FIRST APPOINTMENT

- February 9, 2013

DIRECTORSHIP IN OTHER LISTED COMPANIES

- Director and President 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., Shareholdings, Inc., PMFTC Inc., Maranaw Hotel (Century Park Hotel), Pan Asia Securities, Inc., Asia's Emerging Dragon Corporation, Paramount Land Equities, Inc., Saturn Holdings, Inc., Tangent Holdings Corporation, PNB Global Remittance and Financial Company (HK) Limited, Allied Commercial Bank, Allied Banking Corp. (Hong Kong) Limited, and Trustmark Holdings Corporation
- Director and Treasurer of Zuma Holdings and Management Corporation
- Member of ASEAN Business Advisory Council (ASEAN BAC)
- Vice President of Federation of Filipino-Chinese Chambers of Commerce and Industry, Inc. (FFCCCII)
- Director of Philippine Chamber of Commerce and Industry
- Member of the Private Sector Advisory Council
- Trustee of Help, Educate and Rear Orphans (HERO) Foundation, Inc.

OTHER PREVIOUS POSITIONS

- Chairman of PNB Holdings Corporation
- Chief Operating Officer of LT Group, Inc.
- 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.
- 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: 54
Nationality: Filipino
No. of Years served as a Director: 5

EDUCATION

- 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.

DATE OF FIRST APPOINTMENT

- 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. and Philippine Airlines, 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 Angeles, 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: 88
Nationality: Filipino
No. of Years served as a Director: 3

EDUCATION

- Bachelor of Science in Business Administration, Major in Business Management, San Sebastian College Recoletos

DATE OF FIRST APPOINTMENT

- 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., AllianceLand Development Corporation, and Kang Ha Association

OTHER PREVIOUS POSITIONS

- President of the Federation of Filipino-Chinese Chambers 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

CHESTER Y. LUY

BOARD ADVISOR

Age: 53
Nationality: Filipino

EDUCATION

- Bachelor of Science in Business Administration (Magna Cum Laude and graduated at the Top of B.S. Business Administration Class of 1990), University of the Philippines
- Master in Management, J.L. Kellogg Graduate School of Management at Northwestern University
- Chartered Financial Analyst (CFA)

DATE OF FIRST APPOINTMENT

- May 11, 2020

OTHER CURRENT POSITIONS

- Board Advisor of LT Group, Inc.
- Director of Tanduay Distillers, Inc.
- Director of Philippine National Bank (Europe) PLC
- Director of PNB Global Remittance and Financial Company (HK) Limited

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
- He 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. He held leadership roles at 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
- Awarded as the Most Outstanding Business Administration Student for the Class of 1990 of University of the Philippines
- Graduated at the Top of his Class, garnering the highest GPA for the graduating University of the Philippines' B.S. Business Administration Class of 1990

WILLIAM T. LIM

BOARD ADVISOR

Age: 82
Nationality: Filipino

EDUCATION

- Bachelor of Science in Chemistry, Adamson University

DATE OF FIRST APPOINTMENT

- 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

CHRISTOPHER J. NELSON

BOARD ADVISOR

Age: 63
Nationality: British

EDUCATION

- Bachelor of Arts and Master of Arts in History, Emmanuel College, Cambridge University, U.K.
- Diploma in Marketing, Institute of Marketing, Cranfield, U.K.

DATE OF FIRST APPOINTMENT

- 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

- Director of PNB Europe PLC
- Director of the Federation of Philippine Industries, and CyberQ Group, Inc.
- Executive Director of the British Chamber of Commerce of the Philippines
- Trustee of the American Chamber Foundation Philippines, Inc., Philippine Band of Mercy and Dualtech Training Center
- Member of the Society of Fellows of the Institute of Corporate Directors

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

FLORENCIA G. TARRIELA

BOARD ADVISOR

Age: 75
Nationality: Filipino

EDUCATION

- Bachelor of Science in Business Administration, Major in Economics, University of the Philippines
- Master in Economics, University of California, Los Angeles, where she topped the Master's Comprehensive Examination

DATE OF FIRST APPOINTMENT

- 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.
- Independent Director of Nickel Asia Corporation

OTHER CURRENT POSITIONS

- Director of PNB Capital and Investment Corporation
- Director of PNB International Investments Corp.
- Columnist for "Business Options" of the Manila Bulletin and "FINEX Folio" of BusinessWorld
- 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
- Director of Financial Executives 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
- Director of Eton Properties Philippines, Inc.
- 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

RUTH PAMELA E. TANGHAL

CORPORATE SECRETARY

Age: 54
Nationality: Filipino

EDUCATION

- Bachelor of Science in Mathematics, Notre Dame University, Cotabato City
- Bachelor of Laws (Cum Laude), Notre Dame University, Cotabato City

DATE OF FIRST APPOINTMENT

- September 25, 2020

DIRECTORSHIP IN OTHER LISTED COMPANIES

- None

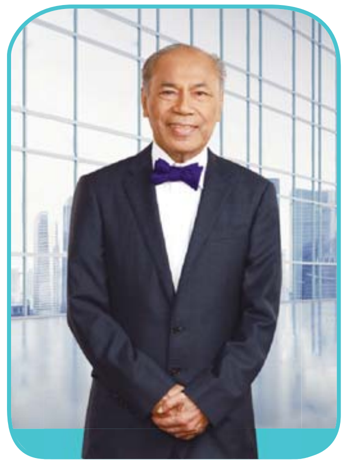
OTHER CURRENT POSITIONS

- 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


FLORIDO P. CASUELA


CENON C. AUDENCIAL, JR.


ROBERTO D. BALTAZAR


ISAGANI A. CORTES


AIDA M. PADILLA


MANUEL C. BAHENA, JR.


MA. ADELIA A. JOSON


JOSE GERMAN M. LICUP


MARIA PAZ D. LIM


NOEL C. MALABAG


ROLAND V. OSCURO


NANETTE O. VERGARA

NOT IN PHOTO:
- *Jose Arnulfo A. Veloso - President & CEO from January 1, 2022 to July 4, 2022*
- *Paolo Eugenio J. Baltao - SVP and Special Assistant to the President for Digital Bank Initiative from January 1, 2022 to December 31, 2022*


REYNALDO C. BURGOS


CLARO P. FERNANDEZ


AIDELL AMOR R. GREGORIO


CELESTE MARIE V. LIM


MICHAEL M. MORALLOS


JENNIFER Y. NG


PHILIP S. PABELICO


JOY JASMIN R. SANTOS


DAMASEN PAUL C. CID


JULIET S. DYTOC


ANALISA I. SAN PEDRO


SOCORRO D. CORPUS

NOTE:
- *SVP Jennifer Y. Ng appointed as Head of Marketing Services/Intelligence Analytics and Performance Group effective January 16, 2023*
- *VP Juliet S. Dytoc appointed as Chief Risk Officer and Head of Risk Management Group effective March 1, 2023*

MANAGEMENT COMMITTEE

FLORIDO P. CASUELA

81, Filipino. "Doy" joined PNB in 2006 as Director. He was appointed as the Bank's Acting President on July 5, 2022. He is currently the Chairman of PNB Securities, Inc. and Casuela Equity Ventures, Inc. He is also a Director of PNB International Investments Corporation; PNB RCI Holdings Co., Ltd.; Surigao Micro Credit Corporation, and Bancnet, Inc. He is a Senior Adviser of the Bank of Makati, Inc. Prior to PNB, Doy served as President of the Land Bank of the Philippines and Maybank Philippines, Inc. He is a Certified Public Accountant. Doy obtained both his Bachelor of Science degree in Business Administration, Major in Accounting, and his Master's degree in Business Administration from the University of the Philippines.

CENON C. AUDENCIAL, JR.

64, 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

59, 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

55, 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

73, 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.

61, 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.

MANAGEMENT COMMITTEE

MA. ADELIA A. JOSON

69, 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

57, 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 30 years of experience advising in litigation, banking, securities and corporate law, international financial transactions, debt capital markets, financial derivatives, data privacy, competition law, 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. He is concurrently Officer-in-Charge of PNB Mizuho Leasing and Finance Corporation. Prior to joining PNB, he was the Country General Counsel of HSBC Philippines. He was previously a member of, and subsequently 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

61, 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, Diliman, Quezon City. She holds a Master's degree in Business Administration from the Ateneo de Manila University.

NOEL C. MALABAG

51, 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 28 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

59, Filipino. "Roland" is First Senior Vice President and in concurrent capacity, the Chief Information Security Officer, Data Protection Officer, and Head of Enterprise Information and Cyber 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

62, 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.

MANAGEMENT COMMITTEE

REYNALDO C. BURGOS

54, Filipino. "Rey" is Senior Vice President and Head of Operations Group. Prior to joining PNB, he was previously connected with Metrobank from 1990 to 2022 as First Vice President, handling Settlements, Cash, and Clearing Operations. With over 30 years of experience, he was exposed to different areas of operations and was part of various projects such as re-engineering, branch transformation to sales model, process review and streamlining, data driven work and analytics, and automation. He was a major contributor of the present Cash Service Alliance (CSA) live project of the Bangko Sentral ng Pilipinas (BSP) and acted as Technical Working Group Head in the implementation of the Check Image Clearing System (CICS) in the Philippines, under the guidance of the BSP, Philippine Clearing House Corporation (PCHC), and Bankers Association of the Philippines (BAP). He served as president of the Clearing Officers Club, Inc. of the Philippines for 11 years and was part of the BAP Operations Committee for more than 10 years. He is a member of the Bancnet Operations Committee and a director of the PCHC. Rey holds a Bachelor of Science degree in Commerce, Major in Accountancy from the Colegio de San Juan de Letran.

CLARO P. FERNANDEZ

60, 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.

AIDELL AMOR R. GREGORIO

40, Filipino. "Aidell" is Senior 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 being 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 15 years. Aidell graduated with a Bachelor of Science degree in Accountancy from the University of Santo Tomas. He is a Certified Public Accountant.

CELESTE MARIE V. LIM

46, Filipino. "Celeste" is Senior Vice President and Head of Cards and Payments Solutions Group. She is a retail banking specialist focused on lending and payments with over 20 years of experience. Prior to joining PNB, she was Cards Business Development and Operations Group Head at Security Bank Corporation from 2016 to 2021. She began her career in HSBC Philippines as a Credit Risk Officer for Consumer Lending in 2001 and then Credit Cards Portfolio Manager for Consumer Credit Risk from 2003 to 2006. She moved to Metrobank Cards Corporation to start up and head its Merchant Acquiring Business from 2006 to 2016. Celeste obtained her Bachelor of Science degree in Business Administration and Accounting from the College of Mount Saint Vincent, New York and her Master's degree in Business Administration from the University of Chicago Booth School of Business.

MICHAEL M. MORALLOS

54, 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.

JENNIFER Y. NG

49, Filipino. "Jen" is Senior Vice President and Head of Marketing Services, Intelligence/Analytics and Performance Group. She joined the bank on November 3, 2014, as the Head of Products Management Division and was later appointed as Head of RBS Sales and Support Division on February 22, 2016. This division provides support to the nationwide network of the Branch Banking Group, the International Banking and Remittance Group, and Retail Lending Group. Jen also handled and spearheaded major projects for the Retail Banking Sector including Customer Experience Projects, Digitization Projects, Deposit Generation Campaigns, and Sales Conventions and Rallies. She is an active member of the Mobile Project Steering Committee, Retirement Fund Committee, Senior Management Credit Committee, Loan Origination Steering Committee, Wealth Management System Steering Committee, and Bancassurance Distribution and Marketing Steering Committee. She regularly attends the Assets and Liability Committee of the bank as a resource. She earned her promotions as VP in 2017 and to FVP in 2019. On February 1, 2021, she was assigned as Group Head of Branch Banking Group Metro Manila where she handled 3 regions, 18 areas, and 256 branches. On the same year, she was promoted to Senior Vice President. She spent 25 years of her banking career at Security Bank Corporation, Asiatrust Development Bank, and Planters Development Bank, with extensive experience in Branch Banking, Consumer Sales, and Marketing. She also served as the director for Asia Pacific and head of Philippine operations for Transfast Remittance LLC. Jen holds a Bachelor of Science degree in Medical Technology from the University of Santo Tomas. She earned her Master's degree in Business Administration from the Ateneo Graduate School of Business, Regis Program.

MANAGEMENT COMMITTEE

PHILIP S. PABELICO

49, Filipino. Philip joined the Bank in April 2022 as Senior Vice President and Head of Retail Lending Group. Prior to joining the Bank, he was previously connected with United Coconut Planters Bank where he headed the consumer banking group and spearheaded the implementation of the consumer loans originating system. He has 23 years of experience in consumer banking and finance and held executive positions in Toyota Financial Services Corp., Sterling Bank of Asia and International Exchange Bank. He completed the Strategic Leaders Program from the Michigan Ross School of Business in Hong Kong in November 2017. He earned his Bachelor of Science in Management of Financial Institutions from De La Salle University.

JOY JASMIN R. SANTOS

49, Filipino. "Jiah" is Senior 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.

DAMASEN PAUL C. CID

55, Filipino. "Dama" is First Vice President and Head of the Digital Innovations Group (DIG). 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. Under his watch, PNB migrated its debit card base and ATM platform to the EMV standard, and launched its first mobile banking app in 2017. The app was subsequently upgraded to a more intuitive and secure digital app in 2021. DIG continues to push the consumer digital agenda across the mobile and other internal channels. Digitally engaged users stands to reach 780,000 as of 2022, and 69% of these clients use the app at least once a month. 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.

JULIET S. DYTOC

52, 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.

ANALISA I. SAN PEDRO

45, Filipino. "Ana" is Vice President and Chief Audit Executive. Ana joined the Bank in 2002 as Management Specialist and rose from the ranks to the position of 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

71, Filipino. "Cora" is the Officer-in-Charge of Human Resources Group of Philippine National Bank. Cora retired from the Bank six 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: 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 a regular Bank representative to the Banking Industry Tripartite Council.

THE BANK'S SUBSIDIARIES AND AFFILIATE

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.

Allianz SE and PNB Life entered into a joint venture in 2015 to form a company that 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 to 2022 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. It is also one of the world's top sustainable insurers, having been ranked first in the Dow Jones Sustainability Index for three straight years (2017-2019), and reclaimed the top position in 2021 and 2022. 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 a leading provider of Variable Life products, complemented by a full line of Life protection offerings for individuals and institutions.

Allianz PNB Life has gained recognition for its marketing, communications, employee care, and leadership, having won multiple awards over the past two years (2021-2022), including the prestigious Life Insurer of the Year from Insurance Asia News, a regional award-giving body.

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

Incorporated in 1978, Allied Banking Corporation (Hong Kong) Limited (ABCHKL) is a private limited company and restricted-licensed bank under the Hong Kong Banking Ordinance. ABCHKL became a majority-owned (51%) subsidiary of the Philippine National Bank (PNB) as a result of the merger of PNB and Allied Banking Corporation (ABC) in 2013. 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. Originally established in 1993 as Xiamen Commercial Bank, ACB maintains its head office in Xiamen, Fujian, China and has a branch in Chongqing which was established in 2003.

ACB was previously allowed to deal only in foreign currency-denominated products and services, until 2017, when local currency or CNY-denominated products and services were allowed except for local residents. In 2020, ACB finally 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. Its deposit products are also varied and competitive. Last 2020, the Bank launched its enterprise internet banking system which gives much sought-after convenience to its corporate depositors. In 2022, the Bank enhanced its system to automate its credit management. It continues to innovate to deliver financial products and services that cater to the evolving needs of the banking public.

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 substantially acquired its assets and assumed its liabilities on March 1, 2020 and following the surrender of its thrift bank license to BSP on March 5, 2020. AIHI was mainly tasked with the management of the remaining real estate properties acquired by the former PNB Savings Bank.

The Securities and Exchange Commission (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 banking arm of PNB. PNB Capital provides a full range of investment banking services to its clients including: loan syndications, retail bond offerings, private placement of debt and equity, public offering of shares, securitization, and financial advisory (liability management, corporate restructuring, pre-IPO preparation, and mergers and acquisitions).

PNB Capital has arranged some of the largest loan syndications in the country. Likewise, it is very active in the capital markets in the Philippines. PNB Capital has been awarded multiple times by local and foreign financial institutions for the successful execution of landmark transactions. Awards accorded to PNB Capital include: Top 5 Corporate Issue Manager/Arranger of corporate bonds by the Philippine Dealing System Holdings Corp. & Subsidiaries (PDS Group); Best Power Deal for Masinloc Power Partners by The Asset (Hong Kong); Best Transport Deal for GMR Megawide Cebu Airport Corporation by The Asset (Hong Kong); and Best Project Finance Deal of the Year for Metro Manila Skyway Stage 3 by The Asset (Hong Kong).

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 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-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 PNB, 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.

In June 2022, the Board of Directors of PNB approved the proposal to amend the Articles of Incorporation of PNB-Mizuho to shorten its corporate term to March 31, 2024, subject to necessary approvals.

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 19 branches engaging 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 five 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 PNB London Branch and it was incorporated in 1994. It was granted a deposit taking license by the Bank of England in 1997.

Following the merger of PNB and ABC in 2013, PNBE merged with Allied Bank Philippines (UK) Plc in 2014, with the former 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. (PNB SI) is a wholly-owned subsidiary which engages in the brokerage and dealership of the various common and preferred equities and equity-related securities listed in the Philippine Stock Exchange. Other services include the distribution of Initial Public Offerings in collaboration with PNB Capital, PNB branches, PNB Trust Banking Group and Wealth Management Group.

PNB SI performs other equity related services, including but not limited to, tender offer agency and price stabilization agency as well as processing of dividend and pre-emptive rights entitlements in behalf of its clients.

PNB SI also offers technical research studies as well as distributes PNB Research studies to inform and guide clients in making decisions with regards to 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:

	2021		2022	
	High	Low	High	Low
Jan – Mar	29.50	22.55	21.15	18.74
Apr – Jun	31.80	19.96	19.44	17.54
Jul – Sep	23.10	19.82	18.86	16.72
Oct – Dec	22.50	19.00	20.50	16.72

2. **Holders**

There are 36,192 shareholders as of December 31, 2022, all of whom have the same voting rights. The top 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	222,696,906	14.5957554337	*
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. Multiple Star Holdings Corp.	Filipino	30,798,151	2.0185385055	*
11. Donfar Management Limited	Filipino	30,747,898	2.0152448787	*
12. Uttermost Success, Limited	Filipino	30,233,288	1.9815168766	*
13. Mavelstone International Limited	Filipino	29,575,168	1.9383831001	*
14. Pan Asia Securities Corporation	Filipino	29,510,390	1.9341374918	*
15. Kenrock Holdings Corp.	Filipino	26,018,279	1.7052613973	*
16. Fil-Care Holdings, Inc.	Filipino	25,450,962	1.6680789310	*
17. Fairlink Holdings Corp.	Filipino	25,207,795	1.6521415472	*
18. Purple Crystal Holdings, Inc.	Filipino	24,404,724	1.5995075519	*
19. Kentron Holdings & Equities Corp.	Filipino	24,361,225	1.5966565883	*
20. Fragile Touch Investments, Ltd.	Filipino	22,696,137	1.4875252238	*

* 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, 2022, 2021 and 2020, 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, as expressed its opinion on the fairness of presentation upon completion of such audit.

FEDERICO C. PASCUAL
Chairman of the Board

FLORIDO P. CASUELA
Acting President

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

17 MAR 2023 PASAY CITY

SUBSCRIBED AND SWORN to before me this ___ day of March 2023 affiants exhibiting to me their Passport Identification No.

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Book No. I
Series of 2023

Atty. Jamie O. Real
Commission No. 23-15; Roll No. 68794
Notary Public in and for Pasay City
Until December 31, 2024
9th Floor PNB Financial Center
Pres. Diosdado Macapagal Blvd., Pasay City
PTR No. 8058701/Jan. 05, 2023/Pasay City
IBP Lifetime No. 018651/Dec. 11, 2017/Manila

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, 2022 and 2021 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, 2022, 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, 2022 and 2021, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2022 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 in calculating ECL.

Allowance for credit losses on loans and receivables as of December 31, 2022 amounted to ₱38.9 billion and ₱39.4 billion for the Group and the Parent Company, respectively. Provision for credit losses in 2022 amounted to ₱7.2 billion and ₱7.2 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; (c) tested the Group's and the Parent Company's application of internal credit risk rating system 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; 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.

Impairment Testing of Goodwill

As of December 31, 2022, 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, 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. 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.

Recognition of Deferred Tax Assets

As of December 31, 2022, the deferred tax assets of the Group and the Parent Company amounted to ₱6.5 billion and ₱6.6 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 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. We also assessed the timing of the reversal of future taxable and deductible temporary differences.

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, 2022, 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, 2022 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.

INDEPENDENT AUDITOR'S REPORT

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. 9564639, January 3, 2023, Makati City

March 13, 2023

STATEMENTS OF FINANCIAL POSITION
(In Thousands)

	Consolidated		Parent Company	
	December 31		December 31	
	2022	2021	**2022**	2021
ASSETS				
Cash and Other Cash Items	**₱22,217,915**	₱27,552,773	**₱22,103,095**	₱27,454,459
Due from Bangko Sentral ng Pilipinas (Notes 7 and 17)	**94,701,360**	161,001,912	**94,701,360**	161,001,912
Due from Other Banks (Note 33)	**26,010,183**	27,222,083	**17,599,374**	19,324,000
Interbank Loans Receivable (Notes 8 and 33)	**16,290,101**	32,106,088	**14,734,743**	30,295,755
Securities Held Under Agreements to Resell (Notes 8 and 35)	**64,523,863**	15,796,673	**64,523,863**	15,796,673
Financial Assets at Fair Value Through Profit or Loss (FVTPL) (Note 9)	**7,347,201**	11,167,657	**7,195,685**	11,010,278
Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI) (Note 9)	**158,183,525**	167,987,290	**157,205,907**	167,546,350
Investment Securities at Amortized Cost (Note 9)	**110,467,960**	89,455,843	**110,328,678**	89,327,894
Loans and Receivables (Notes 10 and 33)	**593,099,915**	606,953,751	**577,995,018**	592,498,761
Property and Equipment (Note 11)	**11,973,547**	13,472,320	**10,619,033**	11,812,991
Investments in Subsidiaries and an Associate (Note 12)	**2,688,764**	2,468,107	**20,384,104**	27,275,451
Investment Properties (Note 13)	**13,794,986**	10,735,896	**13,264,820**	10,178,327
Deferred Tax Assets (Note 30)	**6,616,902**	6,405,505	**6,574,190**	6,271,578
Intangible Assets (Note 14)	**1,863,922**	2,429,434	**1,753,616**	2,328,957
Goodwill (Note 14)	**11,221,410**	11,221,410	**11,361,768**	11,361,768
Other Assets (Note 15)	**4,155,522**	4,807,920	**3,398,996**	4,525,498
TOTAL ASSETS	**₱1,145,157,076**	₱1,190,784,662	**₱1,133,744,250**	₱1,188,010,652
LIABILITIES AND EQUITY				
LIABILITIES				
Deposit Liabilities (Notes 17 and 33)				
Demand	**₱220,043,866**	₱216,367,830	**₱219,805,641**	₱216,040,593
Savings	**519,940,535**	498,581,535	**518,928,640**	497,172,862
Time	**112,113,308**	151,729,554	**108,766,087**	158,066,350
Long Term Negotiable Certificates	**19,130,012**	28,245,390	**19,130,012**	28,245,390
	871,227,721	894,924,309	**866,630,380**	899,525,195
Financial Liabilities at FVTPL (Notes 18, 23 and 35)	**1,039,776**	891,531	**1,039,776**	891,346
Bills and Acceptances Payable (Notes 19, 33 and 35)	**14,980,373**	52,953,797	**13,888,035**	51,113,018
Lease Liabilities (Notes 29 and 33)	**3,636,391**	3,765,391	**3,604,077**	3,698,410
Accrued Taxes, Interest and Other Expenses (Note 20)	**9,117,393**	7,765,650	**8,487,700**	7,504,381
Bonds Payable (Note 21)	**58,439,097**	53,383,421	**58,439,097**	53,383,421
Income Tax Payable	**983,051**	157,735	**916,235**	89,328
Other Liabilities (Note 22)	**15,827,640**	15,719,872	**14,093,805**	13,512,851
	975,251,442	1,029,561,706	**967,099,105**	1,029,717,950
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)	**4,929,242**	5,147,440	**4,929,242**	5,147,440
Surplus (Note 25)	**73,748,748**	61,998,232	**73,919,909**	62,169,393
Net Unrealized Losses on Financial Assets at FVOCI (Notes 9 and 33)	**(5,959,275)**	(703,737)	**(5,959,275)**	(703,737)
Remeasurement Losses on Retirement Plan (Note 28)	**(2,222,945)**	(2,725,067)	**(2,222,945)**	(2,725,067)
Accumulated Translation Adjustment (Note 25)	**2,314,447**	1,503,396	**2,314,447**	1,503,396
Other Equity Reserves (Notes 12 and 25)	**248,830**	248,830	**390,517**	390,517
Share in Aggregate Reserves (Losses) on Life Insurance Policies (Note 12)	**136,096**	(626,394)	**136,096**	(626,394)
Other Equity Adjustment	**13,959**	13,959	**–**	–
	166,356,256	158,003,813	**166,645,145**	158,292,702
NON-CONTROLLING INTERESTS (Note 12)	**3,549,378**	3,219,143	**–**	–
	169,905,634	161,222,956	**166,645,145**	158,292,702
TOTAL LIABILITIES AND EQUITY	**₱1,145,157,076**	₱1,190,784,662	**₱1,133,744,250**	₱1,188,010,652

Please refer to Notes to Financial Statements presented in a separate document and can be downloaded on our official website www.pnb.com.ph.

STATEMENTS OF INCOME
(In Thousands, except Earnings per Share)

	Consolidated			Parent Company		
	Years Ended December 31					
	2022	2021	2020	**2022**	2021	2020
INTEREST INCOME ON						
Loans and receivables (Notes 10, 27 and 33)	**₱34,424,531**	₱34,157,780	₱37,352,374	**₱33,794,036**	₱33,449,961	₱37,067,285
Investment securities at amortized cost and FVOCI (Note 9)	**8,154,922**	5,963,594	6,203,975	**8,143,092**	5,962,614	6,155,803
Deposits with banks and others (Notes 7, 12 and 33)	**1,417,661**	1,248,155	2,192,045	**1,330,052**	1,219,996	1,173,981
Financial assets at FVTPL (Note 9)	**292,685**	632,492	665,751	**284,251**	565,447	542,512
Interbank loans receivable and securities held under agreements to resell (Note 8)	**954,603**	400,356	536,304	**896,683**	348,153	478,508
	45,244,402	42,402,377	46,950,449	**44,448,114**	41,546,171	45,418,089
INTEREST EXPENSE ON						
Deposit liabilities (Notes 17 and 33)	**5,371,667**	4,813,766	7,379,018	**5,383,153**	4,885,785	7,227,056
Bonds payable (Note 21)	**2,111,192**	2,231,863	2,904,528	**2,111,192**	2,231,863	2,904,528
Bills payable and other borrowings (Notes 19, 29 and 33)	**433,973**	511,921	846,440	**363,544**	425,080	637,478
	7,916,832	7,557,550	11,129,986	**7,857,889**	7,542,728	10,769,062
NET INTEREST INCOME	**37,327,570**	34,844,827	35,820,463	**36,590,225**	34,003,443	34,649,027
Service fees and commission income (Notes 26 and 33)	**6,997,609**	6,340,326	4,684,572	**5,563,369**	5,310,729	4,134,519
Service fees and commission expense	**1,429,195**	1,051,376	983,186	**935,945**	846,165	858,182
NET SERVICE FEES AND COMMISSION INCOME	**5,568,414**	5,288,950	3,701,386	**4,627,424**	4,464,564	3,276,337
OTHER OPERATING INCOME						
Net gains on sale or exchange of assets (Note 26)	**7,775,154**	981,462	195,842	**7,770,001**	974,024	130,493
Foreign exchange gains - net (Note 23)	**1,608,281**	743,549	919,555	**1,149,444**	623,493	929,890
Trading and investment securities gains (losses) - net (Notes 9 and 33)	**(1,280,783)**	731,572	3,337,589	**(1,277,759)**	600,580	3,456,521
Equity in net earnings (losses) of subsidiaries and an associate (Note 12)	**(56,060)**	50,789	88,476	**747,341**	(650,134)	95,939
Miscellaneous (Note 27)	**1,136,692**	1,070,047	1,244,699	**721,433**	759,826	906,752
TOTAL OTHER OPERATING INCOME	**9,183,284**	3,577,419	5,786,161	**9,110,460**	2,307,789	5,519,595
TOTAL OPERATING INCOME	**52,079,268**	43,711,196	45,308,010	**50,328,109**	40,775,796	43,444,959
PROVISION FOR IMPAIRMENT, CREDIT AND OTHER LOSSES (Notes 14 and 16)	**7,198,117**	12,879,011	16,882,621	**7,305,653**	13,125,737	16,534,335
OPERATING EXPENSES						
Compensation and fringe benefits (Notes 25, 28 and 33)	**9,762,776**	9,985,822	10,167,173	**9,012,641**	9,274,801	9,313,371
Taxes and licenses (Note 30)	**5,225,595**	3,988,371	4,551,142	**5,120,690**	3,903,066	4,394,703
Depreciation and amortization (Note 11)	**4,225,746**	2,845,717	3,154,568	**3,909,420**	2,499,071	2,607,269
Occupancy and equipment-related costs (Note 29)	**1,099,876**	1,124,166	990,650	**952,932**	1,002,093	942,896
Miscellaneous (Note 27)	**8,051,942**	8,202,755	9,013,439	**7,810,430**	7,974,555	8,637,974
TOTAL OPERATING EXPENSES	**28,365,935**	26,146,831	27,876,972	**26,806,113**	24,653,586	25,896,213
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	–
TOTAL OTHER INCOME	**–**	33,285,243	–	**–**	33,299,850	–
INCOME BEFORE INCOME TAX	**16,515,216**	37,970,597	548,417	**16,216,343**	36,296,323	1,014,411
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 30)	**4,931,228**	5,545,194	(1,866,402)	**4,684,025**	5,012,561	(1,945,521)
NET INCOME FROM CONTINUING OPERATIONS	**11,583,988**	32,425,403	2,414,819	**11,532,318**	31,283,762	2,959,932
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX (Notes 12 and 36)	**–**	(735,365)	210,669	**–**	–	–
NET INCOME	**₱11,583,988**	₱31,690,038	₱2,625,488	**₱11,532,318**	₱31,283,762	₱2,959,932
ATTRIBUTABLE TO:						
Equity Holders of the Parent Company (Note 31)	**₱11,532,318**	₱31,630,626	₱2,614,653			
Non-controlling Interests	**51,670**	59,412	10,835			
	₱11,583,988	₱31,690,038	₱2,625,488			
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 31)	**₱7.56**	₱20.73	₱1.71			
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company from Continuing Operations (Note 31)	**₱7.56**	₱21.21	₱1.58			

Please refer to Notes to Financial Statements presented in a separate document and can be downloaded on our official website www.pnb.com.ph.

STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands)

	Consolidated			Parent Company		
	Years Ended December 31					
	2022	2021	2020	**2022**	2021	2020
NET INCOME	**₱11,583,988**	₱31,690,038	₱2,625,488	**₱11,532,318**	₱31,283,762	₱2,959,932
OTHER COMPREHENSIVE INCOME (LOSS)						
Items that recycle to profit or loss in subsequent periods:						
Net change in unrealized loss on debt securities at FVOCI, net of tax (Note 9)	**(4,764,711)**	(3,178,301)	(578,919)	**(4,754,670)**	(3,158,391)	(639,403)
Share in changes in net unrealized gains (losses) on financial assets at FVOCI of subsidiaries and an associate (Notes 9 and 12)	**(885,481)**	(558,030)	662,951	**(902,788)**	(663,471)	556,246
	(5,650,192)	(3,736,331)	84,032	**(5,657,458)**	(3,821,862)	(83,157)
Accumulated translation adjustment	**1,102,022**	1,008,640	(257,238)	**421,609**	(117,264)	(81,646)
Share in changes in accumulated translation adjustment of subsidiaries and an associate (Note 12)	**–**	–	–	**389,442**	902,788	(148,044)
	(4,548,170)	(2,727,691)	(173,206)	**(4,846,407)**	(3,036,338)	(312,847)
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)	**762,490**	412,444	(1,051,118)	**762,490**	412,444	(1,051,118)
Remeasurement gains (losses) on retirement plan (Note 28)	**495,353**	285,632	(725,968)	**489,953**	500,862	(710,795)
Share in changes in remeasurement gains (losses) of subsidiaries and an associate (Note 12)	**7,708**	(1,482)	4,632	**12,169**	(216,477)	(10,030)
Net change in unrealized gain (loss) on equity securities at FVOCI (Note 9)	**394,654**	(21,809)	(251,071)	**401,920**	63,722	(83,882)
	1,660,205	674,785	(2,023,525)	**1,666,532**	760,551	(1,855,825)
OTHER COMPREHENSIVE LOSS, NET OF TAX	**(2,887,965)**	(2,052,906)	(2,196,731)	**(3,179,875)**	(2,275,787)	(2,168,672)
TOTAL COMPREHENSIVE INCOME	**₱8,696,023**	₱29,637,132	₱428,757	**₱8,352,443**	₱29,007,975	₱791,260
ATTRIBUTABLE TO:						
Equity holders of the Parent Company	**₱8,352,443**	₱29,354,839	₱445,981			
Non-controlling interests	**343,580**	282,293	(17,224)			
	₱8,696,023	₱29,637,132	₱428,757			

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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** (Notes 9 and 33)	**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, 2022	**₱61,030,594**	**₱32,116,560**	**₱5,147,440**	**₱61,998,232**	**(₱703,737)**	**(₱2,725,067)**	**₱1,503,396**	**₱248,830**	**(₱626,394)**	**₱–**	**₱13,959**	**₱158,003,813**	**₱3,219,143**	**₱161,222,956**
Total comprehensive income (loss) for the year	**–**	**–**	**–**	**11,532,318**	**(5,255,538)**	**502,122**	**811,051**	**–**	**762,490**	**–**	**–**	**8,352,443**	**343,580**	**8,696,023**
Transfer to surplus reserves (Notes 25 and 32)	**–**	**–**	**(218,198)**	**218,198**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Declaration of dividends by subsidiaries to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(13,345)**	**(13,345)**
Balance at December 31, 2022	**₱61,030,594**	**₱32,116,560**	**₱4,929,242**	**₱73,748,748**	**(₱5,959,275)**	**(₱2,222,945)**	**₱2,314,447**	**₱248,830**	**₱136,096**	**₱–**	**₱13,959**	**₱166,356,256**	**₱3,549,378**	**₱169,905,634**
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

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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** (Notes 9 and 33)	**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, 2022	**₱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**
Total comprehensive income (loss) for the year	**–**	**–**	**–**	**11,532,318**	**(5,255,538)**	**502,122**	**811,051**	**–**	**762,490**	**–**	**8,352,443**
Transfer to surplus reserves (Notes 25 and 32)	**–**	**–**	**(218,198)**	**218,198**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Balance at December 31, 2022	**₱61,030,594**	**₱32,106,560**	**₱4,929,242**	**₱73,919,909**	**(₱5,959,275)**	**(₱2,222,945)**	**₱2,314,447**	**₱390,517**	**₱136,096**	**₱–**	**₱166,645,145**
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

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STATEMENTS OF CASH FLOWS
(In Thousands)

	Consolidated			Parent Company		
	Years Ended December 31					
	2022	2021	2020	**2022**	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income tax from continuing operations	**₱16,515,216**	₱37,970,597	₱548,417	**₱16,216,343**	₱36,296,323	₱1,014,411
Income (loss) before income tax from discontinued operations (Note 36)	–	(626,763)	299,251	–	–	–
Income before income tax	**16,515,216**	37,343,834	847,668	**16,216,343**	36,296,323	1,014,411
Adjustments for:						
Net gains on sale or exchange of assets (Note 26)	**(7,775,154)**	(981,462)	(195,842)	**(7,770,001)**	(974,024)	(130,493)
Provision for impairment, credit and other losses (Notes 14 and 16)	**7,198,117**	12,967,152	16,912,402	**7,305,653**	13,125,737	16,534,335
Unrealized foreign exchange losses (gains) on bonds payable	**4,979,818**	3,113,544	(2,728,233)	**4,979,818**	3,113,544	(2,728,233)
Depreciation and amortization (Note 11)	**4,225,746**	2,894,759	3,184,141	**3,909,420**	2,499,071	2,607,269
Unrealized foreign exchange losses (gains) on bills and acceptances payable	**1,522,200**	2,220,574	(1,059,619)	**1,511,555**	2,214,671	(1,059,379)
Net losses (gains) on financial assets at FVOCI (Note 9)	**1,069,547**	(1,578,197)	(2,455,265)	**1,069,547**	(1,578,197)	(2,454,698)
Amortization of premium (discount) on investment securities	**(935,770)**	294,421	(182,716)	**(936,131)**	296,554	(176,196)
Accretion to interest income of loss on loan modifications (Note 27)	**(369,152)**	(351,502)	(901,748)	**(369,152)**	(351,502)	(901,748)
Net losses (gains) on financial assets at FVTPL (Note 9)	**211,235**	846,625	(882,374)	**208,212**	977,617	(1,001,823)
Amortization of transaction costs on borrowings (Notes 17 and 21)	**105,480**	116,898	229,420	**105,480**	116,898	229,420
Equity in net losses (earnings) of subsidiaries and an associate (Note 12)	**56,060**	(50,789)	(88,476)	**(747,341)**	650,134	(95,939)
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)	–
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)	**(4,854,939)**	(891,301)	1,126,878	**(4,656,651)**	(859,213)	1,134,547
Financial assets at FVTPL	**3,609,221**	11,812,813	(9,475,736)	**3,606,381**	9,959,744	(9,776,160)
Loans and receivables	**4,448,687**	(13,325,214)	36,534,525	**4,995,515**	(16,184,925)	(16,207,664)
Other assets	**(243,157)**	1,398,479	(896,061)	**(1,340,408)**	(368,189)	(963,256)
Increase (decrease) in amounts of:						
Financial liabilities at FVTPL	**148,245**	190,292	455,620	**148,430**	190,544	468,810
Deposit liabilities	**(23,726,210)**	4,603,064	64,182,479	**(32,924,438)**	5,943,796	117,646,115
Accrued taxes, interest and other expenses	**1,518,737**	246,627	(2,376,061)	**1,139,793**	681,686	(1,903,084)
Other liabilities	**616,446**	(7,663,779)	(5,509,215)	**1,084,236**	(1,511,065)	(2,764,403)
Net cash generated from (used in) operations	**8,320,373**	19,921,595	98,309,392	**(2,463,739)**	20,939,354	101,059,436
Income taxes paid	**(2,050,109)**	(2,285,669)	(1,648,621)	**(1,802,246)**	(1,841,579)	(1,461,890)
Net cash provided by (used in) operating activities	**6,270,264**	17,635,926	96,660,771	**(4,265,985)**	19,097,775	99,597,546
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from:						
Disposal/maturities of financial assets at FVOCI	**643,902,197**	212,598,365	159,923,105	**643,888,779**	210,574,683	157,339,947
Maturities/early redemptions of investment securities at amortized cost	**141,160,199**	39,790,071	61,359,649	**141,171,532**	39,085,249	61,359,649
Disposal of investment properties	**6,844,641**	293,738	210,936	**6,842,374**	214,782	161,736
Disposal of property and equipment	**108,253**	201,593	36,750	**32,546**	301,198	1,322
Disposal of investment in a subsidiary (Note 12)	–	1,001,558	521,817	–	1,001,558	–
Return of investment (Note 12)	–	–	–	**7,500,000**	–	–
Cash dividends from a subsidiary (Note 12)	–	–	–	**1,092,000**	–	–
Acquisitions of:						
Financial assets at FVOCI	**(638,254,305)**	(224,330,405)	(169,859,472)	**(637,154,487)**	(224,330,405)	(169,859,472)
Investment securities at amortized cost	**(162,392,791)**	(33,372,543)	(56,875,400)	**(162,392,791)**	(33,372,543)	(57,227,468)
Software cost (Note 14)	**(881,572)**	(655,455)	(283,472)	**(848,426)**	(612,515)	(268,768)
Property and equipment (Note 11)	**(547,083)**	(1,120,741)	(1,231,247)	**(535,981)**	(675,730)	(1,027,671)
Additional investments in an associate (Note 12)	**(392,000)**	(245,000)	–	**(392,000)**	(245,000)	–
Net cash used in investing activities	**(10,452,461)**	(5,838,819)	(6,197,334)	**(796,454)**	(8,058,723)	(9,520,725)

(Forward)

STATEMENTS OF CASH FLOWS
(In Thousands)

	Consolidated			Parent Company		
	Years Ended December 31					
	2022	2021	2020	**2022**	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES						
Settlement of bills and acceptances payable	**(₱277,002,294)**	(₱273,753,842)	(₱136,717,622)	**(₱274,908,050)**	(₱272,556,037)	(₱118,473,479)
Proceeds from issuances of bills and acceptances payable	**237,506,670**	237,327,616	168,973,402	**236,171,512**	236,637,024	155,926,201
Payment of principal portion of lease liabilities (Note 29)	**(1,113,225)**	(1,231,287)	(664,156)	**(1,068,038)**	(1,213,912)	(649,402)
Settlement of bonds payable	–	(13,870,000)	–	–	(13,870,000)	–
Net cash provided by (used in) financing activities	**(40,608,849)**	(51,527,513)	31,591,624	**(39,804,576)**	(51,002,925)	36,803,320
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(44,791,046)**	(39,730,406)	122,055,061	**(44,867,015)**	(39,963,873)	126,880,141
CASH AND CASH EQUIVALENTS AT BEGINNING 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
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	**22,217,915**	27,552,773	25,135,724	**22,103,095**	27,454,459	25,038,434
Due from Bangko Sentral ng Pilipinas	**94,701,360**	161,001,912	202,129,356	**94,701,360**	161,001,912	202,129,356
Due from other banks	**26,010,183**	27,222,083	19,733,300	**17,599,374**	19,324,000	12,131,726
Interbank loans receivable (Note 8)	**9,782,452**	30,453,378	38,939,572	**8,824,713**	29,042,376	37,464,504
Securities held under agreements to resell	**64,523,863**	15,796,673	15,819,273	**64,523,863**	15,796,673	15,819,273
	₱217,235,773	₱262,026,819	₱301,757,225	**₱207,752,405**	₱252,619,420	₱292,583,293
OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS						
Interest paid	**₱7,312,461**	₱7,690,053	₱11,936,540	**₱7,256,130**	₱7,670,243	₱11,494,829
Interest received	**43,082,036**	42,928,178	47,391,100	**42,297,774**	42,075,051	44,519,365
Dividends received	–	–	–	**1,092,000**	–	–

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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
- Current Accounts
- Savings Accounts
- Time Deposit Accounts
- Prepaid Cards
- Business Cards

US Dollar Accounts
- Current Accounts
- Savings Accounts
- Time Deposit Accounts

Other Foreign Currency Accounts (Savings and Time)
- Chinese Yuan (Renminbi)
- Euro
- Japanese Yen
- Canadian Dollar
- Singaporean Dollar
- Hong Kong Dollar
- Great Britain Pound
- Swiss Franc
- Australian Dollar

Cash Management Solutions
PNB offers powerful and efficient cash management solutions that maximize control over business finances. These solutions are supported by access to the PNB C@shNet Plus facility, PNB's new corporate internet banking platform which offers electronic cash management services such as account and liquidity management services, collections, and disbursements solutions.

Account Management Services:
- Account Viewing services
- Fund Transfer to Own
- Stop Payment Order
- Checkbook Re-order

Liquidity Management Services:
- Account Sweeping
- Reverse Sweeping

Collection Services:
- Auto Debit Arrangement
- Electronic and Invoice Presentment and Payment
- B2B Payment Gateway

Disbursement Services:
- Intrabank Fund Transfers
- Interbank Fund Transfers
- Payroll Services
- Bills Payment Services
- Corporate Check Writing Services
- Government payments

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.

Collection Services:
- Deposit Pick Up Arrangements – Cash and Check collections
- Corporate Cash Accept Machine
- Post Dated Check Warehousing
- eCollect- Over the counter

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.

Collection Services:
- Corporate Remote Collection Services
- Debit and Credit POS
- eCollect-electronic and partner institution channels
- Payment Gateway

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
The bank provides customers with a fast, convenient and secure way to access their accounts and do banking transactions anytime and wherever they may be. Customers with a smartphone can easily sign up to the app without visiting the branch using their deposit account or credit card information.

With the PNB Digital app, customers can enjoy an enhanced digital banking experience with the following services:

- Monitor the balances and view transactions of deposit, e-money and credit card accounts
- View active time deposit accounts
- Send money between PNB accounts, and to other local banks and eWallets using InstaPay or PESONet
- Pay bills using a deposit account or credit card
- Request money without sharing account numbers via QR Code
- Transfer funds and make payments in-store and to online merchants via QR Code
- Make a cardless cash withdrawal at any PNB ATM
- View UITF Investments
- Monitor credit card balance, statement details, recent transactions and rewards points
- View and download credit card electronic statements
- Order a checkbook for enrolled checking accounts

The app provides multi-factor authentication, biometrics login and other security features to ensure that customers are well-protected when they bank on-the-go.

PNB Account Access Portal
Formerly known as PNB Internet Banking, this online facility has transitioned to be a specialized portal for customers to get full access to their deposit accounts, UITF Investments, and other online services.

With just a few clicks using their desktop, laptop or tablet, customers can do the following transactions:

- View account balance and transaction history of savings, checking and time deposit accounts
- Order a checkbook for enrolled checking accounts
- Manage UITF investments from subscription to redemption
- Apply for a PNB Credit Card

B. CARDS SERVICES

Credit Cards
PNB offers an extensive array of credit card products that let customers experience cashless payments and convenience when dining, shopping, and travelling. Each card caters to the varying needs of the market – rewards, travel miles, rebates, low fees, and even virtual cards. Apart from retail credit cards, PNB also offers cards for corporate clients.

- PNB Mastercard (Essentials, Platinum, Ze-Lo, Cart)
- PNB-PAL Mabuhay Miles Mastercard (NOW, Platinum, World)
- PNB Visa (Classic, Gold)
- PNB Diamond UnionPay
- PNB-The Travel Club Mastercard (Platinum)
- PNB-Alturas Visa
- PNB-AAXS Mastercard (Platinum)
- PNB-ICAAA Mastercard (Platinum)
- PNB-LSGHAA Mastercard (Platinum)
- PNB Personal Installment Credit Card
- PNB Corporate Multi Mastercard

Debit Cards
PNB offers Debit Cards that are more rewarding as it earns points that can be redeemed for Mabuhay Miles. It can be used for cashless payments, online transactions, and cash withdrawals here and abroad.

- PNB-PAL Mabuhay Miles Debit Mastercard (Regular)
- PNB-PAL Mabuhay Miles Priority Debit Mastercard

Prepaid Cards
PNB Prepaid Cards can be used wherever Mastercard is accepted. It comes with EMV chip and contactless technology for secure payment transactions. Top-up and withdrawals can be easily made with these cards through PNB branch, PNB Digital App, PNB Cash Accept Machines and ATM.

- 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 (Singapore)
- Channels of Tie-Ups and Agents

E. TREASURY PRODUCTS AND SERVICES

The Bank trades Fixed Income Securities and Money Market instruments, Foreign Exchange Spots and Swaps. The Bank is also licensed to deal in different types of derivative products such as, but not limited to, foreign currency forwards, interest rate swaps and cross currency 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:

- **Auto Loan**
  A secured loan facility for the purpose of financing a vehicle.

- **Real Estate Loans**
  A secured loan facility for the purpose of acquisition of lot, residential units, construction, renovation, expansion of house, and refinancing of existing mortgage.

- **Contract-to-Sell**
  A Financing Facility for Real Estate Developers (CTS Program) that provides liquidity to real estate developers through purchase of receivables from individual home buyers covered with Contract-to-Sell on residential housing projects.

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:

- **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.

- **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.

- **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:

- **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.

- **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

- **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.

- **Facility/Loan Agency**
  An agency account created for the collection of payments for syndicated loans and remittance to creditors.

- **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.

- **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.

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As of January 31, 2023

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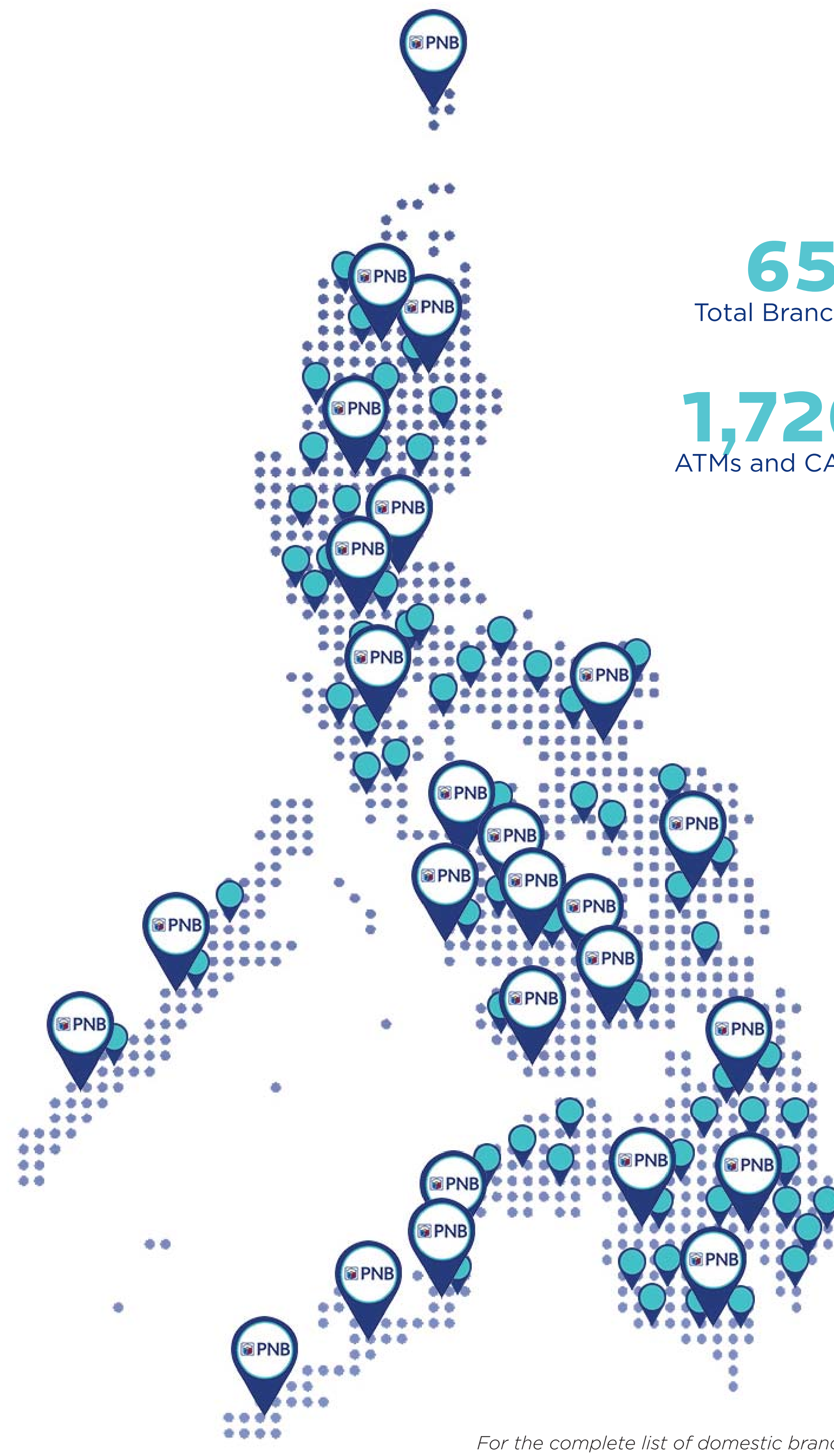
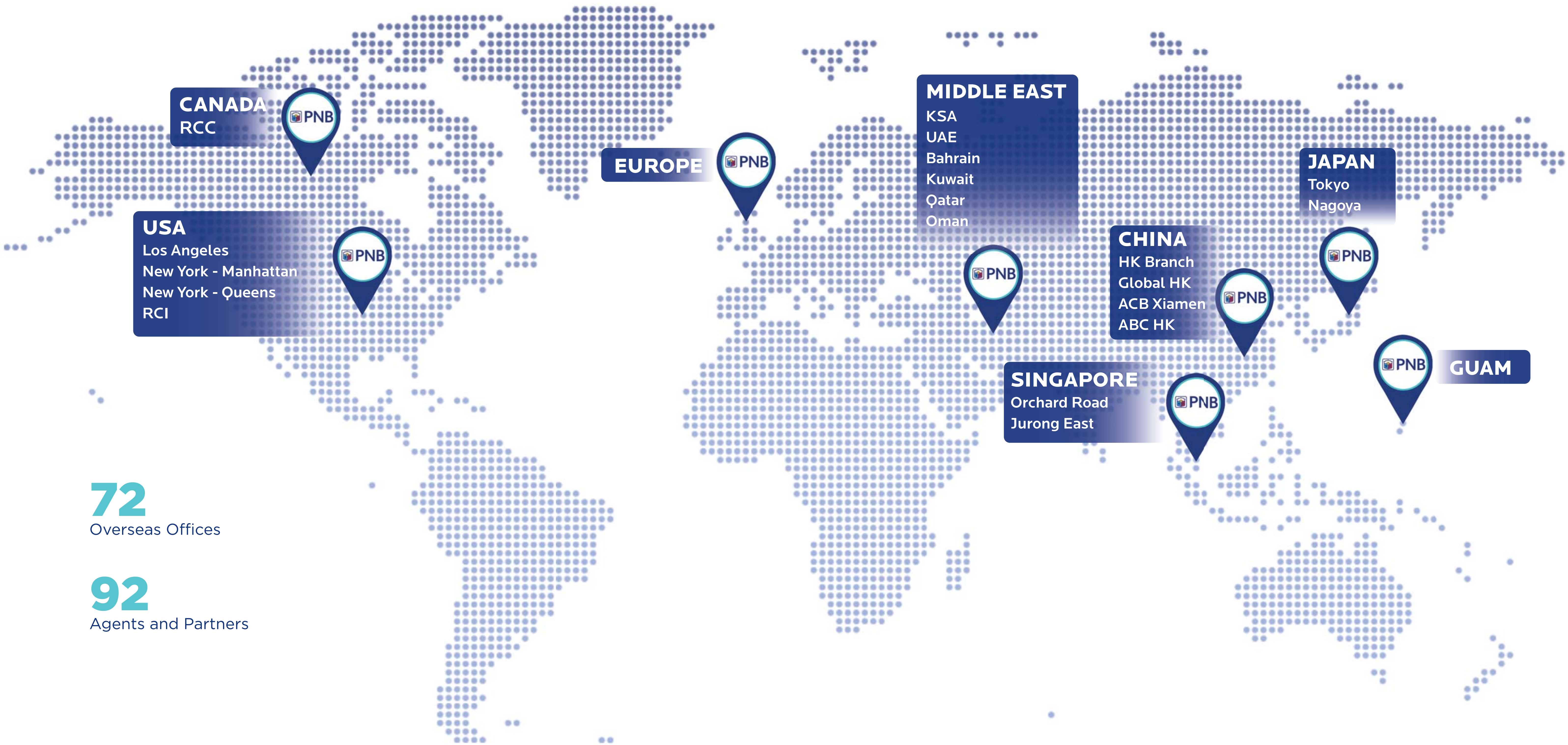


651
Total Branches

1,720
ATMs and CAMs

For the complete list of domestic branches, please visit our website at www.pnb.com.ph.



72
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92
Agents and Partners

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- **SOL 6** Jo-An A. Isaac
- **SOL 7** Jerry C. Rosete

Visayas
- **VIS 1** Doris C. Bargayo
- **VIS 2** Desiree D. Tumpag
- **VIS 3** Walter T. Lasaca
- **VIS 4** Maria Russel N. Lau
- **VIS 5** Albert C. Lopez
- **VIS 6** Tracy Ann S. Sio
- **VIS 7** Blaine P. Kow
- **VIS 8** Abigail P. Gironella

Mindanao
- **MIN 1** Ernest T. Uy
- **MIN 2** John Michael L. Tan
- **MIN 3** Maria Jessica N. Reyes
- **MIN 4** Grace Y. Gaborno
- **MIN 5** Imee G. Gatinao
- **MIN 6** Rommel T. Remotigue
- **MIN 7** Elinor A. Macrohon

BUSINESS CENTERS

METRO MANILA

MAKATI BUSINESS CENTER
3rd Flr., PNB Makati,
6754 Ayala Avenue
Corner Legaspi Street,
Makati City
Tel. No: (02) 8894-1816
Richmond U. Tan

BINONDO BUSINESS CENTER
PNB Binondo - Quintin Paredes
Alliance Building,
410 Q. Paredes Street,
Binondo, Manila
Tel. Nos: (02) 8247-1512
(02) 8241-2283
Rhizzy Ann G. Roque

CALOOCAN BUSINESS CENTER
PNB Caloocan - Rizal Ave. Ext Branch
1716 Rizal Avenue Extension,
Corner L. Bustamante Street,
Caloocan City
Tel. No: (02) 8361-2888;
8361-0325
Irene T. Sih-Tan

QUEZON CITY BUSINESS CENTER
PNB QC-Cubao Main Branch
2nd Floor, Aurora Boulevard
cor. Gen. Araneta St., Cubao,
Quezon City
Tel. No: (02) 8911-2914
Sharon Marie C. Ventura

GREENHILLS BUSINESS CENTER
PNB Greenhills-Ortigas Ave Branch
Rm. 205 Limketkai Building,
Ortigas Avenue, Greenhills
(opposite Caltex Station)
San Juan, Metro Manila
Tel. No: (02) 8723-0905
Marife G. Cabaddo

GREENHILLS BUSINESS CENTER ORTIGAS EXTENSION OFFICE
PNB Pasig- Julia Vargas Branch
2nd Flr. Lot 5, Block 13-A,
Julia Vargas and Jade Drive,
Brgy. San Antonio, Ortigas
Center, Pasig City
Tel Nos: (02) 8240-4140
(02) 8240-4179
Marife G. Cabaddo

LUZON

ANGELES BUSINESS CENTER
PNB Angeles - Sto. Rosario Branch
2nd Floor PNB Building,
730 Sto. Rosario Street,
Angeles City, Pampanga
Tel. Nos: (045) 409-0232
(045) 888-9664
Michael Jose L. De Leon

CAUAYAN BUSINESS CENTER
PNB Isabela-Cauayan Branch
Maharlika Highway corner
Cabatuan Road
San Fermin, Cauayan City,
Isabela
Tel. Nos: (078) 652-1408
(078) 652-2243
Verme F. Fugaban

DAGUPAN BUSINESS CENTER
PNB Dagupan City - A. B. Fernandez Branch
A. B. Fernandez Avenue,
Dagupan City, Pangasinan
Tel. No: (075) 522-0898
Paolo O. Calderon

BATANGAS BUSINESS CENTER
PNB Lipa City - B. Morada Branch
2nd Floor PNB Building,
B. Morada Avenue,
Lipa City, Batangas
Tel. No: (043) 723-1409
Sherlyn C. Nicolas

NAGA BUSINESS CENTER
PNB Naga City - Gen. Luna
3rd Floor PNB Building
General Luna Street,
Brgy. Abella, Naga City
Tel. No: (054) 473-0393
Mona Odezza A. Belleza

CALABARZON BUSINESS CENTER
7th floor PNB Financial Center
Pres. D. Macapagal Blvd.,
Pasay City
Tel. No: (02) 8526-3410
Mildred R. Alcantara

VISAYAS

ILOILO BUSINESS CENTER
PNB Iloilo - Ledesma Branch
2nd Floor, PNB Iloilo - Ledesma Branch
Corner Quezon - Ledesma
Street, Iloilo City
Tel. No: (033) 320-0855
Fritzie C. Jison

ILOILO BUSINESS CENTER - BACOLOD EXTENSION OFFICE
PNB Bacolod-Lacson Branch
Lacson Street, Bacolod City
Tel. Nos: (034) 433-3449
(034) 434-9068
Fritzie C. Jison

CEBU BUSINESS CENTER
PNB Cebu-M.C. Briones
2nd Floor, PNB Cebu-M.C. Briones
Corners M. C. Briones and
Jakosalem Streets
Cebu City
Tel. Nos: (032) 255-7574
(032) 253-6909
(032) 253-7594
Zorina C. Jingco

MINDANAO

CAGAYAN DE ORO BUSINESS CENTER
PNB CDO-Limketkai Drive Branch
2nd Floor PNB Building
Limketkai Drive, Lapasan,
Cagayan De Oro City
Tel. No: (088) 856-3684
Marjorie P. Ballesteros

BUTUAN BUSINESS CENTER
PNB Butuan City - Montilla
Montilla Boulevard, Butuan City
Tel. No: (085) 816-2366
Marjorie P. Ballesteros

DAVAO BUSINESS CENTER
PNB Davao - San Pedro - C.M. Recto
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Streets, Davao City
Tel. Nos: (082) 221-2053
(082) 221-2521
Zieler B. Dumapias

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(083) 553-5343
Ria D. Rivera

ZAMBOANGA BUSINESS CENTER
PNB Zamboanga-Sucabon
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Cindy Mae T. Almazan

RETAIL LENDING CENTERS

LUZON

DAGUPAN
PNB Dagupan Branch
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Romar Marlo Sison

ISABELA
PNB Cauayan Branch
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Isabela
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Novella A. Antonio

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Syquio Building, Maharlika
Hi-way, Daan Sarile,
Cabanatuan City
Tel. No: (044) 940-9454
Albert A. Corpuz

ANGELES
PNB Angeles Branch
Sto. Rosario St., Angeles City
Tel. No: (63) 9175077219
Raleigh S. Pangan

BATANGAS
PNB Lipa Branch
B. Morada Avenue, Lipa City
Tel. No: (63-43) 723-0050
Armand Joseph V. Sabalvaro

SAN PABLO
PNB San Pablo Branch
PNB San Pablo Branch Bldg.,
M. Paulino St., San Pablo City,
Laguna
Tel. No: (049) 562-0756
Elaine O. Arcega

NAGA
PNB Naga Branch
General Luna Street, Naga City,
Camarines Sur
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Jona Joy S. Palacio

VISAYAS

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PNB Bacolod Branch
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Negros Occidental
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Gy L. Canonero

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F. Cabahug St., Mabolo, Cebu
Tel. No: (032) 422-3103
Mark Ryan E. Sy

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PNB Iloilo Branch
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Mabini St., Iloilo
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Jaybert A. Ong

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Justice Romualdez St.,
Tacloban
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Dennis C. Arias

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Erwin M. Panimdim

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PNB Limketkai Branch
Lapasan, Cagayan de Oro City
Tel. No: (082) 231-6369
loc. 088
Gervacio Gervie T. Go III

ZAMBOANGA
PNB Zamboanga Branch
J. Alano St., Zamboanga City
Tel. No: (062) 991-0797
Ronald B. De La Cruz

PNB DOMESTIC SUBSIDIARIES AND AFFILIATE

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Pasay City 1300
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(02) 8 573-4293
(02) 8 573-4305
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pnbcapital@pnb.com.ph

Federico C. Pascual
Chairman

Gerry B. Valenciano
President & CEO

PNB-Mizuho Leasing and Finance Corporation
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Legaspi Street, Makati City 1226
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E-mail Add.:
info@pnb-mizuholeasing.com.ph

Federico C. Pascual
Chairman

Atty. Jose German M. Licup
Officer-In-Charge

PNB-Mizuho Equipment Rentals Corporation
5th Floor, PNB Makati Center,
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Legaspi Street, Makati City 1226
Tel No.: (02) 8 892-5555
E-mail Add.:
info@pnb-mizuholeasing.com.ph

Federico C. Pascual
Chairman

Atty. Jose German M. Licup
Officer-In-Charge

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Allied Bank Center,
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1226
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albanoym@pnb.com.ph

Edgar A. Cua
Chairman

Yolanda M. Albano
President

PNB Securities, Inc.
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Pres. Diosdado Macapagal Blvd.,
Pasay City 1300
Tel Nos.: (02) 8 526-3678
(02) 8 526-3478
(02) 8 526-3510
Trading: (02) 8 817-5186
Fax No.: (02) 8 526-3477
E-mail Add.:
pnbsitrade@pnb.com.ph

Florido P. Casuela
Chairman

Manuel Antonio G. Lisbona
President & CEO

Allianz PNB Life Insurance, Inc.
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6754 Ayala Avenue,
1226 Makati City
Tel No.: (02) 8 818-LIFE (5433)
(02) 8 818-HELP (4357)
Fax No.: (02) 8 818-2701
E-mail Add.:
info@allianzpnblife.ph

Lucio C. Tan
Chairman

Alexander Grenz
President & CEO

For a digital copy of the full 2022 Annual Report, Audited Financial Statements and Management's Discussion and Analysis, please download at:
https://l.ead.me/2022PNBAnnualReport

or scan this QR code:

Philippine National Bank

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(+632) 8891-6040 to 70
www.pnb.com.ph

Member: PDIC
Deposits are insured by PDIC up to P500,000 per depositor

@PNBph

PNB is regulated by the Bangko Sentral ng Pilipinas
Email: consumeraffairs@bsp.gov.ph
Telephone: (+632) 8708-7087

Philippine National Bank

Magkaisa sa Pagsulong Ng Bayan

2022 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 31, 2022, 2021 and 2020, 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, as expressed its opinion on the fairness of presentation upon completion of such audit.

FEDERICO C. PASCUAL
Chairman of the Board

FLORIDO P. CASUELA
Acting President

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

17 MAR 2023 PASAY CITY

SUBSCRIBED AND SWORN to before me this ___ day of March 2023 affiants exhibiting to me their Passport Identification No.

Doc. No. 217
Page No. 45
Book No. I
Series of 2023

Atty. Jamie O. Real
Commission No. 23-15; Roll No. 68794
Notary Public in and for Pasay City
Until December 31, 2024
9th Floor PNB Financial Center
Pres. Diosdado Macapagal Blvd., Pasay City
PTR No. 8058701/Jan. 05, 2023/Pasay City
IBP Lifetime No. 018651/Dec. 11, 2017/Manila

INDEPENDENT AUDITOR'S REPORT

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

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, 2022 and 2021 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, 2022, 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, 2022 and 2021, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2022 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 in calculating ECL.

Allowance for credit losses on loans and receivables as of December 31, 2022 amounted to ₱38.9 billion and ₱39.4 billion for the Group and the Parent Company, respectively. Provision for credit losses in 2022 amounted to ₱7.2 billion and ₱7.2 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; (c) tested the Group's and the Parent Company's application of internal credit risk rating system 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; 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.

Impairment Testing of Goodwill

As of December 31, 2022, 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, 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. 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.

Recognition of Deferred Tax Assets

As of December 31, 2022, the deferred tax assets of the Group and the Parent Company amounted to ₱6.5 billion and ₱6.6 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 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. We also assessed the timing of the reversal of future taxable and deductible temporary differences.

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, 2022, 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, 2022 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. 9564639, January 3, 2023, Makati City

March 13, 2023

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION
(In Thousands)

	Consolidated		Parent Company	
	December 31		December 31	
	2022	2021	**2022**	2021
ASSETS				
Cash and Other Cash Items	**₱22,217,915**	₱27,552,773	**₱22,103,095**	₱27,454,459
Due from Bangko Sentral ng Pilipinas (Notes 7 and 17)	**94,701,360**	161,001,912	**94,701,360**	161,001,912
Due from Other Banks (Note 33)	**26,010,183**	27,222,083	**17,599,374**	19,324,000
Interbank Loans Receivable (Notes 8 and 33)	**16,290,101**	32,106,088	**14,734,743**	30,295,755
Securities Held Under Agreements to Resell (Notes 8 and 35)	**64,523,863**	15,796,673	**64,523,863**	15,796,673
Financial Assets at Fair Value Through Profit or Loss (FVTPL) (Note 9)	**7,347,201**	11,167,657	**7,195,685**	11,010,278
Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI) (Note 9)	**158,183,525**	167,987,290	**157,205,907**	167,546,350
Investment Securities at Amortized Cost (Note 9)	**110,467,960**	89,455,843	**110,328,678**	89,327,894
Loans and Receivables (Notes 10 and 33)	**593,099,915**	606,953,751	**577,995,018**	592,498,761
Property and Equipment (Note 11)	**11,973,547**	13,472,320	**10,619,033**	11,812,991
Investments in Subsidiaries and an Associate (Note 12)	**2,688,764**	2,468,107	**20,384,104**	27,275,451
Investment Properties (Note 13)	**13,794,986**	10,735,896	**13,264,820**	10,178,327
Deferred Tax Assets (Note 30)	**6,616,902**	6,405,505	**6,574,190**	6,271,578
Intangible Assets (Note 14)	**1,863,922**	2,429,434	**1,753,616**	2,328,957
Goodwill (Note 14)	**11,221,410**	11,221,410	**11,361,768**	11,361,768
Other Assets (Note 15)	**4,155,522**	4,807,920	**3,398,996**	4,525,498
TOTAL ASSETS	**₱1,145,157,076**	₱1,190,784,662	**₱1,133,744,250**	₱1,188,010,652
LIABILITIES AND EQUITY				
LIABILITIES				
Deposit Liabilities (Notes 17 and 33)				
Demand	**₱220,043,866**	₱216,367,830	**₱219,805,641**	₱216,040,593
Savings	**519,940,535**	498,581,535	**518,928,640**	497,172,862
Time	**112,113,308**	151,729,554	**108,766,087**	158,066,350
Long Term Negotiable Certificates	**19,130,012**	28,245,390	**19,130,012**	28,245,390
	871,227,721	894,924,309	**866,630,380**	899,525,195
Financial Liabilities at FVTPL (Notes 18, 23 and 35)	**1,039,776**	891,531	**1,039,776**	891,346
Bills and Acceptances Payable (Notes 19, 33 and 35)	**14,980,373**	52,953,797	**13,888,035**	51,113,018
Lease Liabilities (Notes 29 and 33)	**3,636,391**	3,765,391	**3,604,077**	3,698,410
Accrued Taxes, Interest and Other Expenses (Note 20)	**9,117,393**	7,765,650	**8,487,700**	7,504,381
Bonds Payable (Note 21)	**58,439,097**	53,383,421	**58,439,097**	53,383,421
Income Tax Payable	**983,051**	157,735	**916,235**	89,328
Other Liabilities (Note 22)	**15,827,640**	15,719,872	**14,093,805**	13,512,851
	975,251,442	1,029,561,706	**967,099,105**	1,029,717,950
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)	**4,929,242**	5,147,440	**4,929,242**	5,147,440
Surplus (Note 25)	**73,748,748**	61,998,232	**73,919,909**	62,169,393
Net Unrealized Losses on Financial Assets at FVOCI (Notes 9 and 33)	**(5,959,275)**	(703,737)	**(5,959,275)**	(703,737)
Remeasurement Losses on Retirement Plan (Note 28)	**(2,222,945)**	(2,725,067)	**(2,222,945)**	(2,725,067)
Accumulated Translation Adjustment (Note 25)	**2,314,447**	1,503,396	**2,314,447**	1,503,396
Other Equity Reserves (Notes 12 and 25)	**248,830**	248,830	**390,517**	390,517
Share in Aggregate Reserves (Losses) on Life Insurance Policies (Note 12)	**136,096**	(626,394)	**136,096**	(626,394)
Other Equity Adjustment	**13,959**	13,959	**–**	–
	166,356,256	158,003,813	**166,645,145**	158,292,702
NON-CONTROLLING INTERESTS (Note 12)	**3,549,378**	3,219,143	**–**	–
	169,905,634	161,222,956	**166,645,145**	158,292,702
TOTAL LIABILITIES AND EQUITY	**₱1,145,157,076**	₱1,190,784,662	**₱1,133,744,250**	₱1,188,010,652

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					
	2022	2021	2020	**2022**	2021	2020
INTEREST INCOME ON						
Loans and receivables (Notes 10, 27 and 33)	**₱34,424,531**	₱34,157,780	₱37,352,374	**₱33,794,036**	₱33,449,961	₱37,067,285
Investment securities at amortized cost and FVOCI (Note 9)	**8,154,922**	5,963,594	6,203,975	**8,143,092**	5,962,614	6,155,803
Deposits with banks and others (Notes 7, 12 and 33)	**1,417,661**	1,248,155	2,192,045	**1,330,052**	1,219,996	1,173,981
Financial assets at FVTPL (Note 9)	**292,685**	632,492	665,751	**284,251**	565,447	542,512
Interbank loans receivable and securities held under agreements to resell (Note 8)	**954,603**	400,356	536,304	**896,683**	348,153	478,508
	45,244,402	42,402,377	46,950,449	**44,448,114**	41,546,171	45,418,089
INTEREST EXPENSE ON						
Deposit liabilities (Notes 17 and 33)	**5,371,667**	4,813,766	7,379,018	**5,383,153**	4,885,785	7,227,056
Bonds payable (Note 21)	**2,111,192**	2,231,863	2,904,528	**2,111,192**	2,231,863	2,904,528
Bills payable and other borrowings (Notes 19, 29 and 33)	**433,973**	511,921	846,440	**363,544**	425,080	637,478
	7,916,832	7,557,550	11,129,986	**7,857,889**	7,542,728	10,769,062
NET INTEREST INCOME	**37,327,570**	34,844,827	35,820,463	**36,590,225**	34,003,443	34,649,027
Service fees and commission income (Notes 26 and 33)	**6,997,609**	6,340,326	4,684,572	**5,563,369**	5,310,729	4,134,519
Service fees and commission expense	**1,429,195**	1,051,376	983,186	**935,945**	846,165	858,182
NET SERVICE FEES AND COMMISSION INCOME	**5,568,414**	5,288,950	3,701,386	**4,627,424**	4,464,564	3,276,337
OTHER OPERATING INCOME						
Net gains on sale or exchange of assets (Note 26)	**7,775,154**	981,462	195,842	**7,770,001**	974,024	130,493
Foreign exchange gains - net (Note 23)	**1,608,281**	743,549	919,555	**1,149,444**	623,493	929,890
Trading and investment securities gains (losses) - net (Notes 9 and 33)	**(1,280,783)**	731,572	3,337,589	**(1,277,759)**	600,580	3,456,521
Equity in net earnings (losses) of subsidiaries and an associate (Note 12)	**(56,060)**	50,789	88,476	**747,341**	(650,134)	95,939
Miscellaneous (Note 27)	**1,136,692**	1,070,047	1,244,699	**721,433**	759,826	906,752
TOTAL OTHER OPERATING INCOME	**9,183,284**	3,577,419	5,786,161	**9,110,460**	2,307,789	5,519,595
TOTAL OPERATING INCOME	**52,079,268**	43,711,196	45,308,010	**50,328,109**	40,775,796	43,444,959
PROVISION FOR IMPAIRMENT, CREDIT AND OTHER LOSSES (Notes 14 and 16)	**7,198,117**	12,879,011	16,882,621	**7,305,653**	13,125,737	16,534,335
OPERATING EXPENSES						
Compensation and fringe benefits (Notes 25, 28 and 33)	**9,762,776**	9,985,822	10,167,173	**9,012,641**	9,274,801	9,313,371
Taxes and licenses (Note 30)	**5,225,595**	3,988,371	4,551,142	**5,120,690**	3,903,066	4,394,703
Depreciation and amortization (Note 11)	**4,225,746**	2,845,717	3,154,568	**3,909,420**	2,499,071	2,607,269
Occupancy and equipment-related costs (Note 29)	**1,099,876**	1,124,166	990,650	**952,932**	1,002,093	942,896
Miscellaneous (Note 27)	**8,051,942**	8,202,755	9,013,439	**7,810,430**	7,974,555	8,637,974
TOTAL OPERATING EXPENSES	**28,365,935**	26,146,831	27,876,972	**26,806,113**	24,653,586	25,896,213
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	–
TOTAL OTHER INCOME	**–**	33,285,243	–	**–**	33,299,850	–
INCOME BEFORE INCOME TAX	**16,515,216**	37,970,597	548,417	**16,216,343**	36,296,323	1,014,411
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 30)	**4,931,228**	5,545,194	(1,866,402)	**4,684,025**	5,012,561	(1,945,521)
NET INCOME FROM CONTINUING OPERATIONS	**11,583,988**	32,425,403	2,414,819	**11,532,318**	31,283,762	2,959,932
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX (Notes 12 and 36)	**–**	(735,365)	210,669	**–**	–	–
NET INCOME	**₱11,583,988**	₱31,690,038	₱2,625,488	**₱11,532,318**	₱31,283,762	₱2,959,932

ATTRIBUTABLE TO:			
Equity Holders of the Parent Company (Note 31)	**₱11,532,318**	₱31,630,626	₱2,614,653
Non-controlling Interests	**51,670**	59,412	10,835
	₱11,583,988	₱31,690,038	₱2,625,488
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 31)	**₱7.56**	₱20.73	₱1.71
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company from Continuing Operations (Note 31)	**₱7.56**	₱21.21	₱1.58

See accompanying Notes to Financial Statements.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands)

	Consolidated			Parent Company		
	Years Ended December 31					
	2022	2021	2020	**2022**	2021	2020
NET INCOME	**₱11,583,988**	₱31,690,038	₱2,625,488	**₱11,532,318**	₱31,283,762	₱2,959,932
OTHER COMPREHENSIVE INCOME (LOSS)						
Items that recycle to profit or loss in subsequent periods:						
Net change in unrealized loss on debt securities at FVOCI, net of tax (Note 9)	**(4,764,711)**	(3,178,301)	(578,919)	**(4,754,670)**	(3,158,391)	(639,403)
Share in changes in net unrealized gains (losses) on financial assets at FVOCI of subsidiaries and an associate (Notes 9 and 12)	**(885,481)**	(558,030)	662,951	**(902,788)**	(663,471)	556,246
	(5,650,192)	(3,736,331)	84,032	**(5,657,458)**	(3,821,862)	(83,157)
Accumulated translation adjustment	**1,102,022**	1,008,640	(257,238)	**421,609**	(117,264)	(81,646)
Share in changes in accumulated translation adjustment of subsidiaries and an associate (Note 12)	**–**	–	–	**389,442**	902,788	(148,044)
	(4,548,170)	(2,727,691)	(173,206)	**(4,846,407)**	(3,036,338)	(312,847)
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)	**762,490**	412,444	(1,051,118)	**762,490**	412,444	(1,051,118)
Remeasurement gains (losses) on retirement plan (Note 28)	**495,353**	285,632	(725,968)	**489,953**	500,862	(710,795)
Share in changes in remeasurement gains (losses) of subsidiaries and an associate (Note 12)	**7,708**	(1,482)	4,632	**12,169**	(216,477)	(10,030)
Net change in unrealized gain (loss) on equity securities at FVOCI (Note 9)	**394,654**	(21,809)	(251,071)	**401,920**	63,722	(83,882)
	1,660,205	674,785	(2,023,525)	**1,666,532**	760,551	(1,855,825)
OTHER COMPREHENSIVE LOSS, NET OF TAX	**(2,887,965)**	(2,052,906)	(2,196,731)	**(3,179,875)**	(2,275,787)	(2,168,672)
TOTAL COMPREHENSIVE INCOME	**₱8,696,023**	₱29,637,132	₱428,757	**₱8,352,443**	₱29,007,975	₱791,260

ATTRIBUTABLE TO:			
Equity holders of the Parent Company	**₱8,352,443**	₱29,354,839	₱445,981
Non-controlling interests	**343,580**	282,293	(17,224)
	₱8,696,023	₱29,637,132	₱428,757

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 (Notes 9 and 33)	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, 2022	**₱61,030,594**	**₱32,116,560**	**₱5,147,440**	**₱61,998,232**	**(₱703,737)**	**(₱2,725,067)**	**₱1,503,396**	**₱248,830**	**(₱626,394)**	**₱–**	**₱13,959**	**₱158,003,813**	**₱3,219,143**	**₱161,222,956**
Total comprehensive income (loss) for the year	–	–	–	**11,532,318**	**(5,255,538)**	**502,122**	**811,051**	–	**762,490**	–	–	**8,352,443**	**343,580**	**8,696,023**
Transfer to surplus reserves (Notes 25 and 32)	–	–	**(218,198)**	**218,198**	–	–	–	–	–	–	–	–	–	–
Declaration of dividends by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	**(13,345)**	**(13,345)**
Balance at December 31, 2022	**₱61,030,594**	**₱32,116,560**	**₱4,929,242**	**₱73,748,748**	**(₱5,959,275)**	**(₱2,222,945)**	**₱2,314,447**	**₱248,830**	**₱136,096**	**₱–**	**₱13,959**	**₱166,356,256**	**₱3,549,378**	**₱169,905,634**
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

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 (Notes 9 and 33)	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, 2022	**₱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**
Total comprehensive income (loss) for the year	–	–	–	**11,532,318**	**(5,255,538)**	**502,122**	**811,051**	–	**762,490**	–	**8,352,443**
Transfer to surplus reserves (Notes 25 and 32)	–	–	**(218,198)**	**218,198**	–	–	–	–	–	–	–
Balance at December 31, 2022	**₱61,030,594**	**₱32,106,560**	**₱4,929,242**	**₱73,919,909**	**(₱5,959,275)**	**(₱2,222,945)**	**₱2,314,447**	**₱390,517**	**₱136,096**	**₱–**	**₱166,645,145**
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

See accompanying Notes to Financial Statements.

STATEMENTS OF CASH FLOWS
(In Thousands)

	Consolidated			Parent Company		
	Years Ended December 31					
	2022	2021	2020	**2022**	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income tax from continuing operations	**₱16,515,216**	₱37,970,597	₱548,417	**₱16,216,343**	₱36,296,323	₱1,014,411
Income (loss) before income tax from discontinued operations (Note 36)	**–**	(626,763)	299,251	**–**	–	–
Income before income tax	**16,515,216**	37,343,834	847,668	**16,216,343**	36,296,323	1,014,411
Adjustments for:						
Net gains on sale or exchange of assets (Note 26)	**(7,775,154)**	(981,462)	(195,842)	**(7,770,001)**	(974,024)	(130,493)
Provision for impairment, credit and other losses (Notes 14 and 16)	**7,198,117**	12,967,152	16,912,402	**7,305,653**	13,125,737	16,534,335
Unrealized foreign exchange losses (gains) on bonds payable	**4,979,818**	3,113,544	(2,728,233)	**4,979,818**	3,113,544	(2,728,233)
Depreciation and amortization (Note 11)	**4,225,746**	2,894,759	3,184,141	**3,909,420**	2,499,071	2,607,269
Unrealized foreign exchange losses (gains) on bills and acceptances payable	**1,522,200**	2,220,574	(1,059,619)	**1,511,555**	2,214,671	(1,059,379)
Net losses (gains) on financial assets at FVOCI (Note 9)	**1,069,547**	(1,578,197)	(2,455,265)	**1,069,547**	(1,578,197)	(2,454,698)
Amortization of premium (discount) on investment securities	**(935,770)**	294,421	(182,716)	**(936,131)**	296,554	(176,196)
Accretion to interest income of loss on loan modifications (Note 27)	**(369,152)**	(351,502)	(901,748)	**(369,152)**	(351,502)	(901,748)
Net losses (gains) on financial assets at FVTPL (Note 9)	**211,235**	846,625	(882,374)	**208,212**	977,617	(1,001,823)
Amortization of transaction costs on borrowings (Notes 17 and 21)	**105,480**	116,898	229,420	**105,480**	116,898	229,420
Equity in net losses (earnings) of subsidiaries and an associate (Note 12)	**56,060**	(50,789)	(88,476)	**(747,341)**	650,134	(95,939)
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)	–
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)	**(4,854,939)**	(891,301)	1,126,878	**(4,656,651)**	(859,213)	1,134,547
Financial assets at FVTPL	**3,609,221**	11,812,813	(9,475,736)	**3,606,381**	9,959,744	(9,776,160)
Loans and receivables	**4,448,687**	(13,325,214)	36,534,525	**4,995,515**	(16,184,925)	(16,207,664)
Other assets	**(243,157)**	1,398,479	(896,061)	**(1,340,408)**	(368,189)	(963,256)
Increase (decrease) in amounts of:						
Financial liabilities at FVTPL	**148,245**	190,292	455,620	**148,430**	190,544	468,810
Deposit liabilities	**(23,726,210)**	4,603,064	64,182,479	**(32,924,438)**	5,943,796	117,646,115
Accrued taxes, interest and other expenses	**1,518,737**	246,627	(2,376,061)	**1,139,793**	681,686	(1,903,084)
Other liabilities	**616,446**	(7,663,779)	(5,509,215)	**1,084,236**	(1,511,065)	(2,764,403)
Net cash generated from (used in) operations	**8,320,373**	19,921,595	98,309,392	**(2,463,739)**	20,939,354	101,059,436
Income taxes paid	**(2,050,109)**	(2,285,669)	(1,648,621)	**(1,802,246)**	(1,841,579)	(1,461,890)
Net cash provided by (used in) operating activities	**6,270,264**	17,635,926	96,660,771	**(4,265,985)**	19,097,775	99,597,546
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from:						
Disposal/maturities of financial assets at FVOCI	**643,902,197**	212,598,365	159,923,105	**643,888,779**	210,574,683	157,339,947
Maturities/early redemptions of investment securities at amortized cost	**141,160,199**	39,790,071	61,359,649	**141,171,532**	39,085,249	61,359,649
Disposal of investment properties	**6,844,641**	293,738	210,936	**6,842,374**	214,782	161,736
Disposal of property and equipment	**108,253**	201,593	36,750	**32,546**	301,198	1,322
Disposal of investment in a subsidiary (Note 12)	**–**	1,001,558	521,817	**–**	1,001,558	–
Return of investment (Note 12)	**–**	–	–	**7,500,000**	–	–
Cash dividends from a subsidiary (Note 12)	**–**	–	–	**1,092,000**	–	–
Acquisitions of:						
Financial assets at FVOCI	**(638,254,305)**	(224,330,405)	(169,859,472)	**(637,154,487)**	(224,330,405)	(169,859,472)
Investment securities at amortized cost	**(162,392,791)**	(33,372,543)	(56,875,400)	**(162,392,791)**	(33,372,543)	(57,227,468)
Software cost (Note 14)	**(881,572)**	(655,455)	(283,472)	**(848,426)**	(612,515)	(268,768)
Property and equipment (Note 11)	**(547,083)**	(1,120,741)	(1,231,247)	**(535,981)**	(675,730)	(1,027,671)
Additional investments in an associate (Note 12)	**(392,000)**	(245,000)	–	**(392,000)**	(245,000)	–
Net cash used in investing activities	**(10,452,461)**	(5,838,819)	(6,197,334)	**(796,454)**	(8,058,723)	(9,520,725)

(Forward)

STATEMENTS OF CASH FLOWS
(In Thousands)

	Consolidated			Parent Company		
	Years Ended December 31					
	2022	2021	2020	**2022**	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES						
Settlement of bills and acceptances payable	**(₱277,002,294)**	(₱273,753,842)	(₱136,717,622)	**(₱274,908,050)**	(₱272,556,037)	(₱118,473,479)
Proceeds from issuances of bills and acceptances payable	**237,506,670**	237,327,616	168,973,402	**236,171,512**	236,637,024	155,926,201
Payment of principal portion of lease liabilities (Note 29)	**(1,113,225)**	(1,231,287)	(664,156)	**(1,068,038)**	(1,213,912)	(649,402)
Settlement of bonds payable	**–**	(13,870,000)	–	–	(13,870,000)	–
Net cash provided by (used in) financing activities	**(40,608,849)**	(51,527,513)	31,591,624	**(39,804,576)**	(51,002,925)	36,803,320
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(44,791,046)**	(39,730,406)	122,055,061	**(44,867,015)**	(39,963,873)	126,880,141
CASH AND CASH EQUIVALENTS AT BEGINNING 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
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	**22,217,915**	27,552,773	25,135,724	**22,103,095**	27,454,459	25,038,434
Due from Bangko Sentral ng Pilipinas	**94,701,360**	161,001,912	202,129,356	**94,701,360**	161,001,912	202,129,356
Due from other banks	**26,010,183**	27,222,083	19,733,300	**17,599,374**	19,324,000	12,131,726
Interbank loans receivable (Note 8)	**9,782,452**	30,453,378	38,939,572	**8,824,713**	29,042,376	37,464,504
Securities held under agreements to resell	**64,523,863**	15,796,673	15,819,273	**64,523,863**	15,796,673	15,819,273
	₱217,235,773	₱262,026,819	₱301,757,225	**₱207,752,405**	₱252,619,420	₱292,583,293
OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS						
Interest paid	**₱7,312,461**	₱7,690,053	₱11,936,540	**₱7,256,130**	₱7,670,243	₱11,494,829
Interest received	**43,082,036**	42,928,178	47,391,100	**42,297,774**	42,075,051	44,519,365
Dividends received	–	–	–	**1,092,000**	–	–

See accompanying 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, 2022 and 2021, the shares of PNB are held by the following:

	2022	2021
LT Group, Inc. (LTG) (indirect ownership through its various holding companies)	**59.83%**	59.83%
PCD Nominee Corporation *	**15.85%**	15.94%
Other stockholders owning less than 10% each	**24.32%**	24.23%
	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 651 and 670 domestic branches as of December 31, 2022 and 2021, respectively. As of the same dates, the Parent Company has 72 and 70 overseas branches, representative offices, remittance centers and subsidiaries, respectively, 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

2.1 Basis of Preparation of the Financial Statements

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 which include its Head Office in Pasay City, Philippines, and all of its domestic and foreign branches, 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.

2.2 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).

2.3 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).

2.4 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 (see definition of 'control' in *2.12 Investments in Subsidiaries, Associates and Joint Ventures*). 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'.

2.5 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.

2.5.1 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).

2.5.2 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.

2.6 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, 2022. 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 3, *Business Combinations: Reference to the Conceptual Framework*
  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. An exception to the recognition principle of PFRS 3 was also added to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of Philippine Accounting Standards (PAS) 37, *Provisions, Contingent Liabilities and Contingent Assets*, or Philippine Interpretation IFRIC 21, *Levies*, if incurred separately. The amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments apply prospectively.

- Amendments to PAS 16, *Property, Plant and Equipment: Proceeds Before Intended Use*
  The amendments prohibit entities to deduct from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, entities should recognize the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendments are applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when an entity first applies the amendment.

- Amendments to PAS 37, *Onerous Contracts: Cost of Fulfilling a Contract*
  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly-related cost 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
  - Amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards: Subsidiary as a first-time adopter*
    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to PFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

  - Amendment to PFRS 9, *Financial Instruments: Fees in the '10 per cent' test for derecognition of financial liabilities*
    The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

  - Amendment to PAS 41, *Agriculture: Taxation in fair value measurements*
    The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

2.7 Business Combinations

The Group accounts for business combinations using the acquisition method. Under this method, the Group measures the acquisition cost as the aggregate of the acquisition-date 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 (see related accounting policy under *2.13.3 Intangible Assets*). 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.

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).

2.8 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.

2.9 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.

2.10 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.

2.11 Financial Instruments

2.11.1 Initial Recognition of Financial Instruments

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.

All financial instruments are initially recognized at fair value. Except for financial instruments at FVTPL, the initial measurement of financial instruments includes transaction costs.

2.11.2 Classification and Subsequent Measurement of Financial Instruments

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 (losses) - 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’.

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 investment 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 (see related accounting policy under *2.11.5 Impairment of Financial Assets*).

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 (see related accounting policy under *2.11.5 Impairment of Financial Assets*).

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.

<u>*2.11.3 Reclassification of Financial Instruments*</u>

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>*2.11.4 Derecognition of Financial Instruments*</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.

<u>*2.11.5 Impairment of Financial Assets*</u>

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 *2.11.4 Derecognition of Financial Instruments*.

If a loan or credit exposure has been renegotiated or modified without 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>2.11.6 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'.

2.12 Investments in Subsidiaries, Associates and Joint Ventures

The Group's subsidiaries pertain to investees where the Group demonstrates control. 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.

The Group's associate pertains to the investee 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 the statement of financial position at cost plus post-acquisition changes in the share in the net assets of the investee less accumulated impairment losses, if any (see related accounting policy under *2.13.5 Impairment of Nonfinancial Assets*). The Group reflects its share in the results of operations of the investee and any impairment losses in the statement of income. When there has been a change recognized in the investee'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 investee to the extent of the interest of the Group in the investee. Once the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee.

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 an associate, the Group measures and recognizes any retained investment at its fair value. Any resulting difference between the aggregate of the investee'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, associate or joint venture that did not result in a loss of control or significant influence, as applicable, 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 investment.

2.13 Other Nonfinancial Assets

2.13.1 Property and Equipment

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 related accounting policy under *2.16.5 Expenditures on Nonfinancial Assets*).

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 (see related accounting policy under *2.13.5 Impairment of Nonfinancial Assets*).

For right-of-use assets included under 'Property and equipment', see related accounting policy under *2.18.1 Group as a Lessee Under Lease Contracts.*

2.13.2 Investment Properties and Chattel Mortgage Properties

The Group initially measures investment properties and chattel mortgage properties initially at cost, including transaction costs (see related accounting policy under *2.16.5 Expenditures on Nonfinancial Assets*). 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 (see related accounting policy under *2.13.5 Impairment of Nonfinancial Assets*).

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.

2.13.3 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. 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.

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 (see related accounting policy under *2.16.5 Expenditures on Nonfinancial Assets*).

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 (see related accounting policy under *2.13.5 Impairment of Nonfinancial Assets*).

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 (see related accounting policy under *2.13.5 Impairment of Nonfinancial Assets*).

2.13.4 Derecognition of Nonfinancial Assets

The Group derecognizes a nonfinancial asset when it has 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 a nonfinancial asset in the statement of income under 'Net gains (losses) on sale or exchange of assets' in the period the asset is derecognized.

2.13.5 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 cash-generating unit (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.

2.14 Equity

2.14.1 Capital Stock

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.

2.14.2 Reserves Recorded in Equity

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 (see related accounting policy under *2.17.1 Retirement Under Defined Benefit Plan*).
- 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 (see related accounting policy under *2.5.2 FCDU and Overseas Branches and Subsidiaries*).
- Net unrealized gains (losses) on financial assets at FVOCI – comprises changes in fair value of financial assets at FVOCI (see related accounting policy under *2.11.2 Classification and Subsequent Measurement of Financial Instruments*).

2.14.3 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.

2.14.4 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.

2.15 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.

2.15.1 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.

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 'Interest income' over the expected life of the loan.

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.

2.15.2 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.

<u>*2.15.3 Credit Card Revenues*</u>

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.

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 'Interest income' the unearned and other deferred income over the installment terms using the effective interest method.

<u>*2.15.4 Trading and Investment Securities Gains - Net*</u>

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.

<u>*2.15.5 Gain on Sale or Exchange of Assets*</u>

The Group recognizes gain on sale or exchange of assets upon completion of the earning process upon transfer of control and when the collectability of the sales price is reasonably assured.

<u>*2.15.6 Other Income*</u>

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' (see related accounting policy under *2.18.2 Group as a Lessor Under Lease Contracts*).

Dividend income
The Group recognizes dividend income when the Group's right to receive payment is established.

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.

<u>2.16 Expenditures</u>

<u>*2.16.1 Borrowing Costs*</u>

The Group recognizes borrowing costs as 'Interest 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.

<u>*2.16.2 Operating Expenses*</u>

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.

<u>*2.16.3 Taxes and Licenses*</u>

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.

2.16.4 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
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.

2.16.5 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.

2.17 Employee Benefits

2.17.1 Retirement Under 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.

2.17.2 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.

2.17.3 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.

2.18 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.

2.18.1 Group as a Lessee Under Lease Contracts

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 (see related accounting policy under *2.13.5 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.

2.18.2 Group as a Lessor Under Lease Contracts

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.

2.19 Provisions

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'.

2.20 Contingencies

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.

2.21 Income Taxes

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.

2.21.1 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.

2.21.2 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.

2.22 Earnings Per Share

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.

2.23 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.

2.24 Events After the Reporting Date

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.

2.25 Segment Reporting

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.

2.26 Fiduciary Activities

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.

2.27 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, 2023

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

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

- Amendments to PAS 12, *Income Taxes, Deferred Tax Related to Assets and Liabilities arising from a Single Transaction*
  The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense). The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented.

- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Accounting Estimates*
  The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amendments also clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. Early adoption of the amendments is permitted.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
  The amendments clarify:
  - That only covenants with which an entity must comply on or before the reporting date will affect a liability's classification as current or non-current;
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
  - 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, 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on its current practice and whether existing loan agreements may require renegotiation.

- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*
  The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right-of-use retained. The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Earlier adoption is permitted and that fact must be disclosed.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*
  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts 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. A few scope exceptions will apply. The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

  On December 15, 2021, the FSRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two years after its effective date as decided by the International Accounting Standards Board (IASB).

  PFRS 17 is effective for reporting periods beginning on or after 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 FSRSC 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.

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.

3.1 Judgments

3.1.1 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.

3.1.2 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.

3.1.3 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.

3.1.4 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. 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 an independent valuation company (refer to Note 5 for the fair values of financial instruments).

3.1.5 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 (refer to Note 34).

3.1.6 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>3.2 Accounting Estimates</u>

<u>3.2.1 Credit Losses on Financial Assets</u>

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.

In response to the changing credit environment due to the protracted COVID-19 pandemic, as well as the effects of the Russia-Ukraine conflict, rising interest rates, inflation, and other 'black swan' events (see further discussion of these events under *3.2.2 Recognition of Deferred Tax Assets*) which may potentially occur, the Group reviews on a monthly basis its loan portfolio, particularly for accounts that have shown or are beginning to show increases in credit risk. The Group performs comprehensive review of the default profile of its accounts to determine if there are factors or indicators not captured in the risk rating model. If there are noted weaknesses in the model, where possible, the Group recalibrates the parameter estimates to the ECL models to incorporate internal default experience, as well as most recent available external data affecting each segment of the Group's loan portfolio.

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 and other stress scenarios to ensure that changes in economic conditions are captured in the ECL calculations.

Refer to Note 16 for the details of the carrying value of financial assets subject to ECL and for the details of the ECL.

<u>3.2.2 Recognition of Deferred Tax Assets</u>

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.

The Group reassesses its business plan, as well as tax strategies, in the next three to five years, considering various economic scenarios including recovery outlook and effects on specific industries and trade of the protracted COVID-19 pandemic, Russia-Ukraine conflict, rising interest rates, inflation, and other 'black swan' events (such as longer lasting supply shock inflation pressure, credit rating downgrade, deep recession in the USA and Europe, and emergence of a new pandemic).

Refer to Note 30.3 for the carrying amount of recognized and unrecognized deferred tax assets.

<u>3.2.3 Present Value of Retirement Obligation</u>

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 present value of retirement obligation is disclosed in Note 28.

<u>3.2.4 Impairment of Goodwill</u>

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. Similar with its considerations discussed under *3.2.2 Recognition of Deferred Tax Assets*, the Group revisits its business plan and applies judgment to reassess the projections of future cash flows as of December 31, 2022, considering various economic scenarios and recovery outlook.

The carrying values of the Group's goodwill, accumulated impairment losses, and key assumptions used in determining VIU are disclosed in Note 14.3.

4. **Financial Risk Management Objectives and Policies**

<u>4.1 Risk Management Framework</u>

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.

<u>4.2 Credit Risk</u>

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 adequacy of capital for credit risk via the Capital Adequacy Ratio (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.

<u>4.2.1 Credit-Related Commitments</u>

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.

4.2.2 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.

4.2.3 Collateral and Other Credit Enhancements

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 Acquired Assets 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.

4.2.4 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			
	2022			
	Maximum Exposure	**Fair Value of Collateral**	**Net Exposure**	**Financial Effect of Collateral**
Securities held under agreements to resell	**₱64,523,863**	**₱64,334,349**	**₱189,514**	**₱64,334,349**
Loans and receivables:				
Receivables from customers*:				
Corporates	**516,315,998**	**289,977,781**	**425,412,218**	**90,903,780**
Local government units (LGU)	**2,770,555**	**–**	**2,770,555**	**–**
Credit Cards	**13,094,453**	**–**	**13,094,453**	**–**
Retail small and medium enterprises (SME)	**4,735,190**	**3,594,278**	**2,821,798**	**1,913,392**
Housing Loans	**24,241,178**	**37,042,606**	**7,118,628**	**17,122,550**
Auto Loans	**5,570,015**	**11,420,518**	**1,765,068**	**3,804,947**
Others	**11,392,943**	**4,991,456**	**8,436,551**	**2,956,392**
Other receivables	**14,979,583**	**–**	**14,979,583**	**–**
	₱657,623,778	**₱411,360,988**	**₱476,588,368**	**₱181,035,410**

**Receivables from customers exclude residual value of the leased asset (Note 10).*

	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 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).*

	Parent Company			
	2022			
	Maximum Exposure	**Fair Value of Collateral**	**Net Exposure**	**Financial Effect of Collateral**
Securities held under agreements to resell	**₱64,523,863**	**₱64,334,349**	**₱189,514**	**₱64,334,349**
Loans and receivables:				
Receivables from customers:				
Corporates	**504,070,752**	**268,623,811**	**424,982,412**	**79,088,340**
LGU	**2,770,555**	**–**	**2,770,555**	**–**
Credit Cards	**13,094,453**	**–**	**13,094,453**	**–**
Retail SME	**3,936,250**	**2,483,707**	**2,672,892**	**1,263,358**
Housing Loans	**23,326,606**	**35,629,579**	**7,118,628**	**16,207,978**
Auto Loans	**5,570,015**	**11,420,518**	**1,765,068**	**3,804,947**
Others	**11,300,587**	**4,802,742**	**8,436,552**	**2,864,035**
Other receivables	**13,925,800**	**–**	**13,925,800**	**–**
	₱642,518,881	**₱387,294,706**	**₱474,955,874**	**₱167,563,007**

	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

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.

4.2.5 Credit Risk Concentrations

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.

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.

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			
	2022			
	Loans and receivables*	**Trading and investment securities**	**Other financial assets****	**Total**
Philippines	**₱552,755,901**	**₱237,143,001**	**₱120,952,612**	**₱910,851,514**
Asia (excluding the Philippines)	**26,641,314**	**21,914,099**	**36,745,688**	**85,301,101**
United Kingdom	**2,096,234**	**6,708,736**	**22,039,442**	**30,844,412**
USA and Canada	**8,707,036**	**8,378,067**	**13,190,193**	**30,275,296**
Other European Union Countries	**2,079,196**	**–**	**8,654,970**	**10,734,166**
Middle East	**66,026**	**1,854,783**	**10,145**	**1,930,954**
Oceania	**523,802**	**–**	**2,788**	**526,590**
	₱592,869,509	**₱275,998,686**	**₱201,595,838**	**₱1,070,464,033**

**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			
	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)*

	Parent Company			
	2022			
	Loans and receivables	**Trading and investment securities**	**Other financial assets***	**Total**
Philippines	**₱550,597,430**	**₱236,170,294**	**₱122,538,534**	**₱909,306,258**
Asia (excluding the Philippines)	**14,013,140**	**21,911,976**	**28,306,396**	**64,231,512**
United Kingdom	**2,091,414**	**6,554,432**	**21,273,903**	**29,919,749**
USA and Canada	**8,624,015**	**8,238,785**	**12,349,620**	**29,212,420**
Other European Union Countries	**2,079,196**	**–**	**7,132,780**	**9,211,976**
Middle East	**66,026**	**1,854,783**	**9,567**	**1,930,376**
Oceania	**523,797**	**–**	**–**	**523,797**
	₱577,995,018	**₱274,730,270**	**₱191,610,800**	**₱1,044,336,088**

**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)*

Concentration by industry
The tables below show the industry sector analysis of financial assets at amounts before taking into account the fair value of the loan collateral held or other credit enhancements.

	Consolidated			
	2022			
	Loans and receivables*	**Trading and investment securities**	**Other financial assets*****	**Total**
Primary target industry:				
Financial intermediaries	**₱119,769,773**	**₱19,521,101**	**₱73,230,975**	**₱212,521,849**
Wholesale and retail	**87,945,351**	**–**	**–**	**87,945,351**
Electricity, gas and water	**77,714,165**	**9,306,111**	**–**	**87,020,276**
Manufacturing	**59,847,311**	**166,728**	**–**	**60,014,039**
Transport, storage and communication	**40,563,305**	**–**	**50**	**40,563,355**
Agriculture, hunting and forestry	**5,192,944**	**–**	**–**	**5,192,944**
Public administration and defense	**1,626,592**	**–**	**–**	**1,626,592**
Secondary target industry:				
Government	**2,794,558**	**196,640,202**	**127,597,960**	**327,032,720**
Real estate, renting and business activities	**92,957,909**	**14,283,283**	**13,884**	**107,255,076**
Construction	**27,005,540**	**–**	**–**	**27,005,540**
Others**	**77,452,061**	**36,081,261**	**752,969**	**114,286,291**
	₱592,869,509	**₱275,998,686**	**₱201,595,838**	**₱1,070,464,033**

**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 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)*

	Parent Company 2022			
	Loans and receivables	**Trading and investment securities**	**Other financial assets****	**Total**
Primary target industry:				
Financial intermediaries	**₱119,250,013**	**₱19,518,028**	**₱63,259,871**	**₱202,027,912**
Wholesale and retail	82,372,415	–	–	**82,372,415**
Electricity, gas and water	**77,715,031**	**9,306,111**	–	**87,021,142**
Manufacturing	**57,490,538**	**164,780**	–	**57,655,318**
Transport, storage and communication	**39,696,751**	–	–	**39,696,751**
Agriculture, hunting and forestry	**5,031,731**	–	–	**5,031,731**
Public administration and defense	**1,626,592**	–	–	**1,626,592**
Secondary target industry:				
Government	**2,770,555**	**196,519,177**	**127,597,960**	**326,887,692**
Real estate, renting and business activities	**89,266,907**	**13,141,082**	–	**102,407,989**
Construction	**26,938,899**	–	–	**26,938,899**
Others*	**75,835,586**	**36,081,092**	**752,969**	**112,669,647**
	₱577,995,018	**₱274,730,270**	**₱191,610,800**	**₱1,044,336,088**

**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).*

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.

4.2.6 Credit Quality Per Class of Financial Assets

Loans and receivables
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 of the following:
- Non-Retail Portfolio – 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, Specialized Lending (e.g., Project Finance), Large Corporates, Middle Market and Commercial SME, government-owned and controlled corporations and LGUs.
- Retail Portfolio – consists of exposures to individual person/s or to a small business, and are not usually managed on an individual basis but as groups of exposures with similar credit risk characteristics. This includes Credit Cards, Consumer Loans and Retail SME, among others.

The credit quality of the 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).

The Group developed specific borrower rating models to capture specific and unique risk characteristics of each of the Non-Retail Portfolio segments. The BRR 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 BRR 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 BRR 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

Credit quality	26-Grade BRR system
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 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, 2022 and 2021:

	Consolidated			
	2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Subject to CRR				
Non-Retail – Corporate				
High	**₱210,563,413**	**₱–**	**₱–**	**₱210,563,413**
Standard	**198,909,684**	**30,731,562**	**–**	**229,641,246**
Substandard	**29,953,399**	**31,163,671**	**–**	**61,117,070**
Impaired	**–**	**–**	**26,950,431**	**26,950,431**
	439,426,496	**61,895,233**	**26,950,431**	**528,272,160**
Subject to Scoring and Unrated				
Non-Retail	**2,849,194**	**11,760,556**	**1,183,962**	**15,793,712**
Corporate	**95,980**	**11,723,793**	**1,118,268**	**12,938,041**
LGU	**2,753,214**	**36,763**	**65,694**	**2,855,671**
Retail	**41,072,586**	**1,411,135**	**13,920,882**	**56,404,603**
Auto Loans	**4,955,770**	**102,179**	**1,970,279**	**7,028,228**
Housing Loans	**18,930,297**	**643,627**	**9,015,408**	**28,589,332**
Retail SME	**4,029,128**	**349,415**	**2,025,819**	**6,404,362**
Credit Card	**13,157,391**	**315,914**	**909,376**	**14,382,681**
Others	**9,376,862**	**1,546,960**	**1,987,431**	**12,911,253**
	53,298,642	**14,718,651**	**17,092,275**	**85,109,568**
	₱492,725,138	**₱76,613,884**	**₱44,042,706**	**₱613,381,728**

	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

(Forward)

	Consolidated			
	2021			
	Stage 1	Stage 2	Stage 3	Total
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	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

	Parent Company			
	2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Subject to CRR				
Non-Retail - Corporate				
High	**₱208,384,303**	**₱–**	**₱–**	**₱208,384,303**
Standard	**189,504,524**	**30,731,541**	**–**	**220,236,065**
Substandard	**29,953,399**	**31,143,373**	**–**	**61,096,772**
Impaired	**–**	**–**	**27,951,509**	**27,951,509**
	427,842,226	**61,874,914**	**27,951,509**	**517,668,649**
Subject to Scoring and Unrated				
Non-Retail	**2,759,254**	**11,758,770**	**1,099,592**	**15,617,616**
Corporate	**6,040**	**11,722,007**	**1,033,898**	**12,761,945**
LGU	**2,753,214**	**36,763**	**65,694**	**2,855,671**
Retail	**39,685,909**	**1,376,404**	**12,960,913**	**54,023,226**
Auto Loans	**4,955,770**	**102,179**	**1,970,279**	**7,028,228**
Housing Loans	**18,020,708**	**640,238**	**9,002,446**	**27,663,392**
Retail SME	**3,552,040**	**318,073**	**1,078,812**	**4,948,925**
Credit Card	**13,157,391**	**315,914**	**909,376**	**14,382,681**
Others	**9,284,464**	**1,546,960**	**1,987,432**	**12,818,856**
	51,729,627	**14,682,134**	**16,047,937**	**82,459,698**
	₱479,571,853	**₱76,557,048**	**₱43,999,446**	**₱600,128,347**

	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

The analysis of past due status of receivables from customers that are subject to scoring and unrated follows:

	Consolidated				
	2022				
	Less than 30 days	**31 to 90 days**	**91 to 180 days**	**More than 180 days**	**Total**
Housing Loans	**₱297,214**	**₱599,308**	**₱595,871**	**₱8,202,270**	**₱9,694,663**
Auto Loans	**60,850**	**74,690**	**65,801**	**1,869,429**	**2,070,770**
Retail SME	**61,162**	**21,090**	**47,949**	**1,814,702**	**1,944,903**
Credit Card	**1,455**	**102,596**	**233,163**	**630,629**	**967,843**
LGU	**7,650**	**–**	**–**	**58,044**	**65,694**
Others	**719,429**	**108,294**	**49,980**	**1,254,343**	**2,132,046**
Total	**₱1,147,760**	**₱905,978**	**₱992,764**	**₱13,829,417**	**₱16,875,919**

	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
Retail SME	292,832	147,427	72,810	965,495	1,478,564
Credit Card	2,338	76,839	263,944	2,092,666	2,435,787
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

	Parent Company				
	2022				
	Less than 30 days	**31 to 90 days**	**91 to 180 days**	**More than 180 days**	**Total**
Housing Loans	**₱296,922**	**₱594,491**	**₱566,398**	**₱8,176,282**	**₱9,634,093**
Auto Loans	**60,850**	**74,690**	**65,801**	**1,869,429**	**2,070,770**
Retail SME	**61,162**	**15,774**	**37,869**	**968,460**	**1,083,265**
Credit Card	**1,455**	**102,596**	**233,163**	**630,629**	**967,843**
LGU	**7,650**	**–**	**–**	**58,044**	**65,694**
Others	**712,413**	**107,503**	**38,672**	**1,163,289**	**2,021,877**
Total	**₱1,140,452**	**₱895,054**	**₱941,903**	**₱12,866,133**	**₱15,843,542**

	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
Retail SME	197,544	133,337	70,980	797,201	1,199,062
Credit Card	2,338	76,839	263,944	2,092,666	2,435,787
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

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 allowance for credit losses, excluding receivables from customers, which are monitored using external ratings.

	Consolidated					
	2022					
	Aaa to Aa3	**A1 to A3**	**Baa1 and below**	**Subtotal**	**Unrated**	**Total**
Due from BSP [1/]	**₱–**	**₱–**	**₱–**	**₱–**	**₱94,701,360**	**₱94,701,360**
Due from other banks	**3,256,692**	**18,388,027**	**3,259,226**	**24,903,945**	**1,116,136**	**26,020,081**
Interbank loans receivables	**1,570,626**	**2,684,871**	**–**	**4,255,497**	**12,035,973**	**16,291,470**
Securities held under agreements to resell	**–**	**21,206,949**	**17,234,682**	**38,441,631**	**26,084,420**	**64,526,051**
Financial assets at FVOCI						
Government securities	**3,309,749**	**553,668**	**114,076,366**	**117,939,783**	**–**	**117,939,783**
Private debt securities	**590,542**	**251,592**	**159,681**	**1,001,815**	**14,429,055**	**15,430,870**
Quoted equity securities	**–**	**–**	**58,170**	**58,170**	**734,046**	**792,216**
Unquoted equity securities	**–**	**–**	**388,884**	**388,884**	**23,631,772**	**24,020,656**
Investment securities at amortized cost						
Government securities	**145,147**	**7,950,608**	**69,892,792**	**77,988,547**	**208,886**	**78,197,433**
Private debt securities	**–**	**8,876,965**	**1,158,512**	**10,035,477**	**26,082,900**	**36,118,377**
Financial assets at amortized cost						
Loans and receivables - Others [2/]	**–**	**–**	**–**	**–**	**19,188,611**	**19,188,611**

[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					
	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).*

	Parent Company					
	2022					
	Aaa to Aa3	**A1 to A3**	**Baa1 and below**	**Subtotal**	**Unrated**	**Total**
Due from BSP [1/]	**₱–**	**₱–**	**₱–**	**₱–**	**₱94,701,360**	**₱94,701,360**
Due from other banks	**961,707**	**15,816,731**	**154,079**	**16,932,517**	**676,730**	**17,609,247**
Interbank loans receivables	**–**	**2,684,871**	**0**	**2,684,871**	**12,051,241**	**14,736,112**
Securities held under agreements to resell	**–**	**21,206,949**	**17,234,682**	**38,441,631**	**26,084,420**	**64,526,051**
Financial assets at FVOCI						
Government securities	**2,938,253**	**553,668**	**114,168,823**	**117,660,744**	**–**	**117,660,744**
Private debt securities	**590,542**	**68**	**159,681**	**750,291**	**14,429,054**	**15,179,345**
Quoted equity securities	**–**	**–**	**–**	**–**	**734,046**	**734,046**
Unquoted equity securities	**–**	**–**	**–**	**–**	**23,631,772**	**23,631,772**
Investment securities at amortized cost						
Government securities	**5,865**	**7,950,608**	**69,892,792**	**77,849,265**	**208,886**	**78,058,151**
Private securities	**–**	**8,876,965**	**1,158,512**	**10,035,477**	**26,082,900**	**36,118,377**
Financial assets at amortized cost						
Loans and receivables - Others [2/]	**–**	**–**	**–**	**–**	**17,925,091**	**17,925,091**

[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).*

4.3 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 Global Markets Group. Likewise, the RMG monitors the static liquidity via the MCO under normal and stressed scenarios.

The table below shows the liquidity information of financial assets and financial liabilities 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					
	2022					
	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	**₱22,217,915**	**₱–**	**₱–**	**₱–**	**₱–**	**₱22,217,915**
Due from BSP and other banks	**125,113,662**	**–**	**–**	**–**	**–**	**125,113,662**
Interbank loans receivable	**8,876,452**	**1,313,106**	**2,441,537**	**4,108,738**	**–**	**16,739,833**
Securities held under agreements to resell	**60,878,039**	**3,784,201**	**–**	**–**	**–**	**64,662,240**
Financial assets at FVTPL:						
Government securities	**199,530**	**1,080,139**	**296,110**	**1,053,949**	**6,650,083**	**9,279,811**
Private debt securities	**12,016**	**20,983**	**18,250**	**51,248**	**3,224,192**	**3,326,689**
Equity securities	**2,898**	**–**	**–**	**–**	**–**	**2,898**
Derivative assets:						
Gross contractual receivable	**40,036,455**	**7,664,954**	**10,332,430**	**3,259,807**	**15,337**	**61,308,983**
Gross contractual payable	**(39,050,764)**	**(7,542,887)**	**(10,098,003)**	**(3,240,344)**	**–**	**(59,931,998)**
Financial assets at FVOCI:						
Government securities	**87,743,403**	**3,614,649**	**9,339,616**	**9,486,786**	**141,544,530**	**251,728,984**
Private debt securities	**3,417,893**	**1,165,367**	**283,912**	**2,883,129**	**42,342,083**	**50,092,384**
Equity securities	**1,614,229**	**–**	**–**	**–**	**23,198,643**	**24,812,872**
Investment securities at amortized cost						
Government securities	**6,043,708**	**10,034,076**	**6,717,704**	**2,835,413**	**149,213,141**	**174,844,042**
Private debt securities	**1,243,241**	**6,416,993**	**11,655,875**	**10,450,844**	**37,189,899**	**66,956,852**
Financial assets at amortized cost:						
Receivables from customers	**95,928,952**	**75,907,926**	**32,255,624**	**14,027,383**	**528,529,464**	**746,649,349**
Other receivables	**7,226,808**	**903,926**	**1,587,116**	**786,924**	**8,683,837**	**19,188,611**
Other assets	**50,539**	**–**	**–**	**792**	**19,000**	**70,331**
Total financial assets	**₱421,554,976**	**₱104,363,433**	**₱64,830,171**	**₱45,704,669**	**₱940,610,209**	**₱1,577,063,458**
Financial Liabilities						
Deposit liabilities:						
Demand	**₱222,499,667**	**₱–**	**₱–**	**₱–**	**₱–**	**₱222,499,667**
Savings *	**359,730,732**	**–**	**–**	**–**	**–**	**359,730,732**
Time and LTNCDs *	**138,445,541**	**96,585,595**	**26,246,991**	**16,416,245**	**21,787,715**	**299,482,087**
Financial liabilities at FVTPL:						
Derivative liabilities:						
Gross contractual payable	**27,156,350**	**38,707,232**	**17,167,707**	**557,813**	**–**	**83,589,102**
Gross contractual receivable	**(26,737,134)**	**(38,304,103)**	**(16,951,759)**	**(556,330)**	**–**	**(82,549,326)**
Bills and acceptances payable	**8,334,542**	**3,571,275**	**30,000**	**43,936**	**3,145,035**	**15,124,788**
Bonds payable	**–**	**–**	**17,771,674**	**685,787**	**42,883,029**	**61,340,490**
Accrued interest payable and accrued other expenses payable	**2,996,291**	**146,218**	**167,140**	**59,077**	**480,280**	**3,849,006**
Other liabilities	**6,529,727**	**481,672**	**443,923**	**982,544**	**1,784,517**	**10,222,383**
Total financial liabilities	**₱738,955,716**	**₱101,187,889**	**₱44,875,676**	**₱18,189,072**	**₱70,080,576**	**₱973,288,929**

** High-yield savings accounts are included under time deposits*

	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	12,277	18,030	188,283	55,245	4,094,719	4,368,554
Equity securities	5,045	–	–	–	–	5,045

(Forward)

	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
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	₱92,753,812	₱96,158,966	₱859,686,494	₱1,600,172,066
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	1,380,858	419,761	439,484	74,873	421,666	2,736,642
Other liabilities	6,022,785	1,091,687	276,512	313,888	2,388,506	10,093,378
Total financial liabilities	₱779,012,254	₱112,745,312	₱22,433,256	₱26,290,564	₱89,512,010	₱1,029,993,396

** High-yield savings accounts are included under time deposits*

	Parent Company					
	2022					
	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	**₱22,103,095**	**₱–**	**₱–**	**₱–**	**₱–**	**₱22,103,095**
Due from BSP and other banks	**111,505,536**	**–**	**–**	**–**	**–**	**111,505,536**
Interbank loans receivable	**8,343,252**	**515,186**	**2,202,032**	**4,108,738**	**–**	**15,169,208**
Securities held under agreements to resell	**60,878,039**	**3,784,201**	**–**	**–**	**–**	**64,662,240**
Financial assets at FVTPL:						
Government securities	**199,530**	**1,080,139**	**296,110**	**1,053,949**	**6,650,083**	**9,279,811**
Private debt securities	**12,015**	**19,521**	**16,338**	**47,874**	**3,066,295**	**3,162,043**
Equity securities	**–**	**–**	**–**	**–**	**–**	**–**
Derivative assets:						
Gross contractual receivable	**40,036,392**	**7,664,843**	**10,330,480**	**3,259,807**	**15,337**	**61,306,859**
Gross contractual payable	**(39,050,764)**	**(7,542,887)**	**(10,098,003)**	**(3,240,344)**	**–**	**(59,931,998)**
Financial assets at FVOCI:						
Government securities	**87,589,100**	**3,614,649**	**9,331,816**	**9,478,986**	**141,160,507**	**251,175,058**
Private debt securities	**3,417,893**	**1,161,551**	**279,351**	**805,777**	**42,009,216**	**47,673,788**
Equity securities	**1,167,175**	**–**	**–**		**23,198,643**	**24,365,818**
Investment securities at amortized cost:						
Government securities	**6,043,708**	**10,034,076**	**6,717,704**	**2,834,979**	**149,073,174**	**174,703,641**
Private debt securities	**1,243,240**	**6,416,993**	**11,655,875**	**10,450,844**	**37,189,899**	**66,956,851**
Financial assets at amortized cost:						
Receivables from customers	**91,699,945**	**72,873,522**	**30,410,181**	**12,306,340**	**524,244,914**	**731,534,902**
Other receivables	**6,061,538**	**884,433**	**1,524,007**	**780,377**	**8,674,736**	**17,925,091**
Other assets	**49,981**	**–**	**–**	**–**	**1,479**	**51,460**
Total financial assets	**₱401,299,675**	**₱100,506,227**	**₱62,665,891**	**₱41,887,327**	**₱935,284,283**	**₱1,541,643,403**
Financial Liabilities						
Deposit liabilities:						
Demand	**₱221,728,550**	**₱–**	**₱–**	**₱–**	**₱–**	**₱221,728,550**
Savings *	**358,566,639**	**–**	**–**	**–**	**–**	**358,566,639**
Time and LTNCDs *	**136,408,742**	**94,156,313**	**23,621,363**	**16,100,141**	**21,651,079**	**291,937,638**

(Forward)

	Parent Company 2022					
	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 at FVTPL:						
Derivative liabilities:						
Gross contractual receivable	**₱27,156,350**	**₱38,707,232**	**₱17,167,707**	**₱557,813**	**₱–**	**₱83,589,102**
Gross contractual payable	**(26,737,134)**	**(38,304,103)**	**(16,951,759)**	**(556,312)**	**–**	**(82,549308)**
Bills and acceptances payable	**7,298,446**	**3,565,575**	**23,537**	**43,936**	**3,100,957**	**14,032,451**
Bonds payable	**–**	**–**	**17,771,674**	**685,787**	**42,883,029**	**61,340,490**
Accrued interest payable and accrued other expenses payable	**3,017,246**	**136,048**	**161,180**	**1,283**	**478,314**	**3,794,071**
Other liabilities	**6,054,793**	**462,927**	**192,156**	**956,649**	**1,753,787**	**9,420,312**
Total financial liabilities	**₱733,493,632**	**₱98,723,992**	**₱41,985,858**	**₱17,789,297**	**₱69,867,166**	**₱961,859,945**

** High-yield savings accounts are included under time deposits*

	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
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	1,355,922	417,706	436,059	60,189	419,695	2,689,571
Other liabilities	5,422,424	987,104	236,490	233,850	2,029,972	8,909,840
Total financial liabilities	₱783,579,650	₱110,328,989	₱19,183,281	₱24,938,582	₱88,629,111	₱1,026,659,613

** High-yield savings accounts are included under time deposits*

4.3.1 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, 2022 and 2021, LCR reported to the BSP with certain adjustments is shown in the table below:

	Consolidated		**Parent Company**	
	2022	2021	**2022**	2021
LCR	**246.25%**	188.31%	**240.35%**	177.54%

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, 2022 and 2021, NSFR reported to the BSP with certain adjustments is shown in the table below (amounts, except ratios, are expressed in millions):

	Consolidated		**Parent Company**	
	2022	2021	**2022**	2021
Available stable funding	**₱852,706**	₱867,468	**₱843,395**	₱862,121
Required stable funding	**621,402**	630,819	**621,765**	639,013
NSFR	**137.22%**	137.51%	**135.65%**	134.91%

4.4 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.

4.4.1 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.

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 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.

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 profit or loss (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 2022 and 2021, 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.

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.

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 29, 2022	**₱1.98**	**₱130.50**	**₱0.00**	**₱132.48**
Average Daily	**6.77**	**161.09**	**0.00**	**167.09**
Highest	**25.45**	**889.57**	**0.00**	**895.51**
Lowest	**0.87**	**118.10**	**0.00**	**131.61**

* *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, 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*

4.4.2 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					
	2022					
	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	**₱57,044,759**	**₱12,537,877**	**₱3,792,192**	**₱7,078,521**	**₱40,258,194**	**₱120,711,543**
Interbank loans receivable and securities held under agreements to resell	**69,845,933**	**4,825,901**	**2,118,690**	**4,023,440**	**–**	**80,813,964**
Receivables from customers and other receivables - gross**	**38,027,100**	**45,572,755**	**34,155,255**	**35,259,733**	**188,411,533**	**341,426,376**
Total financial assets	**₱164,917,792**	**₱62,936,533**	**₱40,066,137**	**₱46,361,694**	**₱228,669,727**	**₱542,951,883**
Financial Liabilities*						
Deposit liabilities:						
Savings	**₱114,430,938**	**₱82,873,557**	**₱27,876,786**	**₱50,253,238**	**₱244,506,016**	**₱519,940,535**
Time***	**57,117,230**	**30,218,746**	**11,043,959**	**9,460,545**	**4,272,828**	**112,113,308**
Bonds payable	**–**	**–**	**16,696,885**	**–**	**41,742,212**	**58,439,097**
Bills and acceptances payable	**9,382,521**	**3,640,490**	**17,418**	**369,964**	**1,569,980**	**14,980,373**
Total financial liabilities	**₱180,930,689**	**₱116,732,793**	**₱55,635,048**	**₱60,083,747**	**₱292,091,036**	**₱705,473,313**
Repricing gap	**(₱16,012,897)**	**(₱53,796,260)**	**(₱15,568,911)**	**(₱13,722,053)**	**(₱63,421,309)**	**(₱162,521,430)**
Cumulative gap	**(16,012,897)**	**(69,809,157)**	**(85,378,068)**	**(99,100,121)**	**(162,521,430)**	

* *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					
	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*

	Parent Company					
	2022					
	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	**₱53,592,812**	**₱10,577,151**	**₱3,520,771**	**₱6,789,024**	**₱37,820,976**	**₱112,300,734**
Interbank loans receivable and securities held under repurchase agreement	**69,014,896**	**4,333,680**	**2,118,690**	**3,791,340**	**–**	**79,258,606**
Receivable from customers and other receivables - gross**	**38,027,100**	**45,572,755**	**34,155,255**	**35,259,733**	**188,411,533**	**341,426,376**
Total financial assets	**₱160,634,808**	**₱60,483,586**	**₱39,794,716**	**₱45,840,097**	**₱226,232,509**	**₱532,985,716**
Financial Liabilities*						
Deposit liabilities:						
Savings	**₱113,443,295**	**₱82,873,557**	**₱27,876,786**	**₱50,253,238**	**₱244,481,764**	**₱518,928,640**
Time***	**59,700,130**	**28,124,706**	**8,370,715**	**8,430,094**	**4,140,440**	**108,766,085**
Bonds payable	**–**	**–**	**16,696,885**	**–**	**41,742,212**	**58,439,097**
Bills and acceptances payable	**9,231,579**	**3,540,473**	**–**	**–**	**1,115,983**	**13,888,035**
Total financial liabilities	**₱182,375,004**	**₱114,538,736**	**₱52,944,386**	**₱58,683,332**	**₱291,480,399**	**₱700,021,857**
Repricing gap	**(₱21,740,196)**	**(₱54,055,150)**	**(₱13,149,670)**	**(₱12,843,235)**	**(₱65,247,890)**	**(₱167,036,141)**
Cumulative gap	**(21,740,196)**	**(75,795,346)**	**(88,945,016)**	**(101,788,251)**	**(167,036,141)**	

* *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					
	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*
** *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, 2022 and 2021:

	Consolidated			
	2022		2021	
	Statement of Income	**Equity**	Statement of Income	Equity
+50bps	**(₱352,749)**	**(₱352,749)**	(₱75,953)	(₱75,953)
-50bps	**352,749**	**352,749**	75,953	75,953
+100bps	**(705,498)**	**(705,498)**	(151,907)	(151,907)
-100bps	**705,498**	**705,498**	151,907	151,907

	Parent Company			
	2022		2021	
	Statement of Income	**Equity**	Statement of Income	Equity
+50bps	**(₱372,994)**	**(₱372,994)**	(₱118,226)	(₱118,226)
-50bps	**372,994**	**372,994**	118,226	118,226
+100bps	**(745,988)**	**(745,988)**	(236,452)	(236,452)
-100bps	**745,988**	**745,988**	236,452	236,452

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 excluding those under the FCDU, categorized by currency (amounts in Philippine peso equivalent).

	Consolidated					
	2022			2021		
	USD	**Others***	**Total**	USD	Others*	Total
Assets						
COCI and due from BSP	**₱84,087**	**₱220,965**	**₱305,052**	₱215,072	₱493,719	₱708,791
Due from other banks	**15,808,462**	**6,252,360**	**22,060,822**	14,159,849	4,403,189	18,563,038
Interbank loans receivable and securities held under agreements to resell	**1,055,631**	**1,963,052**	**3,018,683**	1,824,404	2,314,037	4,138,441
Loans and receivables	**27,845,651**	**9,647,963**	**37,493,614**	27,522,800	11,002,833	38,525,633
Financial assets at FVTPL	**631**	**1,708**	**2,339**	171,178	1,506	172,684
Financial assets at FVOCI	**836,677**	**1,359,428**	**2,196,105**	519,881	1,569,257	2,089,138
Investment securities at amortized cost	**145,145**	**512,077**	**657,222**	133,824	174,946	308,770
Other assets	**123,263**	**1,119,773**	**1,243,036**	5,819,720	1,223,698	7,043,418
Total assets	**45,899,547**	**21,077,326**	**66,976,873**	50,366,728	21,183,185	71,549,913

(Forward)

	Consolidated					
	2022			2021		
	USD	**Others***	**Total**	USD	Others*	Total
Liabilities						
Deposit liabilities	**₱8,239,094**	**₱7,994,078**	**₱16,233,172**	₱8,006,094	₱7,778,145	₱15,784,239
Derivative liabilities				130	93	223
Bills and acceptances payable	**11,984,358**	**16,950**	**12,001,308**	49,117,805	276,958	49,394,763
Accrued interest payable	**93,140**	**82,035**	**175,175**	53,461	14,072	67,533
Other liabilities	**26,256,370**	**2,199,950**	**28,456,320**	1,115,069	2,211,066	3,326,135
Total liabilities	**46,572,962**	**10,293,013**	**56,865,975**	58,292,559	10,280,334	68,572,893
Net Exposure	**(₱673,415)**	**₱10,784,313**	**₱10,110,898**	(₱7,925,831)	₱10,902,851	₱2,977,020

* *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					
	2022			2021		
	USD	**Others***	**Total**	USD	Others*	Total
Assets						
COCI and due from BSP	**₱67,296**	**₱212,487**	**₱279,783**	₱36,108	₱236,932	₱273,040
Due from other banks	**10,753,272**	**1,465,566**	**12,218,838**	8,612,030	1,123,695	9,735,725
Interbank loans receivable and securities held under agreements to resell	**722,689**	**725,368**	**1,448,057**	1,825,466	473,239	2,298,705
Loans and receivables	**24,638,723**	**38,217**	**24,676,940**	24,993,494	993,679	25,987,173
Financial assets at FVTPL	**216**	**–**	**216**	169,672	–	169,672
Financial assets at FVOCI	**836,677**	**1,205,124**	**2,041,801**	519,881	1,410,078	1,929,959
Investment securities at amortized cost	**5,863**	**512,077**	**517,940**	5,875	174,946	180,821
Other assets	**11,811,574**	**–**	**11,811,574**	17,127,983	–	17,127,983
Total assets	**48,836,310**	**4,158,839**	**52,995,149**	53,290,509	4,412,569	57,703,078
Liabilities						
Deposit liabilities	**2,280,526**	**4,472,986**	**6,753,512**	2,198,873	4,037,877	6,236,750
Derivative liabilities	**–**	**–**	**–**	37	–	37
Bills and acceptances payable	**11,927,528**	**–**	**11,927,528**	48,863,921	–	48,863,921
Accrued interest payable	**86,968**	**408**	**87,376**	48,907	262	49,169
Other liabilities	**25,952,250**	**1,841,698**	**27,793,948**	822,886	1,695,641	2,518,527
Total liabilities	**40,247,272**	**6,315,092**	**46,562,364**	51,934,624	5,733,780	57,668,404
Net Exposure	**₱8,589,038**	**(₱2,156,253)**	**₱6,432,785**	₱1,355,885	(₱1,321,211)	₱34,674

* *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 ₱55.76 to USD1.00 as of December 31, 2022 and ₱51.00 to USD1.00 as of December 31, 2021.

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, 2022 and 2021:

	2022			
	Consolidated		**Parent Company**	
	Statement of Income	**Equity**	**Statement of Income**	**Equity**
+1.00%	**(₱15,101)**	**₱6,734**	**₱77,524**	**(₱85,890)**
-1.00%	**15,101**	**(6,734)**	**(77,524)**	**85,890**

	2021			
	Consolidated		Parent Company	
	Statement of Income	Equity	Statement of Income	Equity
+1.00%	(₱84,457)	₱79,258	₱8,360	(₱13,559)
-1.00%	84,457	(79,258)	(8,360)	13,559

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 uses 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 • adjusted net asset value method [3] and applying a discount for lack of marketability
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				
	2022				
	Carrying Value	Level 1	Level 2	Level 3	Total
Measured at fair value:					
Financial Assets					
Financial assets at FVTPL:					
Government securities	**₱4,371,671**	**₱27,009**	**₱4,344,662**	**₱–**	**₱4,371,671**
Private debt securities	**1,610,681**	**146,495**	**1,464,186**	–	**1,610,681**
Derivative assets	**1,361,951**	**–**	**1,361,951**	–	**1,361,951**
Equity securities	**2,898**	**2,898**	**–**	–	**2,898**
Financial assets at FVOCI:					
Government securities	**117,939,783**	**55,867,413**	**62,072,370**	–	**117,939,783**
Equity securities	**24,812,872**	**233,298**	**1,128,254**	**23,451,320**	**24,812,872**
Private debt securities	**15,430,870**	**244,224**	**15,186,646**	**–**	**15,430,870**
	₱165,530,726	**₱56,521,337**	**₱85,558,069**	**₱23,451,320**	**₱165,530,726**
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	**₱1,039,776**	**₱–**	**₱1,039,776**	**₱–**	**₱1,039,776**
Fair values are disclosed:					
Financial Assets					
Financial assets at amortized cost:					
Investment securities at amortized cost*	**₱110,467,960**	**₱14,695,749**	**₱96,707,252**	**₱–**	**₱111,403,001**
Receivables from customers**	**578,120,332**	–	–	**610,493,878**	**610,493,878**
	₱688,588,292	**₱14,695,749**	**₱96,707,252**	**₱610,493,878**	**₱721,896,879**
Nonfinancial Assets					
Investment property:					
Land***	**₱12,508,051**	**₱–**	**₱–**	**₱29,868,859**	**₱29,868,859**
Buildings and improvements***	**1,286,935**	–	–	**3,510,670**	**3,510,670**
	₱13,794,986	**₱–**	**₱–**	**₱33,379,529**	**₱33,379,529**
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	**₱112,113,308**	**₱–**	**₱–**	**₱112,113,308**	**₱112,113,308**
LTNCDs	**19,130,012**	**–**	**18,922,562**	–	**18,922,562**
Bonds payable	**58,439,097**	**39,955,398**	**16,878,070**	–	**56,833,468**
Bills payable	**7,702,325**	**–**	**–**	**7,625,229**	**7,625,229**
	₱197,384,742	**₱39,955,398**	**₱35,800,632**	**₱119,738,537**	**₱195,494,567**

* *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				
	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)*

	Parent Company				
	2022				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Measured at fair value:					
Financial Assets					
Financial assets at FVTPL:					
Government securities	**₱4,371,671**	**₱27,008**	**₱4,344,663**	**₱–**	**₱4,371,671**
Private debt securities	**1,464,186**	**–**	**1,464,186**	**–**	**1,464,186**
Derivative assets	**1,359,828**	**–**	**1,359,828**	**–**	**1,359,828**
Financial assets at FVOCI:					
Government securities	**117,660,744**	**55,415,814**	**62,244,930**	**–**	**117,660,744**
Equity securities	**24,365,818**	**233,128**	**681,370**	**23,451,320**	**24,365,818**
Private debt securities	**15,179,345**	**244,224**	**14,935,121**	**–**	**15,179,345**
	₱164,401,592	**₱55,920,174**	**₱85,030,098**	**₱23,451,320**	**₱164,401,592**
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	**₱1,039,776**	**₱–**	**₱1,039,776**	**₱–**	**₱1,039,776**

(Forward)

	Parent Company				
	2022				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Fair values are disclosed:					
Financial Assets					
Financial assets at amortized cost					
Investment securities at amortized cost*	**₱110,328,678**	**₱14,556,467**	**₱96,707,252**	**₱–**	**₱111,263,719**
Receivables from customers**	**564,069,218**	**–**	**–**	**596,443,214**	**596,443,214**
	674,397,896	**14,556,467**	**96,707,252**	**596,443,214**	**707,706,933**
Nonfinancial Assets					
Investment property:					
Land***	**₱11,953,099**	**₱–**	**₱–**	**₱29,264,637**	**₱29,264,637**
Buildings and improvements***	**1,311,721**	**–**	**–**	**3,316,776**	**3,316,776**
	₱13,264,820	**₱–**	**₱–**	**₱32,581,413**	**₱32,581,413**
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	**₱108,766,087**	**₱–**	**₱–**	**₱108,766,087**	**₱108,766,087**
LTNCDs	**19,130,012**	**–**	**18,922,562**	**–**	**18,922,562**
Bonds payable	**58,439,097**	**39,955,398**	**16,878,070**	**–**	**56,833,468**
Bills payable	**6,609,988**	**–**	**–**	**6,532,891**	**6,532,891**
	₱192,945,184	**₱39,955,398**	**₱35,800,632**	**₱115,298,978**	**₱191,055,008**

* *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
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)*

As of December 31, 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value measurements.

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, 2022 and the range of values indicating the highest and lowest level input used in the valuation techniques.

		2022		2021	
	Significant Unobservable Input	**-2%**	**+2%**	-2%	+2%
Equity securities	Discount for lack of marketability	**₱555,656**	**(₱555,656)**	₱550,659	(₱550,659)

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

6.1 Business Segments

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

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

Transactions between segments are conducted at 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:

	2022					
	Retail Banking	**Corporate Banking**	**Treasury**	**Others**	**Adjustments and Eliminations***	**Total**
Net interest margin						
Third party	**₱1,067,003**	**₱27,860,354**	**₱8,535,524**	**₱20,517**	**(₱155,828)**	**₱37,327,570**
Inter-segment	**20,436,564**	**(13,698,864)**	**(6,737,700)**	**–**	**–**	**–**
Net interest margin after inter-segment transactions	**21,503,567**	**14,161,490**	**1,797,824**	**20,517**	**(155,828)**	**37,327,570**
Other income	**5,008,794**	**8,159,543**	**(128,555)**	**3,629,778**	**(488,667)**	**16,180,893**
Segment revenue	**26,512,361**	**22,321,033**	**1,669,269**	**3,650,295**	**(644,495)**	**53,508,463**
Other expenses	**13,047,668**	**9,261,629**	**628,690**	**2,069,057**	**(644,495)**	**24,362,549**
Segment result	**₱13,464,693**	**₱13,059,404**	**₱1,040,579**	**₱1,581,238**	**₱–**	**29,145,914**
Unallocated expenses						**12,630,698**
Income before income tax						**16,515,216**
Income tax						**4,931,228**
Net income						**11,583,988**
Non-controlling interests						**51,670**
Net income for the year attributable to equity holders of the Parent Company						**₱11,532,318**
Other segment information:						
Capital expenditures	**₱166,520**	**₱26,621**	**₱19,998**	**₱9,628**	**₱–**	**₱222,767**
Unallocated capital expenditure						**1,205,888**
Total capital expenditure						**₱1,428,655**
Depreciation and amortization	**₱1,308,317**	**₱399,629**	**₱45,770**	**₱351,829**	**₱–**	**₱2,105,545**
Unallocated depreciation and amortization						**2,120,201**
Total depreciation and amortization						**₱4,225,746**
Provision for (reversal of) impairment, credit and other losses	**₱840,755**	**₱5,281,808**	**(₱8,104)**	**₱1,083,658**	**₱–**	**₱7,198,117**

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

	2021					
	Retail Banking	Corporate Banking	Treasury	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

(Forward)

	2021					
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
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
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

	2020					
	Retail Banking	Corporate Banking	Treasury	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*

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

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

	As of December 31, 2021					
	Retail Banking	Corporate Banking	Treasury	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*

6.2 Geographical Segments

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

	Non-current Assets*		**Liabilities**		**Credit Commitments**	
	2022	2021	**2022**	2021	**2022**	2021
Philippines	**₱536,693,910**	₱562,892,766	**₱930,350,192**	₱980,065,000	**₱43,941,525**	₱45,038,930
Asia (excluding Philippines)	**18,796,243**	21,098,989	**33,199,104**	39,749,446	**–**	–
USA and Canada	**2,079,055**	1,576,258	**11,598,988**	9,629,585	**–**	–
United Kingdom	**797**	1,002	**103,158**	117,675	**–**	–
	₱557,570,005	₱585,569,015	**₱975,251,442**	₱1,029,561,706	**₱43,941,525**	₱45,038,930

** Gross of allowance for impairment and credit losses (Note 16) and unearned and other deferred income (Note 10)*

	Capital Expenditures			**Revenues**		
	2022	2021	2020	**2022**	2021	2020
Philippines	**₱1,394,685**	₱1,728,280	₱1,511,914	**₱59,259,052**	₱83,243,604	₱56,002,435
Asia (excluding Philippines)	**33,178**	45,649	1,726	**1,221,488**	1,561,499	867,185
USA and Canada	**792**	2,267	1,079	**839,476**	694,003	348,775
United Kingdom	**–**	–	–	**105,279**	106,259	202,787
	₱1,428,655	₱1,776,196	₱1,514,719	**₱61,425,295**	₱85,605,365	₱57,421,182

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	
	2022	2021	**2022**	2021
Demand deposit (Note 17)	**₱74,701,360**	₱81,273,307	**₱74,701,360**	₱81,273,307
Term deposit facility (TDF)	**20,000,000**	79,728,605	**20,000,000**	79,728,605
	₱94,701,360	₱161,001,912	**₱94,701,360**	₱161,001,912

TDFs bear annual interest rates ranging from to 5.00% to 6.43% in 2022, from 1.50% to 1.88% in 2021 and 1.62% to 3.80% in 2020.

8. **Interbank Loans Receivable and Securities Held Under Agreements to Resell**

8.1 Interbank Loans Receivables

Interbank loans receivables of the Group and the Parent Company bear interest ranging from:

	Consolidated			Parent Company		
	2022	2021	2020	**2022**	2021	2020
Peso-denominated	**1.5% - 6.4%**	1.0% - 2.0%	0.0% - 3.7%	**1.5% - 6.4%**	1.0% - 2.0%	0.0% - 3.7%
Foreign currency-denominated	**0.4% - 5.3%**	0.0% - 1.5%	0.0% - 2.2%	**0.4% - 5.3%**	0.0% - 1.5%	0.0% - 2.2%

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

	Consolidated		Parent Company	
	2022	2021	**2022**	2021
Interbank loans receivable	**₱16,291,470**	₱32,112,667	**₱14,736,112**	₱30,302,334
Less: Allowance for credit losses (Note 16)	**1,369**	6,579	**1,369**	6,579
	16,290,101	32,106,088	**14,734,743**	30,295,755
Less: Interbank loans receivable not considered as cash and cash equivalents	**6,507,649**	1,652,710	**5,910,030**	1,253,379
	₱9,782,452	₱30,453,378	**₱8,824,713**	₱29,042,376

8.2 Securities Held Under Agreements to Resell

Securities held under agreements to resell bear interest ranging from 2.00% to 5.50%, from 1.50% to 2.50%, and from 2.00% to 3.25% in 2022, 2021 and 2020, respectively. As of December 31, 2022 and 2021, allowance for credit losses on securities held under agreements to resell amounted to ₱2.2 million and ₱3.6 million, respectively (refer to Note 16.2).

The fair value of the treasury bills pledged under these agreements as of December 31, 2022 and 2021 amounted to ₱64.3 billion and ₱16.0 billion, for the Group and the Parent Company (refer to Note 35).

8.3 Interest Income on Interbank Loans Receivable and Securities Held Under Agreements to Resell

In 2022, 2021 and 2020, interest income on interbank loans receivable and securities held under agreements to resell amounted to ₱954.6 million, ₱400.4 million, and ₱536.3 million, respectively, for the Group and ₱896.7 million, ₱348.2 million, and ₱478.5 million, respectively, for the Parent Company.

9. **Trading and Investment Securities**

This account consists of:

	Consolidated		Parent Company	
	2022	2021	**2022**	2021
Financial assets at FVTPL	**₱7,347,201**	₱11,167,657	**₱7,195,685**	₱11,010,278
Financial assets at FVOCI	**158,183,525**	167,987,290	**157,205,907**	167,546,350
Investment securities at amortized cost	**110,467,960**	89,455,843	**110,328,678**	89,327,894
	₱275,998,686	₱268,610,790	**₱274,730,270**	₱267,884,522

9.1 Financial Assets at FVTPL

This account consists of:

	Consolidated		Parent Company	
	2022	2021	**2022**	2021
Government securities	**₱4,371,671**	₱7,956,013	**₱4,371,671**	₱7,956,013
Private debt securities	**1,610,681**	1,841,548	**1,464,186**	1,692,224
Derivative assets (Notes 23 and 35)	**1,361,951**	1,365,051	**1,359,828**	1,362,041
Equity securities	**2,898**	5,045	**–**	–
	₱7,347,201	₱11,167,657	**₱7,195,685**	₱11,010,278

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

	Consolidated			Parent Company		
	2022	2021	2020	**2022**	2021	2020
Government securities	**1.4% - 8.0%**	1.4% - 9.5%	2.6% - 8.0%	**1.4% - 8.0%**	1.4% - 9.5%	2.6% - 8.0%
Private debt securities	**4.9% - 6.9%**	4.9% - 6.9%	4.9% - 7.0%	**4.9% - 6.9%**	4.9% - 6.9%	4.9% - 7.0%

9.2 Financial Assets at FVOCI

This account consists of:

	Consolidated		Parent Company	
	2022	2021	**2022**	2021
Government securities (Note 19)	**₱117,939,783**	₱120,453,593	**₱117,660,744**	₱120,466,974
Private debt securities (Note 19)	**15,430,870**	23,115,479	**15,179,345**	23,115,479
Equity securities				
Quoted	**792,216**	669,585	**734,046**	621,415
Unquoted (Note 33)	**24,020,656**	23,748,633	**23,631,772**	23,342,482
	₱158,183,525	₱167,987,290	**₱157,205,907**	₱167,546,350

Unquoted equity securities include the Parent Company's retained 49.00% interest in PNB Holdings Corporation (PNB Holdings) amounting to ₱23.2 billion and ₱23.0 billion as of December 31, 2022 and 2021, respectively (refer to Note 12.4). The fair value was determined using the adjusted 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 effective interest rates of debt securities at FVOCI range from:

	Consolidated			Parent Company		
	2022	2021	2020	**2022**	2021	2020
Government securities	**0.2% - 26.2%**	0.1% - 18.3%	0.2% - 18.3%	**0.2% - 26.2%**	0.1% - 18.3%	0.2% - 18.3%
Private debt securities	**0.5% - 6.4%**	0.4% - 6.9%	2.0% - 6.9%	**0.5% - 6.4%**	0.4% - 6.9%	2.0% - 6.9%

As of December 31, 2022 and 2021, 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 ₱2.5 billion and ₱32.8 billion, respectively (refer to Note 19.1). 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	
	2022	2021	**2021**	2021
Balance at the beginning of the year	**(₱703,737)**	₱3,054,403	**(₱703,737)**	₱3,054,403
Changes in fair values:				
Debt securities	**(5,808,581)**	(1,696,025)	**(5,799,196)**	(1,673,631)
Equity securities	**394,654**	(21,809)	**401,920**	63,722
Provisions for (reversals of) credit losses (Note 16)	**(12,566)**	66,752	**(12,069)**	64,122
Realized losses (gains)	**1,058,318**	(1,540,192)	**1,058,318**	(1,540,192)
Share in net unrealized gains (losses) of subsidiaries and an associate (Note 12)	**(885,481)**	(558,030)	**(902,788)**	(663,471)
	(5,957,393)	(694,901)	**(5,957,552)**	(695,047)
Income tax effect (Note 30)	**(1,882)**	(8,836)	**(1,723)**	(8,690)
	(₱5,959,275)	(₱703,737)	**(₱5,959,275)**	(₱703,737)

As of December 31, 2022 and 2021, the allowance for credit losses on debt securities at FVOCI (included in 'Net unrealized gain (loss) on financial assets at FVOCI') amounted to ₱121.6 million and ₱134.2 million, respectively, for the Group, and ₱119.5 million and ₱131.5 million, respectively, for the Parent Company (refer to Note 16.2). Movements in ECL on debt securities at FVOCI are mostly driven by movements in the corresponding gross figures.

9.3 Investment Securities at Amortized Cost

This account consists of:

	Consolidated		Parent Company	
	2022	2021	**2022**	2021
Government securities (Notes 19 and 32)	**₱78,197,433**	₱34,133,294	**₱78,058,151**	₱34,005,345
Private debt securities	**36,118,377**	59,144,715	**36,118,377**	59,144,715
	114,315,810	93,278,009	**114,176,528**	93,150,060
Less allowance for credit losses (Note 16)	**3,847,850**	3,822,166	**3,847,850**	3,822,166
	₱110,467,960	₱89,455,843	**₱110,328,678**	₱89,327,894

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

	Consolidated			Parent Company		
	2022	2021	2020	**2022**	2021	2020
Government securities	**0.8% - 7.5%**	0.1% - 7.4%	0.1% - 7.8%	**0.8% - 7.5%**	0.1% - 7.4%	0.1% - 7.8%
Private debt securities	**0.8% - 8.3%**	0.4% - 6.9%	0.3% - 8.3%	**0.8% - 8.3%**	0.4% - 6.9%	0.3% - 8.3%

In 2022 and 2021, 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, 2022 and 2021, 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 ₱5.5 billion and ₱5.6 billion, respectively, with corresponding carrying values of ₱5.5 billion and ₱5.3 billion, respectively (refer to Note 19.1). As of December 31, 2022 and 2021, government securities amounting to ₱1.6 billion are deposited with the BSP in compliance with trust regulations (refer to Note 32).

9.4 Interest Income on Investment Securities at Amortized Cost and FVOCI

This account consists of:

	Consolidated			Parent Company		
	2022	2021	2020	**2022**	2021	2020
Continuing operations:						
Financial assets at FVOCI	**₱4,442,846**	₱2,698,223	₱2,453,720	**₱4,432,605**	₱2,698,419	₱2,407,180
Investment securities at amortized cost	**3,712,076**	3,265,371	3,750,255	**3,710,487**	3,264,195	3,748,623
	8,154,922	5,963,594	6,203,975	**8,143,092**	5,962,614	6,155,803
Discontinued operations (Note 36):						
Financial assets at FVOCI	–	11,135	38,756	–	–	–
Investment securities at amortized cost	–	8,695	43,478	–	–	–
	–	19,830	82,234	–	–	–
	₱8,154,922	₱5,983,424	₱6,286,209	**₱8,143,092**	₱5,962,614	₱6,155,803

9.5 Trading and Investment Securities Gains (Losses) - net

This account consists of:

	Consolidated			Parent Company		
	2022	2021	2020	**2022**	2021	2020
Continuing operations:						
Financial assets at FVTPL						
Government securities	**(₱146,580)**	₱–	₱395,156	**(₱146,580)**	₱–	₱395,156
Private debt securities	**(64,458)**	(825,476)	561,385	**(61,631)**	(954,145)	673,706
Equity securities	**(197)**	2,323	(71,685)	–	–	(64,507)
Derivatives (Note 23)	–	(23,472)	(2,532)	–	(23,472)	(2,532)

(Forward)

	Consolidated			Parent Company		
	2022	2021	2020	**2022**	2021	2020
Financial assets at FVOCI						
Government securities	**₱–**	₱1,510,133	₱2,031,425	**₱–**	₱1,510,133	₱2,031,425
Private debt securities	**(1,058,318)**	30,057	423,839	**(1,058,318)**	30,057	423,272
Equity securities	**–**	2	–	**–**	2	–
Investment securities at amortized cost	**(11,230)**	38,005	1	**(11,230)**	38,005	1
	(1,280,783)	731,572	3,337,589	**(1,277,759)**	600,580	3,456,521
Discontinued operations (Note 36):						
Financial assets at FVTPL						
Investment in unit investment trust funds (UITF)	**–**	–	43	**–**	–	–
Equity securities	**–**	–	7	**–**	–	–
Financial assets at FVOCI						
Government securities	**–**	–	8,829	**–**	–	–
Investment securities at amortized cost	**–**	–	294	**–**	–	–
	–	–	9,173	**–**	–	–
	(₱1,280,783)	₱731,572	₱3,346,762	**(₱1,277,759)**	₱600,580	₱3,456,521

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

10. Loans and Receivables

10.1 Breakdown of Loans and Receivables

This account consists of:

	Consolidated		Parent Company	
	2022	2021	**2022**	2021
Receivables from customers:				
Loans and discounts	**₱579,484,209**	₱597,979,601	**₱567,288,274**	₱586,259,980
Credit card receivables	**14,382,681**	13,156,945	**14,382,681**	13,156,945
Customers' liabilities on letters of credit and trust receipts	**10,378,461**	8,315,300	**10,248,556**	8,143,281
Customers' liabilities on acceptances (Note 19)	**7,272,876**	7,109,896	**7,272,876**	7,109,896
Bills purchased (Note 22)	**1,220,029**	1,364,543	**935,960**	1,087,961
Lease contracts receivable (Note 29)	**873,878**	2,615,992	**–**	5,850
	613,612,134	630,542,277	**600,128,347**	615,763,913
Less unearned and other deferred income	**756,049**	1,118,244	**612,582**	856,408
	612,856,085	629,424,033	**599,515,765**	614,907,505
Other receivables:				
Accrued interest receivable	**6,911,100**	6,053,656	**6,807,292**	5,962,235
Sales contract receivables	**6,240,309**	6,029,384	**6,198,127**	5,980,029
Accounts receivable	**5,478,103**	4,191,402	**4,380,640**	3,579,515
Miscellaneous	**559,099**	596,037	**539,032**	1,295,454
	19,188,611	16,870,479	**17,925,091**	16,817,233
	632,044,696	646,294,512	**617,440,856**	631,724,738
Less allowance for credit losses (Note 16)	**38,944,781**	39,340,761	**39,445,838**	39,225,977
	₱593,099,915	₱606,953,751	**₱577,995,018**	₱592,498,761

Included in 'Surplus reserves' is the amount of ₱4.2 billion and ₱4.5 billion as of December 31, 2022 and 2021, respectively, which pertains to the excess of 1.00% general loan loss provisions over the computed ECL for Stage 1 accounts as prescribed by BSP Circular 1011, *Guidelines on the Adoption of PFRS 9* (refer to Note 25.3).

Below is the reconciliation of loans and receivables as to classes:

	Consolidated 2022								
	Corporate Loans	**LGU**	**Credit Cards**	**Retail SMEs**	**Housing Loans**	**Auto Loans**	**Other Loans**	**Other Receivables**	**Total**
Receivables from customers:									
Loans and discounts	**₱523,188,581**	**₱2,855,671**	**₱–**	**₱5,688,129**	**₱28,589,332**	**₱7,028,228**	**₱12,134,268**	**₱–**	**₱579,484,209**
Credit card receivables	**–**	**–**	**14,382,681**	**–**	**–**	**–**	**–**	**–**	**14,382,681**
Customers' liabilities on letters of credit and trust receipts	**9,756,981**	**–**	**–**	**74,244**	**–**	**–**	**547,236**	**–**	**10,378,461**
Customers' liabilities on acceptances (Note 19)	**7,254,333**	**–**	**–**	**10,482**	**–**	**–**	**8,061**	**–**	**7,272,876**
Lease contracts receivable (Note 29)	**251,200**	**–**	**–**	**622,678**	**–**	**–**	**-**	**–**	**873,878**
Bills purchased (Note 22)	**989,512**	**–**	**–**	**8,829**	**–**	**–**	**221,688**	**–**	**1,220,029**
	541,440,607	**2,855,671**	**14,382,681**	**6,404,362**	**28,589,332**	**7,028,228**	**12,911,253**	**–**	**613,612,134**
Other receivables:									
Accrued interest receivable	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**6,911,100**	**6,911,100**
Sales contract receivables (Note 33)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**6,240,309**	**6,240,309**
Accounts receivable	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**5,478,103**	**5,478,103**
Miscellaneous	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**559,099**	**559,099**
	541,440,607	**2,855,671**	**14,382,681**	**6,404,362**	**28,589,332**	**7,028,228**	**12,911,253**	**19,188,611**	**632,800,745**
Less: Unearned and other deferred income	**444,999**	**10,479**	**–**	**104,108**	**309**	**(62,106)**	**256,303**	**1,957**	**756,049**
Allowance for credit losses (Note 16)	**24,679,610**	**74,637**	**1,288,228**	**1,565,064**	**4,347,845**	**1,520,319**	**1,262,007**	**4,207,071**	**38,944,781**
	₱516,315,998	**₱2,770,555**	**₱13,094,453**	**₱4,735,190**	**₱24,241,178**	**₱5,570,015**	**₱11,392,943**	**₱14,979,583**	**₱593,099,915**

	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

	Parent Company 2022								
	Corporate Loans	**LGU**	**Credit Cards**	**Retail SMEs**	**Housing Loans**	**Auto Loans**	**Other Loans**	**Other Receivables**	**Total**
Receivables from customers:									
Loans and discounts	**₱512,843,742**	**₱2,855,671**	**₱–**	**₱4,855,370**	**₱27,663,392**	**₱7,028,228**	**₱12,041,871**	**₱–**	**₱567,288,274**
Credit card receivables	**–**	**–**	**14,382,681**	**–**	**–**	**–**	**–**	**–**	**14,382,681**
Customers' liabilities on letters of credit and trust receipts	**9,627,076**	**–**	**–**	**74,244**	**–**	**–**	**547,236**	**–**	**10,248,556**
Customers' liabilities on acceptances (Note 19)	**7,254,333**	**–**	**–**	**10,482**	**–**	**–**	**8,061**	**–**	**7,272,876**
Bills purchased (Note 22)	**705,443**	**–**	**–**	**8,829**	**–**	**–**	**221,688**	**–**	**935,960**
	530,430,594	**2,855,671**	**14,382,681**	**4,948,925**	**27,663,392**	**7,028,228**	**12,818,856**	**–**	**600,128,347**
Other receivables:									
Accrued interest receivable	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**6,807,292**	**6,807,292**
Sales contract receivables	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**6,198,127**	**6,198,127**
Accounts receivable	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**4,380,640**	**4,380,640**
Miscellaneous	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**539,032**	**539,032**
	530,430,594	**2,855,671**	**14,382,681**	**4,948,925**	**27,663,392**	**7,028,228**	**12,818,856**	**17,925,091**	**618,053,438**
Less: Unearned and other deferred income	**397,855**	**10,479**	**–**	**8,545**	**–**	**(62,106)**	**256,303**	**1,506**	**612,582**
Allowance for credit losses (Note 16)	**25,961,987**	**74,637**	**1,288,228**	**1,004,130**	**4,336,786**	**1,520,319**	**1,261,966**	**3,997,785**	**39,445,838**
	₱504,070,752	**₱2,770,555**	**₱13,094,453**	**₱3,936,250**	**₱23,326,606**	**₱5,570,015**	**₱11,300,587**	**₱13,925,800**	**₱577,995,018**

	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

As of December 31, 2022, the Parent Company has completed the purchase of certain loans from PNB-Mizuho Leasing and Finance Corporation (PMLFC), a joint venture company owned by the Parent Company and Mizuho Leasing Co., Ltd., with a total amount of ₱116.3 million.

10.2 Lease Contract Receivables

An analysis of the Group's and the Parent Company's lease contract receivables follows:

	Consolidated		Parent Company	
	2022	2021	**2022**	2021
Minimum lease payments				
Due within one year	**₱446,485**	₱1,232,961	**₱–**	₱5,850
Due beyond one year but not over five years	**196,987**	643,821	**–**	–
Due beyond five years	**–**	14,344	**–**	–
	643,472	1,891,126	**–**	5,850
Residual value of leased equipment				
Due within one year	**107,634**	505,784	**–**	–
Due beyond one year but not over five years	**122,772**	219,082	**–**	–
	230,406	724,866	**–**	–
Gross investment in lease contract receivables (Note 29)	**₱873,878**	₱2,615,992	**₱–**	₱5,850

10.3 Interest Income on Loans and Receivables

As of December 31, 2022 and 2021, 69.5% and 69.4%, respectively, of the total receivables from customers of the Group were subject to interest repricing. As of December 31, 2022 and 2021, 70.5% and 68.3%, 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 1.1% to 9.0% in 2022, from 1.0% to 9.0% in 2021 and from 1.1% to 9.0% in 2020 for foreign currency-denominated receivables, and from 1.1% to 31.5% in 2022, from 1.1% to 31.5% in 2021 and from 1.1% to 21.0% in 2020 for peso-denominated receivables.

Sales contract receivables bear fixed interest rates per annum ranging from 4.2% to 20.2% in 2022 and from 3.3% to 21.0% in 2021 and 2020.

11. Property and Equipment

11.1 Details of Property and Equipment

The composition of and movements in property and equipment follow:

	Consolidated							
	2022							
	Land	**Building**	**Furniture, Fixtures and Equipment**	**Long-term Leasehold Land**	**Construction in-progress**	**Leasehold Improvements**	**Right-of-Use Asset – Bank Premises** (Note 33)	**Total**
Cost								
Balance at beginning of year	**₱5,143,242**	**₱3,634,023**	**₱8,719,235**	**₱571,906**	**₱378,559**	**₱2,008,756**	**₱5,390,721**	**₱25,846,442**
Additions	**–**	**45,380**	**300,223**	**–**	**135,284**	**66,196**	**803,905**	**1,350,988**
Disposals	**(413)**	**–**	**(459,135)**	**–**	**–**	**–**	**–**	**(459,548)**
Transfers/others	**(1,647)**	**7,965**	**(158,870)**	**24,225**	**(195,456)**	**(164,710)**	**(367,364)**	**(855,857)**
Balance at end of year	**5,141,182**	**3,687,368**	**8,401,453**	**596,131**	**318,387**	**1,910,242**	**5,827,262**	**25,882,025**
Accumulated Depreciation and Amortization								
Balance at beginning of year	**–**	**2,053,670**	**5,558,050**	**62,882**	**–**	**1,885,809**	**1,644,824**	**11,205,235**
Depreciation and amortization	**–**	**182,676**	**1,117,484**	**5,769**	**–**	**160,907**	**1,205,712**	**2,672,548**
Disposals	**–**	**–**	**(386,208)**	**–**	**–**	**–**	**–**	**(386,208)**
Transfers/others	**–**	**16,828**	**(257,988)**	**11,186**	**–**	**(146,832)**	**(375,178)**	**(751,984)**
Balance at end of year	**–**	**2,253,174**	**6,031,338**	**79,837**	**–**	**1,899,884**	**2,475,358**	**12,739,591**
Allowance for Impairment Losses (Note 16)	**543,175**	**625,712**	**–**	**–**	**–**	**–**	**–**	**1,168,887**
Net Book Value at End of Year	**₱4,598,007**	**₱808,482**	**₱2,370,115**	**₱516,294**	**₱318,387**	**₱10,358**	**₱3,351,904**	**₱11,973,547**

	Consolidated							
	2021							
	Land	Building	Furniture, Fixtures and Equipment	Long-term Leasehold Land	Construction in-progress	Leasehold Improvements	Right-of-Use Asset – Bank Premises (Note 33)	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

	Parent Company						
	2022						
	Land	**Building**	**Furniture, Fixtures and Equipment**	**Construction in-progress**	**Leasehold Improvements**	**Right-of-Use Asset – Bank Premises** (Note 33)	**Total**
Cost							
Balance at beginning of year	**₱5,143,242**	**₱3,560,275**	**₱6,647,669**	**₱378,560**	**₱1,902,569**	**₱5,812,506**	**₱23,444,821**
Additions	**–**	**45,380**	**289,121**	**135,284**	**66,196**	**803,905**	**1,339,886**
Disposals	**(413)**	**–**	**(233,905)**	**–**	**–**	**–**	**(234,318)**
Transfers/others	**(1,647)**	**4,479**	**(169,363)**	**(195,457)**	**(167,372)**	**(353,768)**	**(883,128)**
Balance at end of year	**5,141,182**	**3,610,134**	**6,533,522**	**318,387**	**1,801,393**	**6,262,643**	**23,667,261**
Accumulated Depreciation and Amortization							
Balance at beginning of year	**–**	**2,041,441**	**4,474,160**	**–**	**1,813,420**	**2,133,922**	**10,462,943**
Depreciation and amortization	**–**	**181,529**	**912,988**	**–**	**156,953**	**1,159,332**	**2,410,802**
Disposals	**–**	**–**	**(233,799)**	**–**	**–**	**–**	**(233,799)**
Transfers/others	**–**	**14,997**	**(255,263)**	**–**	**(169,815)**	**(350,524)**	**(760,605)**
Balance at end of year	**–**	**2,237,967**	**4,898,086**	**–**	**1,800,558**	**2,942,730**	**11,879,341**
Allowance for Impairment Losses (Note 16)	**543,175**	**625,712**	**–**	**–**	**–**	**–**	**1,168,887**
Net Book Value at End of Year	**₱4,598,007**	**₱746,455**	**₱1,635,436**	**₱ 318,387**	**₱835**	**₱3,319,913**	**₱10,619,033**

	Parent Company 2021						
	Land	Building	Furniture, Fixtures and Equipment	Construction in-progress	Leasehold Improvements	Right-of-Use Asset – Bank Premises (Note 33)	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

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 ₱1.2 billion as of December 31, 2022 and and ₱1.5 billion as of December 31, 2021.

Certain property and equipment of the Parent Company with carrying amount of ₱75.6 million and ₱92.6 million are temporarily idle as of December 31, 2022 and 2021, respectively. As of December 31, 2022 and 2021, property and equipment of the Parent Company with gross carrying amount of ₱12.6 billion are fully depreciated but are still being used.

Gain (loss) on disposal of property and equipment in 2022, 2021 and 2020 amounted to ₱34.9 million, ₱8.4 million, and ₱7.8 million, respectively, for the Group and ₱32.0 million, (₱0.8 million) and ₱1.3 million, respectively, for the Parent Company (refer to Note 26.2).

11.2 Depreciation and Amortization

This account consists of:

	Consolidated			Parent Company		
	2022	2021	2020	**2022**	2021	2020
Continuing operations:						
Depreciation						
Property and equipment (Note 33)	**₱2,672,548**	₱2,137,954	₱2,322,515	**₱2,410,802**	₱1,836,175	₱1,897,919
Investment properties (Note 13)	**152,917**	76,575	259,128	**128,095**	55,337	167,536
Chattel mortgage properties	**6,375**	2,717	14,188	**–**	–	–
Amortization of intangible assets (Note 14)	**1,393,906**	628,471	558,737	**1,370,523**	607,559	541,814
	4,225,746	2,845,717	3,154,568	**3,909,420**	2,499,071	2,607,269
Discontinued operations (Note 36):						
Investment properties	**–**	42,450	711	**–**	–	–
Property and equipment	**–**	6,592	26,761	**–**	–	–
Intangible assets	**–**	–	2,101	**–**	–	–
	–	49,042	29,573	**–**	–	–
	₱4,225,746	₱2,894,759	₱3,184,141	**₱3,909,420**	₱2,499,071	₱2,607,269

11.3 Project Real Estate (Project RE)

On September 10, 2020, the Parent Company's BOD approved Project RE, which is the Parent Company's strategic plan to realize the market value of certain real estate properties with a total carrying value of ₱12.6 billion booked under 'Property and equipment' amounting to ₱8.4 billion and 'Investment property' amounting to ₱4.2 billion (refer to Note 13). Project RE 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 Project RE, 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 (refer to Note 12.4).

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	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 (PNB Europe)	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	Philippines	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	
	2022	2021	**2022**	2021
Investment in Subsidiaries				
ACB	**₱–**	₱–	**₱6,087,520**	₱6,087,520
AIHI	**–**	–	**3,435,041**	10,935,041
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
	–	–	**16,272,610**	23,772,610
Investment in an Associate – APLII	**3,365,089**	2,973,089	**3,365,089**	2,973,089
Accumulated equity in net earnings (losses) of subsidiaries and an associate:				
Balance at beginning of year	**214,939**	164,150	**(237,283)**	63,633
Equity in net earnings (losses) for the year	**(56,060)**	50,789	**747,341**	(650,134)
Cash dividends declared by a subsidiary	**–**	–	**(792,000)**	(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
	158,879	214,939	**(281,942)**	(237,283)

(Forward)

	Consolidated		Parent Company	
	2022	2021	**2022**	2021
Accumulated share in:				
Aggregate reserves (losses) on life insurance policies	**₱136,096**	(₱626,394)	**₱136,096**	(₱626,394)
Net unrealized losses on financial assets at FVOCI (Note 9)	**(979,407)**	(93,926)	**(968,953)**	(66,165)
Accumulated translation adjustments	**–**	–	**1,770,747**	1,381,305
Remeasurement gain on retirement plan	**8,107**	399	**90,457**	78,289
	(835,204)	(719,921)	**1,028,347**	767,035
	₱2,688,764	₱2,468,107	**₱20,384,104**	₱27,275,451

In 2002, the Parent Company underwent a quasi-reorganization which was approved by the SEC on November 7, 2002. As of December 31, 2022 and 2021, 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.

12.1 Investment in AIHI (formerly PNB Savings Bank or PNBSB)

On March 1, 2020, the Parent Company acquired the assets and assumed the liabilities of PNBSB in exchange for cash, equivalent to the fair values of the net assets acquired. The Parent Company recognized the net assets of PNBSB at their carrying values, and the excess of the carrying values 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, among others, the change in the name of the corporation from "PNB Savings Bank" to "Allied Integrated Holdings, Inc." and the 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 and on February 23, 2021, the SEC approved the change of the corporate name.

On February 10, 2022, the SEC approved the decrease of AIHI's authorized capital stock from ₱15.0 billion divided into 149,975,000 common shares with par value of ₱100 each and 25,000 preferred shares with par value of ₱100 each to ₱3.0 billion divided into 30,000,000 common shares with par value of ₱100 each. Consequently, 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.

12.2 Investment in PNB Capital

On December 16, 2022 and December 17, 2021, the BOD of PNB Capital approved the declaration of cash dividends amounting to ₱792.0 million and ₱300.0 million, which were subsequently paid to the Parent Company on December 22, 2022 and June 29, 2022, respectively.

12.3 Investment in PMLFC

On June 24, 2022, the BOD of the Parent Company approved the proposal to amend the Articles of Incorporation of PMLFC, shortening its corporate term to March 31, 2024, subject to necessary approvals. On December 23, 2022 the SEC approved the above amendment. The Parent Company and its joint venture partner, Mizuho Leasing Co. Ltd., mutually agreed to wind down operations of PMLFC due to the impact of the COVID-19 pandemic to the operations of the joint venture company and the domestic leasing industry.

As of December 31, 2022 and 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 ₱95.5 million and ₱164.5 million in 2022 and 2021, respectively and representing its share in the accumulated net losses of PMLFC. Further, the Parent Company recognized provision for liability amounting to ₱649.7 million and ₱125.1 million relating to the undrawn loan commitments of PMLFC as of December 31, 2022 and 2021, respectively, recorded under 'Other liabilities' in the statement of financial position (refer to Notes 22 and 33).

12.4 Investment 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 (refer to Notes 11.3 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 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 (refer to 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. The Group also reclassified the results of operations of PNB Holdings as discontinued operations (refer to Note 36.2).

Further, the Group no longer has a significant influence over PNB Holdings by virtue of the execution of a proxy in favor of LTG to vote all shares registered in the name of PNB on any and all matters in the Annual Stockholders' Meeting of PNB Holdings and the fact that LTG controls both PNB and PNB Holdings.

12.5 Investment in PNB General Insurers Co., Inc. (PNB Gen)

On December 29, 2020, the Parent Company and PNB Holdings entered into a Sale and Purchase Agreement (SPA) for 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, which was paid as follows:

- PNB Holdings Purchase Price (₱521.8 million) – fully paid on December 28, 2020
- PNB Purchase Price (₱1.0 billion) – paid in four tranches until April 30, 2021, earning interest at 6.00% per annum

The SPA also provides for a grant of an exclusive bancassurance arrangement with ABIC with a minimum guaranteed term of 15 years for an additional consideration of ₱50.0 million, on top of the total purchase price.

On December 29, 2020, the Insurance Commission approved the above transaction. 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 2020 parent company statement of income, but treated as an equity transaction in the consolidated financial statements as 'Other equity reserves'.

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 (refer to Note 33.1).

12.6 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	**2022**	2021	**2022**	2021	**2022**	2021
ABCHKL	Banking	**49.00%**	49.00%	**₱2,179,752**	₱1,912,800	**₱79,115**	₱65,399
OHBVI	Holding Company	**72.22%**	72.22%	**1,079,035**	985,794	**1,239**	201

The following table presents financial information of ABCHKL as of December 31, 2022 and 2021:

	2022	2021
Statement of Financial Position		
Current assets	**₱9,548,596**	₱8,426,632
Non-current assets	**2,282,698**	2,583,273
Current liabilities	**6,616,975**	6,299,157
Non-current liabilities	**834,454**	807,075
Statement of Comprehensive Income		
Revenues	**₱415,387**	₱374,407
Expenses	**253,928**	240,940
Net income	**161,459**	133,467
Total comprehensive income	**502,413**	320,506
Statement of Cash Flows		
Net cash provided by operating activities	**₱610,988**	₱543,634
Net cash provided by (used in) investing activities	**21,293**	(320)
Net cash used in financing activities	–	(6,768)

The following table presents financial information of OHBVI as of December 31, 2022 and 2021:

	2022	2021
Statement of Financial Position		
Current assets	**₱1,494,051**	₱1,364,988
Statement of Comprehensive Income		
Revenues/Net income/Total comprehensive income	**₱1,715**	₱278
Statement of Cash Flows		
Net cash provided by operating activities	**₱129,062**	₱79,927

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.

12.7 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.

After receiving respective approvals from the BSP on December 6, 2022 and June 14, 2021, the Parent Company recorded additional investments in APLII amounting to ₱392.0 million and ₱245.0 million, respectively.

Summarized financial information of APLII as of December 31, 2022 and 2021 follows:

	2022	2021
Current assets	**₱1,452,894**	₱2,189,208
Noncurrent assets	**90,446,895**	76,895,902
Total assets	**91,899,789**	79,085,110
Current liabilities	**1,535,802**	3,217,567
Noncurrent liabilities	**87,928,050**	73,827,220
Total liabilities	**89,463,852**	77,044,787
Net assets	**2,435,937**	2,040,323
Percentage of ownership of the Group	**44%**	44%
Share in the net assets of the associate	**₱1,071,812**	₱897,742

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 2022 and 2021 follows:

	2022	2021
Revenues	**₱4,344,038**	₱3,729,488
Costs and expenses	**4,486,380**	3,614,058
Net income (loss)	**(142,342)**	115,430
Other comprehensive loss	**(262,006)**	(313,853)
Total comprehensive loss	**(₱404,348)**	(₱198,423)
Group's share in comprehensive loss for the year	**(₱177,913)**	(₱87,306)

12.8 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	
	2022	2021	2022	2021
Foreclosed or acquired in settlement of loans	**₱13,615,263**	₱10,556,014	**₱13,085,097**	₱9,998,445
Held for lease	**179,723**	179,882	**179,723**	179,882
Total	**₱13,794,986**	₱10,735,896	**₱13,264,820**	₱10,178,327

The composition of and movements in this account follow:

	Consolidated		
	2022		
	Land	**Buildings and Improvements**	**Total**
Cost			
Beginning balance	**₱11,531,525**	**₱3,126,505**	**₱14,658,030**
Additions	**4,013,930**	**327,627**	**4,341,557**
Disposals	**(1,087,296)**	**(88,890)**	**(1,176,186)**
Transfers/others	**12,978**	**(27,682)**	**(14,704)**
Balance at end of year	**14,471,137**	**3,337,560**	**17,808,697**
Accumulated Depreciation			
Balance at beginning of year	–	**1,717,312**	**1,717,312**
Depreciation (Note 11)	–	**152,917**	**152,917**
Disposals	–	**(35,454)**	**(35,454)**
Transfers/others	–	**3,267**	**3,267**
Balance at end of year	–	**1,838,042**	**1,838,042**
Allowance for Impairment Losses (Note 16)	**1,963,086**	**212,583**	**2,175,669**
Net Book Value at End of Year	**₱12,508,051**	**₱1,286,935**	**₱13,794,986**

	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

	Parent Company		
	2022		
	Land	**Buildings and Improvements**	**Total**
Cost			
Beginning balance	**₱11,001,803**	**₱2,947,345**	**₱13,949,148**
Additions	**4,013,930**	**327,618**	**4,341,548**
Disposals	**(1,087,296)**	**(88,890)**	**(1,176,186)**
Transfers/others	**(12,964)**	**2,614**	**(10,350)**
Balance at end of year	**13,915,473**	**3,188,687**	**17,104,160**
Accumulated Depreciation			
Balance at beginning of year	–	**1,595,151**	**1,595,151**
Depreciation (Note 11)	–	**128,095**	**128,095**
Disposals	–	**(35,454)**	**(35,454)**
Transfers/others	–	**580**	**580**
Balance at end of year	–	**1,688,372**	**1,688,372**
Allowance for Impairment Losses (Note 16)	**1,962,374**	**188,594**	**2,150,968**
Net Book Value at End of Year	**₱11,953,099**	**₱1,311,721**	**₱13,264,820**

	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

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 of ₱4.2 billion (refer to Notes 11.3 and 12.4).

Foreclosed properties of the Parent Company still subject to redemption period by the borrowers amounted to ₱199.9 million and ₱229.8 million, as of December 31, 2022 and 2021, 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 ₱7.4 billion and ₱4.7 billion as of December 31, 2022 and 2021, 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 ‘Litigation and assets acquired expenses’, amounted to ₱29.2 million, ₱28.2 million and ₱6.0 million in 2022, 2021, and 2020, respectively. Direct operating expenses on investment properties that did not generate rental income included under ‘Litigation and assets acquired expenses’, amounted to ₱208.3 million, ₱173.3 million and ₱204.6 million in 2022, 2021, and 2020, respectively (refer to Note 27. 2).

14. Goodwill and Intangible Assets

These accounts consist of:

	Consolidated 2022				
	Intangible Assets with Finite Lives				
	CDI	**CRI**	**Software Cost**	**Total**	**Goodwill**
Cost					
Balance at beginning of year	**₱1,897,789**	**₱391,943**	**₱4,705,633**	**₱6,995,365**	**₱11,221,410**
Additions	**–**	**–**	**881,572**	**881,572**	**–**
Others	**–**	**–**	**(106,242)**	**(106,242)**	**–**
Balance at end of year	**1,897,789**	**391,943**	**5,480,963**	**7,770,695**	**11,221,410**
Accumulated Amortization					
Balance at beginning of year	**1,687,978**	**391,943**	**2,486,010**	**4,565,931**	**–**
Amortization (Note 11)	**189,779**	**–**	**1,204,127**	**1,393,906**	**–**
Others	**–**	**–**	**(53,064)**	**(53,064)**	**–**
Balance at end of year	**1,877,757**	**391,943**	**3,637,073**	**5,906,773**	**–**
Net Book Value at End of Year	**₱20,032**	**₱–**	**₱1,843,890**	**₱1,863,922**	**₱11,221,410**

	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	₱11,221,410
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	11,221,410
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	–
Net Book Value at End of Year	₱209,811	₱–	₱2,219,623	₱2,429,434	₱11,221,410

	Parent Company 2022				
	Intangible Assets with Finite Lives				
	CDI	**CRI**	**Software Cost**	**Total**	**Goodwill**
Cost					
Balance at beginning of year	**₱1,897,789**	**₱391,943**	**₱5,679,926**	**₱7,969,658**	**₱11,361,768**
Additions	**–**	**–**	**848,426**	**848,426**	**–**
Others	**–**	**–**	**(105,306)**	**(105,306)**	**–**
Balance at end of year	**1,897,789**	**391,943**	**6,423,046**	**8,712,778**	**11,361,768**
Accumulated Amortization					
Balance at beginning of year	**1,687,978**	**391,943**	**3,560,780**	**5,640,701**	**–**
Amortization (Note 11)	**189,779**	**–**	**1,180,744**	**1,370,523**	**–**
Others	**–**	**–**	**(52,062)**	**(52,062)**	**–**
Balance at end of year	**1,877,757**	**391,943**	**4,689,462**	**6,959,162**	**–**
Net Book Value at End of Year	**₱20,032**	**₱–**	**₱1,733,584**	**₱1,753,616**	**₱11,361,768**

	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	₱11,361,768
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	11,361,768

(Forward)

	Parent Company				
	2021				
	Intangible Assets with Finite Lives				
	CDI	CRI	Software Cost	Total	Goodwill
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	–
Net Book Value at End of Year	₱209,811	₱–	₱2,119,146	₱2,328,957	₱11,361,768

14.1 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.

14.2 Software Cost

Software cost as of December 31, 2022 and 2021 includes capitalized development costs amounting to ₱2.0 billion, related to the Parent Company's core banking system.

14.3 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.

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. In 2021, the goodwill impairment test performed by the Parent Company resulted in an impairment in value 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. As of December 31, 2022 and 2021, goodwill for each CGU amounted to:

	Gross Carrying Amount	**Impairment in Value**	**Net Carrying Amount**
Retail Banking	₱6,110,312	₱–	₱6,110,312
Corporate Banking	4,190,365	2,153,997	2,036,368
Treasury	3,074,730	–	3,074,730
	₱13,375,407	₱2,153,997	₱11,221,410

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:

	2022			2021		
	Retail Banking	**Corporate Banking**	**Treasury**	Retail Banking	Corporate Banking	Treasury
Pre-tax discount rate	**13.23%**	**13.23%**	**11.23%**	10.48%	10.48%	8.32%
Projected growth rate	**5.50%**	**5.50%**	**5.50%**	6.60%	6.60%	6.60%

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 Treasury 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.

As of December 31, 2022, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the goodwill to materially exceed its recoverable amount.

15. Other Assets

This account consists of:

	Consolidated		**Parent Company**	
	2022	2021	**2022**	2021
Financial				
Return checks and other cash items	**₱46,253**	₱133,631	**₱46,253**	₱133,631
Security deposits (Note 33)	**18,309**	12,984	**–**	–
Miscellaneous	**5,769**	3,407	**5,207**	2,711
	70,331	150,022	**51,460**	136,342
Nonfinancial				
Deferred charges (Note 33)	**1,477,860**	1,065,090	**1,472,352**	1,053,876
Creditable withholding taxes	**856,206**	1,686,145	**612,550**	1,436,059
Real estate inventories held under development (Note 33)	**638,875**	638,875	**638,875**	638,875
Prepaid expenses	**340,243**	645,222	**276,417**	587,871
Documentary stamps on hand	**317,932**	357,884	**317,378**	356,586
Chattel mortgage properties - net of depreciation	**211,619**	227,187	**82,012**	99,691
Stationeries and supplies	**81,073**	87,651	**80,838**	87,476
Input value-added tax	**75,276**	119,762	**–**	–
Other investments	**26,276**	30,760	**22,517**	27,270
Dividends receivable (Note 12)	**–**	–	**–**	300,000
Miscellaneous (Note 28)	**1,101,671**	868,538	**869,644**	847,524
	5,127,031	5,727,114	**4,372,583**	5,435,228
	5,197,362	5,877,136	**4,424,043**	5,571,570
Less allowance for credit and impairment losses (Note 16)	**1,041,840**	1,069,216	**1,025,047**	1,046,072
	₱4,155,522	₱4,807,920	**₱3,398,996**	₱4,525,498

'Deferred charges' include 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' 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.

'Chattel mortgage properties' pertain to motor vehicles, equipment and assets other than real estate properties, which were acquired by the Group in settlement of loans. As of December 31, 2022 and 2021, accumulated depreciation on the chattel mortgage properties amounted to ₱229.1 million and ₱241.8 million, respectively, for the Group and ₱215.3 million and ₱227.5 million, respectively, for the Parent Company. As of December 31, 2022 and 2021, the total recoverable value of certain chattel mortgage properties of the Group and the Parent Company that were impaired is at ₱1.2 million and ₱0.9 million, respectively.

'Miscellaneous financial assets' include revolving fund, petty cash fund and miscellaneous cash and other cash items. 'Miscellaneous nonfinancial assets' include postages, refundable deposits, notes taken for interest and sundry debits.

16. Impairment, Credit and Other Losses

16.1 Provision for Impairment, Credit and Other Losses

This account consists of:

	Consolidated			Parent Company		
	2022	2021	2020	**2022**	2021	2020
Continuing operations:						
Provision for credit losses	**₱7,159,781**	₱10,980,450	₱16,054,991	**₱7,171,812**	₱11,220,504	₱15,723,927
Provision for (reversal of) impairment and other losses	**38,336**	(255,436)	827,630	**133,841**	(248,764)	810,408
Impairment in value of goodwill (Note 14)	**–**	2,153,997	–	**–**	2,153,997	–
	7,198,117	12,879,011	16,882,621	**7,305,653**	13,125,737	16,534,335
Discontinued operations (Note 36):						
Provision for credit and impairment losses	**–**	88,141	29,781	**–**	–	–
	₱7,198,117	₱12,967,152	₱16,912,402	**₱7,305,653**	₱13,125,737	₱16,534,335

16.2 Allowance for Impairment and Credit Losses

Changes in the allowance for credit losses on financial assets follow:

	Consolidated 2022							
	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	**₱3,644**	**₱10,593**	**₱6,579**	**₱134,151**	**₱3,822,166**	**₱39,340,761**	**₱500**	**₱43,318,394**
Provisions (reversals)	**(1,456)**	**(695)**	**(5,210)**	**(12,566)**	**25,684**	**7,154,524**	**(500)**	**7,159,781**
Accounts charged-off	**–**	**–**	**–**	**–**	**–**	**(2,785,836)**	**–**	**(2,785,836)**
Loan settlement through dacion (Note 33)	**–**	**–**	**–**	**–**	**–**	**(4,591,743)**	**–**	**(4,591,743)**
Transfers and others	**–**	**–**	**–**	**–**	**–**	**(172,925)**	**–**	**(172,925)**
Balance at end of year	**₱2,188**	**₱9,898**	**₱1,369**	**₱121,585**	**₱3,847,850**	**₱38,944,781**	**₱–**	**₱42,927,671**

	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

	Parent Company 2022							
	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	**₱3,644**	**₱9,873**	**₱6,579**	**₱131,521**	**₱3,822,166**	**₱39,225,977**	**₱500**	**₱43,200,260**
Provisions (reversals)	**(1,456)**	**–**	**(5,210)**	**(12,069)**	**25,684**	**7,165,363**	**(500)**	**7,171,812**
Accounts charged-off	**–**	**–**	**–**	**–**	**–**	**(2,078,219)**	**–**	**(2,078,219)**
Loan settlement through dacion (Note 33)	**–**	**–**	**–**	**–**	**–**	**(4,591,743)**	**–**	**(4,591,743)**
Transfers and others	**–**	**–**	**–**	**–**	**–**	**(275,540)**	**–**	**(275,540)**
Balance at end of year	**₱2,188**	**₱9,873**	**₱1,369**	**₱119,452**	**₱3,847,850**	**₱39,445,838**	**₱–**	**₱43,426,570**

	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

Movements in the allowance for impairment and other losses on nonfinancial assets follow:

	Consolidated							
	2022				2021			
	Property and Equipment	**Investment Properties**	**Other Assets**	**Total**	Property and Equipment	Investment Properties	Other Assets	Total
Balance at beginning of year	**₱1,168,887**	**₱2,204,822**	**₱1,068,716**	**₱4,442,425**	₱1,168,887	₱2,583,670	₱1,040,096	₱4,792,653
Provisions:								
Continuing operations	**–**	**33,299**	**5,037**	**38,336**	–	(238,052)	(17,384)	(255,436)
Discontinued operation	**–**	**–**	**–**	**–**	–	–	88,141	88,141
Disposals	**–**	**(55,884)**	**(10,077)**	**(65,961)**	–	(197,986)	(4,772)	(202,758)
Transfers and others	**–**	**(6,568)**	**(21,836)**	**(28,404)**	–	57,190	(37,365)	19,825
Balance at end of year	**₱1,168,887**	**₱2,175,669**	**₱1,041,840**	**₱4,386,396**	₱1,168,887	₱2,204,822	₱1,068,716	₱4,442,425

	Parent Company							
	2022				2021			
	Property and Equipment	**Investment Properties**	**Other Assets**	**Total**	Property and Equipment	Investment Properties	Other Assets	Total
Balance at beginning of year	**₱1,168,887**	**₱2,175,670**	**₱1,045,572**	**₱4,390,129**	₱1,168,887	₱2,573,532	₱1,039,713	₱4,782,132
Provisions (reversals)	**–**	**33,299**	**100,542**	**133,841**	–	(238,051)	(10,713)	(248,764)
Disposals	**–**	**(55,884)**	**(3,725)**	**(59,609)**	–	(197,986)	(4,772)	(202,758)
Transfers and others	**–**	**(2,117)**	**(117,342)**	**(119,459)**	–	38,175	21,344	59,519
Balance at end of year	**₱1,168,887**	**₱2,150,968**	**₱1,025,047**	**₱4,344,902**	₱1,168,887	₱2,175,670	₱1,045,572	₱4,390,129

The reconciliation of allowance for loans and receivables are shown below:

	Consolidated							
	2022				2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Corporate Loans								
Beginning Balance	**₱459,223**	**₱859,753**	**₱24,311,397**	**₱25,630,373**	₱437,633	₱690,482	₱18,092,141	₱19,220,256
Transfers to Stage 1	**124,442**	**(122,231)**	**(2,211)**	**–**	1,375,088	(51,070)	(1,324,018)	–
Transfers to Stage 2	**(13,026)**	**7,561,264**	**(7,548,238)**	**–**	(21,796)	170,627	(148,831)	–
Transfers to Stage 3	**(2,707)**	**(181,214)**	**183,921**	**–**	(41,035)	(97,886)	138,921	–
Provisions (reversals)	**1,040,999**	**(1,848,298)**	**4,928,180**	**4,120,881**	1,136,551	501,195	10,381,492	12,019,238
Accounts charged off	**–**	**–**	**(48,784)**	**(48,784)**	–	–	(1,100)	(1,100)
Loan settlement through dacion (Note 33)	**–**	**–**	**(4,580,430)**	**(4,580,430)**	–	–	–	–
Sale of receivables (Note 26)	**–**	**–**	**–**	**–**	–	–	(2,520,236)	(2,520,236)
Effect of collections and other movements	**(153,893)**	**(314,918)**	**26,381**	**(442,430)**	(2,427,218)	(353,595)	(306,972)	(3,087,785)
Ending Balance	**1,455,038**	**5,954,356**	**17,270,216**	**24,679,610**	459,223	859,753	24,311,397	25,630,373
LGU								
Beginning Balance	**265**	**10,632**	**67,798**	**78,695**	24,040	1,737	24,916	50,693
Provisions (reversals)	**261**	**(2,141)**	**(2,104)**	**(3,984)**	22,642	3,902	2,296	28,840
Effect of collections and other movements	**(54)**	**(20)**	**–**	**(74)**	(46,417)	4,993	40,586	(838)
Ending Balance	**472**	**8,471**	**65,694**	**74,637**	265	10,632	67,798	78,695
Credit Cards								
Beginning Balance	**61,472**	**26,686**	**2,319,769**	**2,407,927**	38,224	26,246	2,523,198	2,587,668
Transfers to Stage 1	**14,583**	**(5,637)**	**(8,946)**	**–**	39,251	(6,432)	(32,819)	–
Transfers to Stage 2	**(1,666)**	**2,188**	**(522)**	**–**	(2,254)	5,721	(3,467)	–
Transfers to Stage 3	**(2,726)**	**(3,171)**	**5,897**	**–**	(9,135)	(9,282)	18,417	–
Provisions (reversals)	**375,074**	**71,292**	**212,023**	**658,389**	(98,840)	17,705	1,085,746	1,004,611
Accounts charged off	**–**	**–**	**(2,014,455)**	**(2,014,455)**	–	–	(1,399,465)	(1,399,465)
Effect of collections and other movements	**44,772**	**(7,616)**	**199,211**	**236,367**	94,226	(7,272)	128,159	215,113
Ending Balance	**491,509**	**83,742**	**712,977**	**1,288,228**	61,472	26,686	2,319,769	2,407,927
Retail SMEs								
Beginning Balance	**156,723**	**16,002**	**1,643,255**	**1,815,980**	361,274	20,786	1,426,132	1,808,192
Transfers to Stage 1	**15,101**	**(386)**	**(14,715)**	**–**	7,502	(1,634)	(5,868)	–
Transfers to Stage 2	**(51,349)**	**51,549**	**(200)**	**–**	(351)	2,151	(1,800)	–
Transfers to Stage 3	**(736)**	**(1,050)**	**1,786**	**–**	(5,680)	(6,204)	11,884	–
Provisions (reversals)	**155,930**	**22,928**	**341,744**	**520,602**	31,995	(1,617)	42,831	73,209
Accounts charged off	**–**	**–**	**(694,970)**	**(694,970)**	–	–	–	–
Effect of collections and other movements	**(75,048)**	**(62,412)**	**60,912**	**(76,548)**	(238,017)	2,520	170,076	(65,421)
Ending Balance	**200,621**	**26,631**	**1,337,812**	**1,565,064**	156,723	16,002	1,643,255	1,815,980
Housing Loans								
Beginning Balance	**256,953**	**54,367**	**3,121,446**	**3,432,766**	99,896	107,786	2,166,204	2,373,886
Transfers to Stage 1	**527,271**	**(17,691)**	**(509,580)**	**–**	395,713	(45,005)	(350,708)	–
Transfers to Stage 2	**(5,794)**	**71,159**	**(65,365)**	**–**	(2,061)	35,012	(32,951)	–
Transfers to Stage 3	**(33,977)**	**(26,337)**	**60,314**	**–**	(11,394)	(53,478)	64,872	–
Provisions (reversals)	**(206,039)**	**(335,412)**	**1,327,486**	**786,035**	391,794	(7,381)	(888,382)	(503,969)
Effect of collections and other movements	**(90,744)**	**369,022**	**(149,234)**	**129,044**	(616,995)	17,433	2,162,411	1,562,849
Ending Balance	**447,670**	**115,108**	**3,785,067**	**4,347,845**	256,953	54,367	3,121,446	3,432,766
Auto Loans								
Beginning Balance	**8,996**	**2,166**	**1,467,584**	**1,478,746**	146,165	43,152	843,487	1,032,804
Transfers to Stage 1	**85,614**	**(671)**	**(84,943)**	**–**	58,625	(2,965)	(55,660)	–
Transfers to Stage 2	**(197)**	**5,619**	**(5,422)**	**–**	(113)	8,396	(8,283)	–
Transfers to Stage 3	**(350)**	**(1,213)**	**1,563**	**–**	(615)	(3,229)	3,844	–
Provisions (reversals)	**(72,234)**	**(3,455)**	**456,812**	**381,123**	73,402	6,628	(708,378)	(628,348)
Accounts charged off	**–**	**–**	**(6,354)**	**(6,354)**	–	–	(9,133)	(9,133)
Effect of collections and other movements	**(985)**	**(193)**	**(332,018)**	**(333,196)**	(268,468)	(49,816)	1,401,707	1,083,423
Ending Balance	**20,844**	**2,253**	**1,497,222**	**1,520,319**	8,996	2,166	1,467,584	1,478,746
Other Loans								
Beginning Balance	**242,940**	**8,236**	**716,032**	**967,208**	72,427	59,443	1,922,895	2,054,765
Transfers to Stage 1	**302,607**	**(3,134)**	**(299,473)**	**–**	222,313	(12,979)	(209,334)	–
Transfers to Stage 2	**(50)**	**27,615**	**(27,565)**	**–**	(875)	90,473	(89,598)	–
Transfers to Stage 3	**(506)**	**(2,527)**	**3,033**	**–**	(4,109)	(20,370)	24,479	–
Provisions (reversals)	**(290,921)**	**(7,934)**	**330,031**	**31,176**	(131,066)	(583)	(333,647)	(465,296)
Accounts charged off	**–**	**–**	**(12,647)**	**(12,647)**	–	–	(20,328)	(20,328)
Effect of collections and other movements	**(238,320)**	**55,941**	**458,649**	**276,270**	84,250	(107,748)	(578,435)	(601,933)
Ending Balance	**15,750**	**78,197**	**1,168,060**	**1,262,007**	242,940	8,236	716,032	967,208

(Forward)

	Consolidated							
	2022				2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Other Receivables								
Beginning Balance	**₱81,507**	**₱33,359**	**₱3,414,200**	**₱3,529,066**	₱69,326	₱19,486	₱3,197,574	₱3,286,386
Transfers to Stage 1	**26**	**(5)**	**(21)**	**–**	1,295	(15)	(1,280)	–
Transfers to Stage 2	**(758)**	**10,530**	**(9,772)**	**–**	(967)	22,649	(21,682)	–
Transfers to Stage 3	**(4,861)**	**(15,475)**	**20,336**	**–**	(12,748)	(67,882)	80,630	–
Provisions (reversals)	**(10,889)**	**20,157**	**651,034**	**660,302**	(598,194)	(13,427)	131,248	(480,373)
Accounts charged off	**–**	**–**	**(8,626)**	**(8,626)**	–	–	(9,287)	(9,287)
Loan settlement through dacion (Note 33)	**–**	**–**	**(11,313)**	**(11,313)**	–	–	–	–
Effect of collections and other movements	**22,968**	**99,664**	**(84,990)**	**37,642**	622,795	72,548	36,997	732,340
Ending Balance	**87,993**	**148,230**	**3,970,848**	**4,207,071**	81,507	33,359	3,414,200	3,529,066
Total Loans and Receivables								
Beginning Balance	**1,268,079**	**1,011,201**	**37,061,481**	**39,340,761**	1,248,985	969,118	30,196,547	32,414,650
Transfers to Stage 1	**1,069,644**	**(149,755)**	**(919,889)**	**–**	2,099,787	(120,100)	(1,979,687)	–
Transfers to Stage 2	**(72,840)**	**7,729,924**	**(7,657,084)**	**–**	(28,417)	335,029	(306,612)	–
Transfers to Stage 3	**(45,863)**	**(230,987)**	**276,850**	**–**	(84,716)	(258,331)	343,047	–
Provisions (reversals)	**992,181**	**(2,082,863)**	**8,245,206**	**7,154,524**	828,284	506,422	9,713,206	11,047,912
Accounts charged off	**–**	**–**	**(2,785,836)**	**(2,785,836)**	–	–	(1,439,313)	(1,439,313)
Loan settlement through dacion (Note 33)	**–**	**–**	**(4,591,743)**	**(4,591,743)**	–	–	–	–
Sale of receivables (Note 26)	**–**	**–**	**–**	**–**	–	–	(2,520,236)	(2,520,236)
Effect of collections and other movements	**(491,304)**	**139,468**	**178,911**	**(172,925)**	(2,795,844)	(420,937)	3,054,529	(162,252)
Ending Balance	**₱2,719,897**	**₱6,416,988**	**₱29,807,896**	**₱38,944,781**	₱1,268,079	₱1,011,201	₱37,061,481	₱39,340,761

	Parent Company							
	2022				2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Corporate Loans								
Beginning Balance	**₱798,447**	**₱848,687**	**₱25,253,746**	**₱26,900,880**	₱314,124	₱680,087	₱18,033,402	₱19,027,613
Transfers to Stage 1	**124,373**	**(122,162)**	**(2,211)**	**–**	1,375,022	(51,067)	(1,323,955)	–
Transfers to Stage 2	**(13,026)**	**7,561,264**	**(7,548,238)**	**–**	(21,486)	170,317	(148,831)	–
Transfers to Stage 3	**(2,707)**	**(181,214)**	**183,921**	**–**	(41,034)	(97,886)	138,920	–
Provisions (reversals)	**1,040,810**	**(1,848,298)**	**4,631,517**	**3,824,029**	856,709	501,195	10,912,432	12,270,336
Accounts charged off	**–**	**–**	**(48,784)**	**(48,784)**	–	–	(1,100)	(1,100)
Loan settlement through dacion (Note 33)	**–**	**–**	**(4,580,430)**	**(4,580,430)**	–	–	–	–
Sale of receivables (Note 26)	**–**	**–**	**–**	**–**	–	–	(2,520,236)	(2,520,236)
Effect of collections and other movements	**(276,166)**	**(304,138)**	**446,596**	**(133,708)**	(1,684,888)	(353,959)	163,114	(1,875,733)
Ending Balance	**1,671,731**	**5,954,139**	**18,336,117**	**25,961,987**	798,447	848,687	25,253,746	26,900,880
LGU								
Beginning Balance	**265**	**10,632**	**67,798**	**78,695**	24,040	1,737	24,916	50,693
Provisions (reversals)	**261**	**(2,141)**	**(2,104)**	**(3,984)**	22,642	3,902	2,296	28,840
Effect of collections and other movements	**(54)**	**(20)**	**–**	**(74)**	(46,417)	4,993	40,586	(838)
Ending Balance	**472**	**8,471**	**65,694**	**74,637**	265	10,632	67,798	78,695
Credit Cards								
Beginning Balance	**61,472**	**26,686**	**2,319,769**	**2,407,927**	38,224	26,246	2,523,198	2,587,668
Transfers to Stage 1	**14,583**	**(5,637)**	**(8,946)**	**–**	39,251	(6,432)	(32,819)	–
Transfers to Stage 2	**(1,666)**	**2,188**	**(522)**	**–**	(2,254)	5,721	(3,467)	–
Transfers to Stage 3	**(2,726)**	**(3,171)**	**5,897**	**–**	(9,135)	(9,282)	18,417	–
Provisions (reversals)	**375,074**	**71,292**	**212,023**	**658,389**	(98,840)	17,705	1,085,746	1,004,611
Accounts charged off	**–**	**–**	**(2,014,455)**	**(2,014,455)**	–	–	(1,399,465)	(1,399,465)
Effect of collections and other movements	**44,772**	**(7,616)**	**199,211**	**236,367**	94,226	(7,272)	128,159	215,113
Ending Balance	**491,509**	**83,742**	**712,977**	**1,288,228**	61,472	26,686	2,319,769	2,407,927
Retail SMEs								
Beginning Balance	**151,201**	**3,712**	**498,101**	**653,014**	336,912	10,289	559,389	906,590
Transfers to Stage 1	**14,744**	**(29)**	**(14,715)**	**–**	7,502	(1,634)	(5,868)	–
Transfers to Stage 2	**(50,978)**	**51,178**	**(200)**	**–**	(351)	2,151	(1,800)	–
Transfers to Stage 3	**(305)**	**(780)**	**1,085**	**–**	(5,680)	(6,204)	11,884	–
Provisions (reversals)	**155,930**	**22,928**	**347,446**	**526,304**	31,995	(1,617)	42,831	73,209
Effect of collections and other movements	**(88,589)**	**(53,680)**	**(32,919)**	**(175,188)**	(219,177)	727	(108,335)	(326,785)
Ending Balance	**182,003**	**23,329**	**798,798**	**1,004,130**	151,201	3,712	498,101	653,014

(Forward)

	Parent Company							
	2022				2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Housing Loans								
Beginning Balance	**₱240,858**	**₱54,367**	**₱3,119,744**	**₱3,414,969**	₱90,814	₱104,984	₱2,171,817	₱2,367,615
Transfers to Stage 1	**527,271**	**(17,691)**	**(509,580)**	**–**	395,354	(45,005)	(350,349)	–
Transfers to Stage 2	**(5,666)**	**71,031**	**(65,365)**	**–**	(2,061)	35,012	(32,951)	–
Transfers to Stage 3	**(15,874)**	**(26,337)**	**42,211**	**–**	(11,312)	(53,478)	64,790	–
Provisions (reversals)	**(287,450)**	**37,093**	**1,338,362**	**1,088,005**	384,586	(7,381)	(888,382)	(511,177)
Effect of collections and other movements	**(13,157)**	**(3,683)**	**(149,348)**	**(166,188)**	(616,523)	20,235	2,154,819	1,558,531
Ending Balance	**445,982**	**114,780**	**3,776,024**	**4,336,786**	240,858	54,367	3,119,744	3,414,969
Auto Loans								
Beginning Balance	**8,996**	**2,166**	**1,467,584**	**1,478,746**	22,525	6,943	1,003,336	1,032,804
Transfers to Stage 1	**85,614**	**(671)**	**(84,943)**	**–**	58,625	(2,965)	(55,660)	–
Transfers to Stage 2	**(197)**	**5,619**	**(5,422)**	**–**	(113)	8,396	(8,283)	–
Transfers to Stage 3	**(350)**	**(1,213)**	**1,563**	**–**	(615)	(3,229)	3,844	–
Provisions (reversals)	**(72,234)**	**(3,455)**	**456,812**	**381,123**	73,402	6,628	(708,378)	(628,348)
Accounts charged off	**–**	**–**	**(6,354)**	**(6,354)**	–	–	(9,133)	(9,133)
Effect of collections and other movements	**(985)**	**(193)**	**(332,018)**	**(333,196)**	(144,828)	(13,607)	1,241,858	1,083,423
Ending Balance	**20,844**	**2,253**	**1,497,222**	**1,520,319**	8,996	2,166	1,467,584	1,478,746
Other Loans								
Beginning Balance	**242,936**	**8,236**	**703,090**	**954,262**	72,423	59,443	1,910,728	2,042,594
Transfers to Stage 1	**302,597**	**(3,134)**	**(299,463)**	**–**	222,313	(12,979)	(209,334)	–
Transfers to Stage 2	**(50)**	**27,615**	**(27,565)**	**–**	(875)	90,473	(89,598)	–
Transfers to Stage 3	**(506)**	**(2,527)**	**3,033**	**–**	(4,109)	(20,370)	24,479	–
Provisions (reversals)	**(290,923)**	**(7,934)**	**330,052**	**31,195**	(131,066)	(583)	(333,615)	(465,264)
Accounts charged off	**–**	**–**	**–**	**–**	–	–	(20,328)	(20,328)
Effect of collections and other movements	**(238,315)**	**42,305**	**472,519**	**276,509**	84,250	(107,748)	(579,242)	(602,740)
Ending Balance	**15,739**	**64,561**	**1,181,666**	**1,261,966**	242,936	8,236	703,090	954,262
Other Receivables								
Beginning Balance	**45,243**	**32,820**	**3,259,421**	**3,337,484**	74,242	19,393	3,390,669	3,484,304
Transfers to Stage 1	**26**	**(5)**	**(21)**	**–**	1,295	(15)	(1,280)	–
Transfers to Stage 2	**(758)**	**10,530**	**(9,772)**	**–**	(967)	22,649	(21,682)	–
Transfers to Stage 3	**(4,861)**	**(15,475)**	**20,336**	**–**	(12,748)	(67,882)	80,630	–
Provisions (reversals)	**(10,889)**	**20,157**	**651,034**	**660,302**	(598,737)	(13,427)	131,248	(480,916)
Accounts charged off	**–**	**–**	**(8,626)**	**(8,626)**	–	–	(9,287)	(9,287)
Loan settlement through dacion (Note 33)	**–**	**–**	**(11,313)**	**(11,313)**	–	–	–	–
Effect of collections and other movements	**5,581**	**(10,719)**	**25,076**	**19,938**	582,158	72,102	(310,877)	343,383
Ending Balance	**34,342**	**37,308**	**3,926,135**	**3,997,785**	45,243	32,820	3,259,421	3,337,484
Total Loans and Receivables								
Beginning Balance	**1,549,418**	**987,306**	**36,689,253**	**39,225,977**	973,304	909,122	29,617,455	31,499,881
Transfers to Stage 1	**1,069,208**	**(149,329)**	**(919,879)**	**–**	2,099,362	(120,097)	(1,979,265)	–
Transfers to Stage 2	**(72,341)**	**7,729,425**	**(7,657,084)**	**–**	(28,107)	334,719	(306,612)	–
Transfers to Stage 3	**(27,329)**	**(230,717)**	**258,046**	**–**	(84,633)	(258,331)	342,964	–
Provisions (reversals)	**910,579**	**(1,710,358)**	**7,965,142**	**7,165,363**	540,691	506,422	10,244,178	11,291,291
Accounts charged off	**–**	**–**	**(2,078,219)**	**(2,078,219)**	–	–	(1,439,313)	(1,439,313)
Loan settlement through dacion (Note 33)	**–**	**–**	**(4,591,743)**	**(4,591,743)**				
Sale of receivables (Note 26)	**–**	**–**	**–**	**–**	–	–	(2,520,236)	(2,520,236)
Effect of collections and other movements	**(566,913)**	**(337,744)**	**629,117**	**(275,540)**	(1,951,199)	(384,529)	2,730,082	394,354
Ending Balance	**₱2,862,622**	**₱6,288,583**	**₱30,294,633**	**₱39,445,838**	₱1,549,418	₱987,306	₱36,689,253	₱39,225,977

16.3 Gross Carrying Amounts of Loans and Receivables

Movements of the gross carrying amounts of loans and receivables are shown below:

	Consolidated							
	2022				2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Corporate Loans								
Beginning 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
Newly originated assets which remained in Stage 1 at yearend	**122,147,585**	**–**	**–**	**122,147,585**	227,012,002	–	–	227,012,002
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**4,634,768**	**3,170,272**	**7,805,040**	–	4,990,294	8,456,400	13,446,694
Transfers to Stage 1	**2,158,216**	**(2,153,301)**	**(4,915)**	**–**	11,278,904	(4,981,067)	(6,297,837)	–
Transfers to Stage 2	**(25,259,322)**	**53,397,854**	**(28,138,532)**	**–**	(7,592,547)	7,936,935	(344,388)	–
Transfers to Stage 3	**(1,160,805)**	**(2,473,557)**	**3,634,362**	**–**	(1,383,777)	(4,625,936)	6,009,713	–
Accounts charged off	**–**	**–**	**(48,784)**	**(48,784)**	–	–	(1,100)	(1,100)
Loan settlement through dacion (Note 33)	**–**	**–**	**(5,958,906)**	**(5,958,906)**	–	–	–	–
Sale of receivables (Note 26)	**–**	**–**	**–**	**–**	–	–	(5,478,200)	(5,478,200)
Effect of collections and other movements	**(132,121,107)**	**(4,705,073)**	**(197,381)**	**(137,023,561)**	(199,733,587)	(8,604,137)	2,334,605	(206,003,119)
Ending Balance	**439,476,954**	**73,633,834**	**27,884,820**	**540,995,608**	473,712,387	24,933,143	55,428,704	554,074,234
LGU								
Beginning Balance	**4,216,332**	**46,154**	**57,227**	**4,319,713**	6,390,022	7,450	24,916	6,422,388
Newly originated assets which remained in Stage 1 at yearend	**35,962**	**–**	**–**	**35,962**	108,593	–	–	108,593
Effect of collections and other movements	**(1,499,080)**	**(10,834)**	**(569)**	**(1,510,483)**	(2,282,283)	38,704	32,311	(2,211,268)
Ending Balance	**2,753,214**	**35,320**	**56,658**	**2,845,192**	4,216,332	46,154	57,227	4,319,713
Credit Cards								
Beginning Balance	**10,468,937**	**269,413**	**2,418,595**	**13,156,945**	9,198,867	199,627	3,132,075	12,530,569
Newly originated assets which remained in Stage 1 at yearend	**998,216**	**–**	**–**	**998,216**	992,672	–	–	992,672
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**39,134**	**20,775**	**59,909**	–	28,877	21,120	49,997
Transfers to Stage 1	**71,224**	**(61,373)**	**(9,851)**	**–**	105,067	(60,241)	(44,826)	–
Transfers to Stage 2	**(218,986)**	**219,544**	**(558)**	**–**	(192,298)	196,528	(4,230)	–
Transfers to Stage 3	**(309,359)**	**(40,798)**	**350,157**	**–**	(684,443)	(88,078)	772,521	–
Accounts charged off	**–**	**–**	**(2,014,455)**	**(2,014,455)**	–	–	(1,399,465)	(1,399,465)
Effect of collections and other movements	**2,147,359**	**(110,006)**	**144,713**	**2,182,066**	1,049,072	(7,300)	(58,600)	983,172
Ending Balance	**13,157,391**	**315,914**	**909,376**	**14,382,681**	10,468,937	269,413	2,418,595	13,156,945
Retail SMEs								
Beginning Balance	**6,432,116**	**159,012**	**2,747,777**	**9,338,905**	10,689,770	881,726	867,413	12,438,909
Newly originated assets which remained in Stage 1 at yearend	**1,238,722**	**–**	**–**	**1,238,722**	3,054,855	–	–	3,054,855
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**130,105**	**111,941**	**242,046**	–	52,047	121,159	173,206
Transfers to Stage 1	**23,795**	**(6,761)**	**(17,034)**	**–**	192,038	(118,733)	(73,305)	–
Transfers to Stage 2	**(16,610)**	**17,943**	**(1,333)**	**–**	(119,746)	196,940	(77,194)	–
Transfers to Stage 3	**(14,693)**	**(12,200)**	**26,893**	**–**	(172,180)	(193,682)	365,862	–
Accounts charged off	**–**	**–**	**(694,970)**	**(694,970)**	–	–	–	–
Effect of collections and other movements	**(3,667,627)**	**54,870**	**(211,692)**	**(3,824,449)**	(7,212,621)	(659,286)	1,543,842	(6,328,065)
Ending Balance	**3,995,703**	**342,969**	**1,961,582**	**6,300,254**	6,432,116	159,012	2,747,777	9,338,905
Housing Loans								
Beginning Balance	**20,002,043**	**486,743**	**10,428,783**	**30,917,569**	15,883,951	1,257,045	7,971,308	25,112,304
Newly originated assets which remained in Stage 1 as at yearend	**1,992,738**	**–**	**–**	**1,992,738**	1,334,034	–	–	1,334,034
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**47,129**	**50,829**	**97,958**	–	52,555	28,779	81,334
Transfers to Stage 1	**2,075,863**	**(155,598)**	**(1,920,265)**	**–**	1,842,273	(438,646)	(1,403,627)	–
Transfers to Stage 2	**(417,363)**	**651,867**	**(234,504)**	**–**	(254,573)	380,851	(126,278)	–
Transfers to Stage 3	**(1,240,805)**	**(238,698)**	**1,479,503**	**–**	(1,803,489)	(519,103)	2,322,592	–
Effect of collections and other movements	**(3,526,363)**	**(118,344)**	**(774,535)**	**(4,419,242)**	2,999,847	(245,959)	1,636,009	4,389,897
Ending Balance	**18,886,113**	**673,099**	**9,029,811**	**28,589,023**	20,002,043	486,743	10,428,783	30,917,569
Auto Loans								
Beginning Balance	**5,868,366**	**162,915**	**2,733,492**	**8,764,773**	7,794,010	600,641	2,693,060	11,087,711
Newly originated assets which remained in Stage 1 at yearend	**1,746,814**	**–**	**–**	**1,746,814**	1,568,420	–	–	1,568,420
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**21,772**	**17,342**	**39,114**	–	15,431	26,153	41,584
Transfers to Stage 1	**343,352**	**(46,882)**	**(296,470)**	**–**	531,091	(257,287)	(273,804)	–
Transfers to Stage 2	**(121,463)**	**144,467**	**(23,004)**	**–**	(184,128)	222,315	(38,187)	–
Transfers to Stage 3	**(227,317)**	**(87,418)**	**314,735**	**–**	(722,315)	(273,436)	995,751	–
Accounts charged off	**–**	**–**	**(6,354)**	**(6,354)**	–	–	(9,133)	(9,133)

(Forward)

	Consolidated							
	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Effect of collections and other movements	(₱2,591,894)	(₱92,662)	(₱769,457)	(₱3,454,013)	(₱3,118,712)	(₱144,749)	(₱660,348)	(₱3,923,809)
Ending Balance	5,017,858	102,192	1,970,284	7,090,334	5,868,366	162,915	2,733,492	8,764,773
Other Loans								
Beginning Balance	7,321,531	367,134	1,165,984	8,854,649	15,054,993	1,531,084	5,340,142	21,926,219
Newly originated assets which remained in Stage 1 at yearend	3,478,963	–	–	3,478,963	2,883,321	–	–	2,883,321
Newly originated assets which moved to Stages 2 and 3 at yearend	–	969,907	27,777	997,684	–	20,323	236,874	257,197
Transfers to Stage 1	774,098	(43,098)	(731,000)	–	1,379,908	(552,924)	(826,984)	–
Transfers to Stage 2	(12,420)	181,997	(169,577)	–	(1,253,877)	1,419,173	(165,296)	–
Transfers to Stage 3	(1,057,002)	(2,473,557)	3,530,559	–	(642,400)	(183,343)	825,743	–
Accounts charged off	–	–	(12,647)	(12,647)	–	–	(20,328)	(20,328)
Effect of collections and other movements	(1,373,244)	2,544,541	(1,834,996)	(663,699)	(10,100,414)	(1,867,179)	(4,224,167)	(16,191,760)
Ending Balance	9,131,926	1,546,924	1,976,100	12,654,950	7,321,531	367,134	1,165,984	8,854,649
Other Receivables								
Beginning 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
Newly originated assets which remained in Stage 1 at yearend	714,679	–	–	714,679	(11,596)	–	–	(11,596)
Newly originated assets which moved to Stages 2 and 3 at yearend	–	52,632	35,331	87,963	–	21,867	19,079	40,946
Transfers to Stage 1	14,435	(5,955)	(8,480)	–	53,294	(45,655)	(7,639)	–
Transfers to Stage 2	(162,383)	270,582	(108,199)	–	(39,576)	448,866	(409,290)	–
Transfers to Stage 3	(16,131)	(50,442)	66,573	–	(39,376)	(97,570)	136,946	–
Accounts charged off	–	–	(8,626)	(8,626)	–	–	(9,287)	(9,287)
Loan settlement through dacion (Note 33)	–	–	(13,656)	(13,656)	–	–	–	–
Effect of collections and other movements	(91,186)	1,226,286	403,470	1,538,570	(199,803)	(114,102)	(631,776)	(945,681)
Ending Balance	15,069,109	289,229	3,828,316	19,186,654	14,609,695	(1,203,874)	3,461,903	16,867,724
Total Loans and Receivables								
Beginning 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
Newly originated assets which remained in Stage 1 at yearend	132,353,679	–	–	132,353,679	236,942,301	–	–	236,942,301
Newly originated assets which moved to Stages 2 and 3 at yearend	–	5,895,447	3,434,267	9,329,714	–	5,181,394	8,909,564	14,090,958
Transfers to Stage 1	5,460,983	(2,472,968)	(2,988,015)	–	15,382,575	(6,454,553)	(8,928,022)	–
Transfers to Stage 2	(26,208,547)	54,884,254	(28,675,707)	–	(9,636,745)	10,801,608	(1,164,863)	–
Transfers to Stage 3	(4,026,112)	(5,376,670)	9,402,782	–	(5,447,980)	(5,981,148)	11,429,128	–
Accounts charged off	–	–	(2,785,836)	(2,785,836)	–	–	(1,439,313)	(1,439,313)
Loan settlement through dacion (Note 33)	–	–	(5,972,562)	(5,972,562)	–	–	–	–
Sale of receivables (Note 26)	–	–	–	–	–	–	(5,478,200)	(5,478,200)
Effect of collections and other movements	(142,723,142)	(1,211,222)	(3,240,447)	(147,174,811)	(218,598,501)	(11,604,008)	(28,124)	(230,230,633)
Ending Balance	₱507,488,268	₱76,939,481	₱47,616,947	₱632,044,696	₱542,631,407	₱25,220,640	₱78,442,465	₱646,294,512

	Parent Company							
	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Corporate Loans								
Beginning 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
Newly originated assets which remained in Stage 1 at yearend	115,715,916	–	–	115,715,916	220,776,849	–	–	220,776,849
Newly originated assets which moved to Stages 2 and 3 at yearend	–	4,616,638	3,170,128	7,786,766	–	4,988,831	8,456,400	13,445,231
Transfers to Stage 1	2,181,944	(2,177,029)	(4,915)	–	11,276,501	(4,980,418)	(6,296,083)	–
Transfers to Stage 2	(25,259,322)	53,397,854	(28,138,532)	–	(7,469,151)	7,813,539	(344,388)	–
Transfers to Stage 3	(1,057,002)	(2,473,557)	3,530,559	–	(1,383,777)	(4,625,936)	6,009,713	–
Accounts charged off	–	–	(48,784)	(48,784)	–	–	(1,100)	(1,100)
Loan settlement through dacion (Note 33)	–	–	(5,958,906)	(5,958,906)	–	–	–	–
Sale of receivables (Note 26)	–	–	–	–	–	–	(5,478,200)	(5,478,200)
Effect of collections and other movements	(128,846,725)	(4,626,775)	1,144,160	(132,329,340)	(194,349,797)	(8,557,799)	2,371,315	(200,536,281)
Ending Balance	427,520,330	73,589,787	28,922,622	530,032,739	464,785,519	24,852,656	55,228,912	544,867,087
LGU								
Beginning Balance	4,216,332	46,154	57,227	4,319,713	6,390,022	7,450	24,916	6,422,388
Newly originated assets which remained in Stage 1 at yearend	35,962	–	–	35,962	108,593	–	–	108,593
Effect of collections and other movements	(1,499,080)	(10,834)	(569)	(1,510,483)	(2,282,283)	38,704	32,311	(2,211,268)
Ending Balance	2,753,214	35,320	56,658	2,845,192	4,216,332	46,154	57,227	4,319,713

(Forward)

	Parent Company							
	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Credit Cards								
Beginning Balance	₱10,468,937	₱269,413	₱2,418,595	₱13,156,945	₱9,198,867	₱199,627	₱3,132,075	₱12,530,569
Newly originated assets which remained in Stage 1 at yearend	998,216	–	–	998,216	992,672	–	–	992,672
Newly originated assets which moved to Stages 2 and 3 at yearend	–	39,134	20,775	59,909	–	28,877	21,120	49,997
Transfers to Stage 1	71,224	(61,373)	(9,851)	–	105,067	(60,241)	(44,826)	–
Transfers to Stage 2	(218,986)	219,544	(558)	–	(192,298)	196,528	(4,230)	–
Transfers to Stage 3	(309,359)	(40,798)	350,157	–	(684,443)	(88,078)	772,521	–
Accounts charged off	–	–	(2,014,455)	(2,014,455)	–	–	(1,399,465)	(1,399,465)
Effect of collections and other movements	2,147,359	(110,006)	144,713	2,182,066	1,049,072	(7,300)	(58,600)	983,172
Ending Balance	13,157,391	315,914	909,376	14,382,681	10,468,937	269,413	2,418,595	13,156,945
Retail SMEs								
Beginning Balance	5,193,066	53,425	1,157,488	6,403,979	7,334,196	313,830	1,175,641	8,823,667
Newly originated assets which remained in Stage 1 at yearend	1,238,487	–	–	1,238,487	2,829,299	–	–	2,829,299
Newly originated assets which moved to Stages 2 and 3 at yearend	–	118,816	34,130	152,946	–	35,119	79,327	114,446
Transfers to Stage 1	18,280	(1,246)	(17,034)	–	108,463	(70,731)	(37,732)	–
Transfers to Stage 2	(11,941)	13,274	(1,333)	–	(18,421)	30,420	(11,999)	–
Transfers to Stage 3	(12,020)	(11,609)	23,629	–	(135,027)	(173,631)	308,658	–
Effect of collections and other movements	(2,881,696)	144,889	(118,225)	(2,855,032)	(4,925,444)	(81,582)	(356,407)	(5,363,433)
Ending Balance	3,544,176	317,549	1,078,655	4,940,380	5,193,066	53,425	1,157,488	6,403,979
Housing Loans								
Beginning Balance	19,118,020	486,743	10,417,506	30,022,269	15,372,581	1,041,658	8,072,951	24,487,190
Transferred loans	–	–	–	–	–	–	–	–
Newly originated assets which remained in Stage 1 at yearend	1,898,095	–	–	1,898,095	1,222,996	–	–	1,222,996
Newly originated assets which moved to Stages 2 and 3 at yearend	–	17,655	50,829	68,484	–	52,555	28,779	81,334
Transfers to Stage 1	2,076,403	(156,138)	(1,920,265)	–	1,840,598	(438,646)	(1,401,952)	–
Transfers to Stage 2	(417,145)	651,867	(234,722)	–	(254,573)	380,851	(126,278)	–
Transfers to Stage 3	(1,196,361)	(238,698)	1,435,059	–	(1,798,685)	(519,103)	2,317,788	–
Effect of collections and other movements	(3,458,304)	(121,191)	(745,961)	(4,325,456)	2,735,103	(30,572)	1,526,218	4,230,749
Ending Balance	18,020,708	640,238	9,002,446	27,663,392	19,118,020	486,743	10,417,506	30,022,269
Auto Loans								
Beginning Balance	5,868,366	162,915	2,733,492	8,764,773	7,794,010	600,641	2,693,060	11,087,711
Transferred loans	–	–	–	–	–	–	–	–
Newly originated assets which remained in Stage 1 at yearend	1,746,814	–	–	1,746,814	1,568,420	–	–	1,568,420
Newly originated assets which moved to Stages 2 and 3 at yearend	–	21,772	17,342	39,114	–	15,431	26,153	41,584
Transfers to Stage 1	343,352	(46,882)	(296,470)	–	531,091	(257,287)	(273,804)	–
Transfers to Stage 2	(121,463)	144,467	(23,004)	–	(184,128)	222,315	(38,187)	–
Transfers to Stage 3	(227,317)	(87,418)	314,735	–	(722,315)	(273,436)	995,751	–
Accounts charged off	–	–	(6,354)	(6,354)	–	–	(9,133)	(9,133)
Effect of collections and other movements	(2,591,894)	(92,662)	(769,457)	(3,454,013)	(3,118,712)	(144,749)	(660,348)	(3,923,809)
Ending Balance	5,017,858	102,192	1,970,284	7,090,334	5,868,366	162,915	2,733,492	8,764,773
Other Loans								
Beginning Balance	5,855,851	367,134	1,152,059	7,375,044	13,385,322	1,531,084	5,326,698	20,243,104
Newly originated assets which remained in Stage 1 at yearend	3,478,963	–	–	3,478,963	2,883,091	–	–	2,883,091
Newly originated assets which moved to Stages 2 and 3 at yearend	–	969,907	27,777	997,684	–	20,323	236,874	257,197
Transfers to Stage 1	773,086	(43,098)	(729,988)	–	1,379,908	(552,924)	(826,984)	–
Transfers to Stage 2	(12,420)	181,997	(169,577)	–	(1,253,877)	1,419,173	(165,296)	–
Transfers to Stage 3	(1,057,002)	(2,473,557)	3,530,559	–	(642,400)	(183,343)	825,743	–
Accounts charged off	–	–	-	-	–	–	(20,328)	(20,328)
Effect of collections and other movements	1,051	2,544,541	(1,834,730)	710,862	(9,896,193)	(1,867,179)	(4,224,648)	(15,988,020)
Ending Balance	9,039,529	1,546,924	1,976,100	12,562,553	5,855,851	367,134	1,152,059	7,375,044
Other Receivables								
Beginning Balance	13,007,324	515,733	3,291,871	16,814,928	13,610,734	304,633	4,231,158	18,146,525
Newly originated assets which remained in Stage 1 at yearend	714,679	–	–	714,679	696,937	–	–	696,937
Newly originated assets which moved to Stages 2 and 3 as at year-end	–	52,632	35,331	87,963	–	21,867	17,538	39,405
Transfers to Stage 1	14,435	(5,955)	(8,480)	–	53,270	(45,648)	(7,622)	–
Transfers to Stage 2	(162,383)	270,582	(108,199)	–	(39,322)	448,612	(409,290)	–
Transfers to Stage 3	(16,131)	(50,442)	66,573	–	(39,357)	(97,570)	136,927	–
Accounts charged off	–	–	(8,626)	(8,626)	–	–	(9,287)	(9,287)

(Forward)

	Parent Company							
	2022				2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Loan settlement through dacion (Note 33)	**₱–**	**₱–**	**(₱13,656)**	**(₱13,656)**	₱–	₱–	₱–	₱–
Effect of collections and other movements	**421,713**	**(502,587)**	**409,171**	**328,297**	(1,274,938)	(116,161)	(667,553)	(2,058,652)
Ending Balance	**13,979,637**	**279,963**	**3,663,985**	**17,923,585**	13,007,324	515,733	3,291,871	16,814,928
Total Loans and Receivables								
Beginning 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
Transferred Loans	–	–	–	–	–	–	–	–
Newly originated assets which remained in Stage 1 at yearend	**125,827,132**	–	–	**125,827,132**	231,078,857	–	–	231,078,857
Newly originated assets which moved to Stages 2 and 3 as at year-end	–	**5,836,554**	**3,356,312**	**9,192,866**	–	5,163,003	8,866,191	14,029,194
Transfers to Stage 1	**5,478,724**	**(2,491,721)**	**(2,987,003)**	–	15,294,898	(6,405,895)	(8,889,003)	–
Transfers to Stage 2	**(26,203,660)**	**54,879,585**	**(28,675,925)**	–	(9,411,770)	10,511,438	(1,099,668)	–
Transfers to Stage 3	**(3,875,192)**	**(5,376,079)**	**9,251,271**	–	(5,406,004)	(5,961,097)	11,367,101	–
Accounts charged off	–	–	**(2,078,219)**	**(2,078,219)**	–	–	(1,439,313)	(1,439,313)
Loan settlement through dacion (Note 33)	–	–	**(5,972,562)**	**(5,972,562)**	–	–	–	–
Sale of receivables (Note 26)	–	–	–	–	–	–	(5,478,200)	(5,478,200)
Effect of collections and other movements	**(136,707,576)**	**(2,774,625)**	**(1,770,898)**	**(141,253,099)**	(212,063,192)	(10,766,638)	(2,037,712)	(224,867,542)
Ending Balance	**₱493,032,843**	**₱76,827,887**	**₱47,580,126**	**₱617,440,856**	₱528,513,415	₱26,754,173	₱76,457,150	₱631,724,738

17. Deposit Liabilities

17.1 Regulatory Reserve Requirements

As of December 31, 2022 and 2021, non-FCDU deposit liabilities are subject to reserves equivalent to 12.00% while peso-denominated LTNCDs are subject to reserves equivalent to 4.00%.

Available reserves booked under 'Due from BSP' amounted to ₱74.7 billion and ₱81.3 billion as of December 31, 2022 and 2021, respectively (refer to Note 7).

17.2 Information on LTNCDs

LTNCDs issued by the Parent Company consist of:

Issue Date	**Maturity Date**	**Face Value**	**Coupon Rate**	**Interest Repayment Terms**	**Carrying Value** 2022	**Carrying Value** 2021
October 11, 2019	April 11, 2025	₱4,600,000	4.38%	Quarterly	**₱4,584,136**	₱4,578,946
February 27, 2019	August 27, 2024	8,220,000	5.75%	Quarterly	**8,198,193**	8,187,523
October 26, 2017	April 26, 2023	6,350,000	3.88%	Quarterly	**6,347,683**	6,339,910
April 27, 2017	October 27, 2022	3,765,000	3.75%	Quarterly	–	3,761,261
December 6, 2016	June 6, 2022	5,380,000	3.25%	Quarterly	–	5,377,750
		₱28,315,000			**₱19,130,012**	₱28,245,390

17.3 Interest Expense on Deposit Liabilities

This account consists of:

	Consolidated			Parent Company		
	2022	2021	2020	**2022**	2021	2020
Time	**₱2,437,557**	₱1,411,973	₱2,852,325	**₱2,434,206**	₱1,411,974	₱2,852,325
Savings	**1,589,891**	1,942,687	2,930,115	**1,605,241**	2,014,705	2,778,153
LTNCDs	**1,140,954**	1,269,356	1,429,301	**1,140,954**	1,269,356	1,429,301
Demand	**203,265**	189,750	167,277	**202,752**	189,750	167,277
	₱5,371,667	₱4,813,766	₱7,379,018	**₱5,383,153**	₱4,885,785	₱7,227,056

As of December 31, 2022 and 2021, noninterest-bearing deposit liabilities amounted to ₱27.8 billion and ₱28.6 billion, respectively, for the Group, and ₱27.7 billion and ₱28.5 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		
	2022	2021	2020	**2022**	2021	2020
Peso-denominated	**0.10% - 6.12%**	0.10% - 6.75%	0.10% - 10.00%	**0.10% - 6.12%**	0.10% - 5.00%	0.10% - 10.00%
Foreign currency-denominated	**0.00% - 5.50%**	0.01% - 3.00%	0.01% - 4.75%	**0.00% - 5.50%**	0.01% - 3.00%	0.01% - 4.75%

In 2022, 2021 and 2020, interest expense on LTNCDs for both the Group and the Parent Company includes amortization of transaction costs amounting to ₱29.6 million, ₱33.4 million and ₱59.9 million, respectively. Unamortized transaction costs of the LTNCDs amounted to ₱40.0 million and ₱69.6 million as of December 31, 2022 and 2021, respectively.

18. Financial Liabilities at Fair Value Through Profit or Loss

As of December 31, 2022 and 2021, this account consists of currency forwards with negative fair values amounting to ₱1.0 billion and ₱891.5 million, respectively, for the Group, and ₱1.0 billion and ₱891.3 million, respectively, for the Parent Company (refer to Notes 23 and 35).

19. Bills and Acceptances Payable

19.1 Information on Bills and Acceptances Payable

This account consists of:

	Consolidated		Parent Company	
	2022	2021	**2022**	2021
Bills payable to:				
Foreign banks	**₱6,665,834**	₱8,263,434	**₱6,609,593**	₱7,849,009
BSP and local banks (Note 33)	**1,036,491**	37,482,381	**395**	36,154,113
Others	–	98,086	–	–
	7,702,325	45,843,901	**6,609,988**	44,003,122
Acceptances outstanding (Note 10)	**7,278,048**	7,109,896	**7,278,047**	7,109,896
	₱14,980,373	₱52,953,797	**₱13,888,035**	₱51,113,018

As of December 31, 2022 and 2021, bills payable with a carrying amount of ₱6.6 billion and ₱38.5 billion are secured by a pledge of financial assets at FVOCI with fair values of ₱2.5 billion and ₱32.8 billion, respectively, and investment securities at amortized cost with carrying values of ₱5.5 billion and ₱5.3 billion, respectively, and fair values of ₱5.5 billion and ₱5.6 billion, respectively (refer to Notes 9.2 and 9.3).

19.2 Interest Expense on Bills Payable and Other Borrowings

This account consists of:

	Consolidated			Parent Company		
	2022	2021	2020	**2022**	2021	2020
Continuing operations:						
Bills payable	**₱229,600**	₱391,404	₱663,567	**₱163,385**	₱315,097	₱482,810
Lease liabilities (Note 29)	**171,885**	112,591	120,675	**170,692**	107,052	120,181
Others	**32,488**	7,926	62,198	**29,467**	2,931	34,487
	433,973	511,921	846,440	**363,544**	425,080	637,478
Discontinued operations (Note 36):						
Lease liabilities	–	3,528	2,900	–	–	–
	₱433,973	₱515,449	₱849,340	**₱363,544**	₱425,080	₱637,478

Bills payable of the Group and the Parent Company earn annual fixed interest rates ranging from:

	Consolidated			Parent Company		
	2022	2021	2020	**2022**	2021	2020
Peso-denominated	**1.9%- 5.5%**	1.0% - 2.0%	4.0% - 6.5%	**1.9%- 5.5%**	1.0% - 2.0%	4.0% - 6.5%
Foreign currency-denominated	**0.3%- 4.3%**	0.1% - 1.2%	0.1% - 4.4%	**0.3%- 4.3%**	0.1% -1.2 %	0.1% - 4.4%

20. Accrued Taxes, Interest and Other Expenses

This account consists of:

	Consolidated		Parent Company	
	2022	2021	**2022**	2021
Accrued taxes and other expenses	**₱8,131,353**	₱7,106,616	**₱7,523,206**	₱6,865,474
Accrued interest (Note 33)	**986,040**	659,034	**964,494**	638,907
	₱9,117,393	₱7,765,650	**₱8,487,700**	₱7,504,381

Accrued taxes and other expenses consist of:

	Consolidated		Parent Company	
	2022	2021	**2022**	2021
Financial liabilities:				
Promotional expenses	**₱1,354,700**	₱802,454	**₱1,354,700**	₱802,454
Information technology-related expenses	**583,844**	541,510	**583,844**	541,510
Rent and utilities payable	**501,319**	362,868	**494,591**	359,805
Management, directors and other professional fees	**262,753**	285,648	**236,466**	263,133
Repairs and maintenance	**160,350**	85,128	**159,976**	83,762
	2,862,966	2,077,608	**2,829,577**	2,050,664
Nonfinancial liabilities:				
Monetary value of leave credits	**1,532,890**	1,920,153	**1,490,640**	1,878,856
PDIC insurance premiums	**879,310**	970,140	**863,832**	954,662
Other taxes and licenses	**854,359**	477,917	**724,002**	428,290
Employee benefits	**583,136**	443,886	**561,179**	421,505
Other expenses	**1,418,692**	1,216,912	**1,053,976**	1,131,497
	5,268,387	5,029,008	**4,693,629**	4,814,810
	₱8,131,353	₱7,106,616	**₱7,523,206**	₱6,865,474

'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 2022	Carrying Value 2021
Fixed rate medium term senior notes						
June 27, 2019	September 27, 2024	USD750,000	3.28%	Semi-annually	**₱41,722,415**	₱38,117,754
April 26, 2018	April 27, 2023	300,000	4.25%	Semi-annually	**16,716,682**	15,265,667
		USD1,050,000			**₱58,439,097**	₱53,383,421

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. As of December 31, 2022 and 2021, the unamortized transaction costs of bonds payable amounted to ₱92.8 million and ₱168.7 million, respectively. In 2022 and 2021, amortization of transaction costs amounting to ₱75.9 million and ₱83.5 million, were charged to 'Interest expense on bonds payable' in the statements of income.

22. Other Liabilities

This account consists of:

	Consolidated		Parent Company	
	2022	2021	**2022**	2021
Financial				
Accounts payable	**₱5,036,170**	₱4,724,720	**₱4,564,107**	₱4,285,545
Dormant credits	**1,591,380**	1,303,713	**1,553,892**	1,272,553
Manager's checks and demand drafts outstanding	**1,548,448**	1,256,121	**1,548,448**	1,256,121
Bills purchased - contra (Note 10)	**877,767**	1,053,517	**877,767**	1,053,517
Accounts payable - electronic money	**315,290**	408,858	**315,290**	408,858
Due to other banks (Note 33)	**276,770**	154,949	**82,132**	52,198
Margin deposits and cash letters of credit	**224,033**	325,829	**211,196**	314,326
Payment order payable	**220,949**	196,718	**220,949**	196,206
Deposits on lease contracts	**75,129**	593,903	**30,364**	53,774
Transmission liability	**40,280**	58,308	**–**	–
Deposit for keys on safety deposit boxes	**16,167**	16,742	**16,167**	16,742
	10,222,383	10,093,378	**9,420,312**	8,909,840
Nonfinancial				
Provisions (Notes 12 and 34)	**1,107,015**	1,095,325	**1,367,067**	685,230
Due to Treasurer of the Philippines	**891,709**	882,769	**891,709**	882,769
Deferred revenue - Credit card-related	**646,361**	548,630	**646,361**	548,630
Deferred revenue - Bancassurance (Note 12)	**500,474**	573,674	**500,474**	573,674
Retirement benefit liability (Note 28)	**384,838**	926,259	**382,449**	923,116
Withholding tax payable	**310,530**	309,897	**309,363**	304,039
Deferred tax liabilities (Note 30)	**165,721**	165,228	**–**	–
SSS, Philhealth, Employer's compensation premiums and Pag-IBIG contributions payable	**48,081**	43,359	**47,797**	42,989
Miscellaneous	**1,550,528**	1,081,353	**528,273**	642,564
	5,605,257	5,626,494	**4,673,493**	4,603,011
	₱15,827,640	₱15,719,872	**₱14,093,805**	₱13,512,851

'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 (refer to Note 12.7). In 2022 and 2021, amortization of other deferred revenue amounting to ₱73.2 million were recognized under 'Service fees and commission income' (refer to Note 26.1).

'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' (refer to Note 9.1) or 'Financial liabilities at FVTPL' (refer to 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, 2022 and 2021 and are not indicative of either market risk or credit risk (amounts in thousands, except average forward rate).

	Consolidated			
	2022			
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
Currency forwards and spots:				
BUY:				
USD	₱749,512	₱760,764	55.76	₱1,539,816
SGD	303	–	0.74	7
EUR	243	57,543	1.06	72,318
HKD	172	–	0.13	24
SELL:				
USD	604,222	65	55.76	644,843
EUR	3,803	70,519	1.06	62,040
GBP	2,765	–	1.20	2,000
NZD	319	–	0.63	400
JPY	216	11,911	0.01	534,700
PHP	200	138,260	1.00	2,743,406
HKD	187	236	0.13	321,189
AUD	9	55	0.67	700
SGD	–	348	0.74	1,700
CAD	–	75	0.73	1,700
	₱1,361,951	₱1,039,776		

The notional amounts and average forward rates pertain to original currencies.

	Consolidated			
	2021			
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
Currency forwards and spots:				
BUY:				
USD	₱1,355,660	₱274	51.00	₱3,861,673
GBP	47	16	1.35	6,325
SGD	31	–	0.74	1
EUR	6	5	1.13	12,645
PHP	–	1,544	1.00	1,788,750

(Forward)

	Consolidated			
	2021			
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
SELL:				
JPY	₱6,124	₱9	0.01	1,080,000
HKD	1,714	108	0.13	2,217,580
USD	990	887,819	51.00	1,374,345
PHP	290	8	1.00	509,708
CAD	141	11	0.78	2,125
GBP	30	884	1.35	8,500
SGD	16	436	0.74	1,400
EUR	2	153	1.13	19,443
AUD	–	228	0.72	500
NZD	–	36	0.68	400
	₱1,365,051	₱891,531		

The notional amounts and average forward rates pertain to original currencies.

	Parent Company			
	2022			
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
Currency forwards and spots:				
BUY:				
USD	₱748,234	₱760,764	55.76	₱1,225,921
SGD	303	–	0.74	7
EUR	–	57,543	1.06	67,540
SELL:				
USD	603,979	65	55.76	640,066
EUR	3,803	70,519	1.06	62,040
GBP	2,765	–	1.20	2,000
NZD	319	–	0.63	400
JPY	216	11,911	0.01	534,700
PHP	200	138,260	1.00	2,743,406
AUD	9	55	0.67	700
SGD	–	348	0.74	1,700
HKD	–	236	0.13	5,000
CAD	–	75	0.73	1,700
	₱1,359,828	₱1,039,776		

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
GBP	47	16	1.35	6,325
EUR	2	–	1.13	50
SGD	31	–	0.74	1
PHP	–	1,544	1.00	1,788,750
SELL:				
JPY	6,124	9	0.01	1,080,000
USD	986	887,816	51.00	1,361,750
PHP	290	8	1.00	509,708
HKD	214	26	0.13	24,700
CAD	141	11	0.78	2,125
GBP	30	884	1.35	8,500
SGD	16	436	0.74	1,400
AUD	–	228	0.72	500
EUR	–	147	1.13	3,500
NZD	–	36	0.68	400
	₱1,362,041	₱891,346		

The notional amounts and average forward rates pertain to original currencies.

The rollforward analysis of net derivative assets (liabilities) in 2022 and 2021 follows:

	Consolidated		Parent Company	
	2022	2021	**2022**	2021
Balance at the beginning of the 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)
Changes in fair value				
Currency forwards and spots*	**(147,028)**	805,748	**(147,028)**	806,069
Interest rate swaps and warrants**	**–**	(23,472)	**–**	(23,472)
	(147,028)	782,276	**(147,028)**	782,597
Net availments (settlements)	**(4,317)**	21,830	**(3,615)**	23,342
Balance at end of year:				
Derivative assets	**₱1,361,951**	₱1,365,051	**₱1,359,828**	₱1,362,041
Derivative liabilities	**1,039,776**	891,531	**1,039,776**	891,346
	₱322,175	₱473,520	**₱320,052**	₱470,695

* *Presented as part of 'Foreign exchange gains - net'*
** *Recorded under 'Trading and investment securities gains - net' (refer to Note 9.5)*

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					
	2022			2021		
	Less than Twelve Months	**Over Twelve Months**	**Total**	Less than Twelve Months	Over Twelve Months	Total
Financial Assets						
Cash and other cash items	**₱22,217,915**	**₱–**	**₱22,217,915**	₱27,552,773	₱–	₱27,552,773
Due from BSP	**94,701,360**	**–**	**94,701,360**	161,001,912	–	161,001,912
Due from other banks	**26,020,081**	**–**	**26,020,081**	27,232,676	–	27,232,676
Interbank loans receivable (Note 8)	**16,291,470**	**–**	**16,291,470**	32,112,667	–	32,112,667
Securities held under agreements to resell (Note 8)	**64,526,051**	**–**	**64,526,051**	15,800,317	–	15,800,317
Financial assets at FVTPL (Note 9)	**7,347,201**	**–**	**7,347,201**	11,167,657	–	11,167,657
Financial assets at FVOCI (Note 9)	**86,697,820**	**71,485,705**	**158,183,525**	75,692,741	92,294,549	167,987,290
Investment securities at amortized cost (Note 9)	**35,359,598**	**78,956,212**	**114,315,810**	45,931,953	47,346,056	93,278,009
Loans and receivables (Note 10)	**225,461,251**	**407,109,088**	**632,570,339**	200,773,178	445,914,712	646,687,890
Other assets (Note 15)	**51,331**	**19,000**	**70,331**	136,324	13,698	150,022
	578,674,078	**557,570,005**	**1,136,244,083**	597,402,198	585,569,015	1,182,971,213
Nonfinancial Assets						
Property and equipment (Note 11)	**–**	**25,882,025**	**25,882,025**	–	25,846,442	25,846,442
Investment in an associate (Note 12)	**–**	**2,688,764**	**2,688,764**	–	2,468,107	2,468,107
Investment properties (Note 13)	**–**	**17,808,697**	**17,808,697**	–	14,658,030	14,658,030
Deferred tax assets (Note 30)	**–**	**6,616,902**	**6,616,902**	–	6,405,505	6,405,505
Goodwill (Note 14)	**–**	**11,221,410**	**11,221,410**	–	13,375,407	13,375,407
Intangible assets (Note 14)	**–**	**7,770,695**	**7,770,695**	–	6,995,365	6,995,365
Residual value of leased assets (Note 10)	**107,634**	**122,772**	**230,406**	505,784	219,082	724,866
Other assets (Note 15)	**2,945,525**	**2,181,506**	**5,127,031**	4,041,342	1,685,772	5,727,114
	3,053,159	**74,292,771**	**77,345,930**	4,547,126	71,653,710	76,200,836
Less: Allowance for impairment and credit losses (Note 16)			**47,192,482**			49,780,665
Unearned and other deferred income (Note 10)			**756,049**			1,118,244
Accumulated depreciation and amortization (Notes 11, 13 and 14)			**20,484,406**			17,488,478
			₱1,145,157,076			₱1,190,784,662

(Forward)

	Consolidated					
	2022			2021		
	Less than Twelve Months	**Over Twelve Months**	**Total**	Less than Twelve Months	Over Twelve Months	Total
Financial Liabilities						
Deposit liabilities (Note 17)	**₱850,430,921**	**₱20,796,800**	**₱871,227,721**	₱856,415,554	₱38,508,755	₱894,924,309
Financial liabilities at FVTPL (Note 18)	**1,039,776**	**–**	**1,039,776**	891,531	–	891,531
Bills and acceptances payable (Note 19)	**11,867,176**	**3,113,197**	**14,980,373**	49,780,354	3,173,443	52,953,797
Accrued interest payable (Note 20)	**980,446**	**5,594**	**986,040**	657,063	1,971	659,034
Accrued other expenses payable (Note 20)	**2,384,652**	**478,314**	**2,862,966**	1,657,913	419,695	2,077,608
Bonds payable (Note 21)	**16,716,682**	**41,722,415**	**58,439,097**	–	53,383,421	53,383,421
Other liabilities (Note 22)	**8,437,866**	**1,784,517**	**10,222,383**	7,704,872	2,388,506	10,093,378
	891,857,519	**67,900,837**	**959,758,356**	917,107,287	97,875,791	1,014,983,078
Nonfinancial Liabilities						
Lease liabilities (Note 29)	**709,214**	**2,927,177**	**3,636,391**	2,698,373	1,067,018	3,765,391
Accrued taxes and other expenses (Note 20)	**3,069,330**	**2,199,057**	**5,268,387**	2,288,247	2,740,761	5,029,008
Income tax payable	**983,051**	**–**	**983,051**	157,735	–	157,735
Other liabilities (Note 22)	**2,727,209**	**2,878,048**	**5,605,257**	2,564,240	3,062,254	5,626,494
	7,488,804	**8,004,282**	**15,493,086**	7,708,595	6,870,033	14,578,628
	₱899,346,323	**₱75,905,119**	**₱975,251,442**	₱924,815,882	₱104,745,824	₱1,029,561,706

	Parent Company					
	2022			2021		
	Less than Twelve Months	**Over Twelve Months**	**Total**	Less than Twelve Months	Over Twelve Months	Total
Financial Assets						
Cash and other cash items	**₱22,103,095**	**₱–**	**₱22,103,095**	₱27,454,459	₱–	₱27,454,459
Due from BSP	**94,701,360**	**–**	**94,701,360**	161,001,912	–	161,001,912
Due from other banks	**17,609,247**	**–**	**17,609,247**	19,333,873	–	19,333,873
Interbank loans receivable (Note 8)	**14,736,112**	**–**	**14,736,112**	30,302,334	–	30,302,334
Securities held under agreements to resell (Note 8)	**64,526,051**	**–**	**64,526,051**	15,800,317	–	15,800,317
Financial assets at FVTPL (Note 9)	**7,195,685**	**–**	**7,195,685**	11,010,278	–	11,010,278
Financial assets at FVOCI (Note 9)	**86,716,076**	**70,489,831**	**157,205,907**	75,706,122	91,840,228	167,546,350
Investment securities at amortized cost (Note 9)	**35,359,598**	**78,816,930**	**114,176,528**	45,814,197	47,335,863	93,150,060
Loans and receivables (Note 10)	**214,331,618**	**403,721,820**	**618,053,438**	193,490,020	439,091,126	632,581,146
Other assets (Note 15)	**49,981**	**1,479**	**51,460**	134,840	1,502	136,342
	557,328,823	**553,030,060**	**1,110,358,883**	580,048,352	578,268,719	1,158,317,071
Nonfinancial Assets						
Property and equipment (Note 11)	**–**	**23,667,261**	**23,667,261**	–	23,444,821	23,444,821
Investment in subsidiaries and an associate (Note 12)	**–**	**20,384,104**	**20,384,104**	–	27,275,451	27,275,451
Investment properties (Note 13)	**–**	**17,104,160**	**17,104,160**	–	13,949,148	13,949,148
Deferred tax assets (Note 30)	**–**	**6,574,190**	**6,574,190**	–	6,271,578	6,271,578
Goodwill (Note 14)	**–**	**11,361,768**	**11,361,768**	–	13,515,765	13,515,765
Intangible assets (Note 14)	**–**	**8,712,778**	**8,712,778**	–	7,969,658	7,969,658
Other assets (Note 15)	**2,328,923**	**2,043,660**	**4,372,583**	3,761,622	1,673,606	5,435,228
	2,328,923	**89,847,921**	**92,176,844**	3,761,622	94,100,027	97,861,649
Less: Allowance for impairment and credit losses (Note 16)			**47,652,020**			49,612,865
Unearned and other deferred income (Note 10)			**612,582**			856,408
Accumulated amortization and depreciation (Notes 11, 13 and 14)			**20,526,875**			17,698,795
			₱1,133,744,250			₱1,188,010,652
Financial Liabilities						
Deposit liabilities (Note 17)	**₱846,551,824**	**₱20,078,556**	**₱866,630,380**	₱861,706,050	₱37,819,145	₱899,525,195
Financial liabilities at FVTPL (Note 18)	**1,039,776**	**–**	**1,039,776**	891,346	–	891,346
Bills and acceptances payable (Note 19)	**10,818,915**	**3,069,120**	**13,888,035**	48,305,700	2,807,318	51,113,018
Accrued interest payable (Note 20)	**964,494**	**–**	**964,494**	638,907	–	638,907
Accrued other expenses payable (Note 20)	**2,351,263**	**478,314**	**2,829,577**	1,630,969	419,695	2,050,664

(Forward)

	Parent Company					
	2022			2021		
	Less than Twelve Months	**Over Twelve Months**	**Total**	Less than Twelve Months	Over Twelve Months	Total
Bonds payable (Note 21)	**₱16,716,682**	**₱41,722,415**	**₱58,439,097**	₱–	₱53,383,421	₱53,383,421
Other liabilities (Note 22)	**7,666,525**	**1,753,787**	**9,420,312**	6,909,027	2,000,813	8,909,840
	886,109,479	**67,102,192**	**953,211,671**	920,081,999	96,430,392	1,016,512,391
Nonfinancial Liabilities						
Lease liabilities (Note 29)	**676,900**	**2,927,177**	**3,604,077**	2,686,906	1,011,504	3,698,410
Accrued taxes and other expenses (Note 20)	**2,507,506**	**2,186,123**	**4,693,629**	2,086,159	2,728,651	4,814,810
Income tax payable	**916,235**	**–**	**916,235**	89,328	–	89,328
Other liabilities (Note 22)	**1,531,794**	**3,141,699**	**4,673,493**	1,538,221	3,064,790	4,603,011
	5,632,435	**8,254,999**	**13,887,434**	6,400,614	6,804,945	13,205,559
	₱891,741,914	**₱75,357,191**	**₱967,099,105**	₱926,482,613	₱103,235,337	₱1,029,717,950

25. Equity

25.1 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, 2022 and 2021, the Parent Company had 36,192 and 36,286 stockholders, respectively.

On July 22, 2019, the Parent Company successfully completed its Stock Rights Offering (SRO) of 276,625,172 common shares with a par value of ₱40.0 per share at a price of ₱43.38 each, raising gross proceeds of ₱12.0 billion. Out of the total transaction costs from the SRO, underwriting fees amounting to ₱10.0 million paid to PNB Capital, being one of the joint lead managers, was eliminated against 'Capital Paid in Excess of Par Value' in the consolidated financial statements.

25.2 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, 2022 and 2021, 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

25.3 Surplus Reserves

This account consists of:

	2022	2021
Reserves under BSP Circular 1011 (Note 10)	**₱4,218,928**	₱4,461,857
Reserves for trust business (Note 32)	**630,314**	605,583
Reserves for self-insurance	**80,000**	80,000
	₱4,929,242	₱5,147,440

'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.

25.4 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.

25.5 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 and 2020, the Parent Company awarded 306 thousand and 316 thousand, respectively, centennial bonus shares and applied the settlement of the awards against 'Other equity reserves' amounting to ₱29.0 million and ₱6.4 million, respectively.

25.6 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.

25.6.1 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, 2022 and 2021, CAR reported to the BSP with certain adjustments is shown in the table below (amounts, except ratios, are expressed in millions):

	2022		2021	
Consolidated	**Actual**	**Required**	Actual	Required
CET1 Capital (Gross)	**₱158,834**		₱152,857	
Less: Regulatory Adjustments to CET 1	**48,221**		48,541	
CET1 Capital (Net) / Tier 1 Capital	**110,613**		104,316	
Add: Tier 2 Capital	**6,109**		5,634	
Total qualifying capital	**₱116,722**	**₱75,873**	₱109,950	₱80,490
Total risk-weighted assets	**₱758,730**		₱804,903	
Tier 1 capital ratio	**14.58%**		12.96%	
Total capital ratio	**15.38%**		13.66%	

	2022		2021	
Parent Company	**Actual**	**Required**	Actual	Required
CET1 Capital (Gross)	**₱154,537**		₱149,117	
Less: Regulatory Adjustments to CET 1	**61,587**		61,982	
CET1 Capital (Net) / Tier 1 Capital	**92,950**		87,135	
Add: Tier 2 Capital	**5,878**		5,442	
Total qualifying capital	**₱98,828**	**₱73,356**	₱92,577	₱79,135
Total risk-weighted assets	**₱733,556**		₱791,349	
Tier 1 capital ratio	**12.67%**		11.01%	
Total capital ratio	**13.47%**		11.70%	

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.

25.6.2 BSP Reporting for Basel III Leverage Ratio

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, 2022 and 2021, BLR reported to the BSP with certain adjustments is shown in the table below (amounts, except ratios, are expressed in millions):

	Consolidated		**Parent Company**	
	2022	2021	**2022**	2021
Tier 1 capital	**₱110,613**	₱104,316	**₱92,950**	₱87,135
Total exposure measure	**1,176,190**	1,189,481	**1,150,463**	1,171,530
BLR	**9.40%**	8.77%	**8.08%**	7.44%

BLR is computed based on RAP.

26. Other Operating Income

26.1 Service Fees and Commission Income

This account consists of:

	Consolidated			Parent Company		
	2022	2021	2020	**2022**	2021	2020
Continuing operations:						
Deposit-related	**₱1,585,441**	₱1,326,692	₱1,058,033	**₱1,585,441**	₱1,326,692	₱1,054,359
Loan-related	**1,122,258**	1,432,909	1,072,459	**1,114,379**	1,425,149	1,124,608
Underwriting fees	**1,032,640**	511,032	227,494	**–**	–	–
Bancassurance (Note 22)	**873,039**	495,512	206,686	**873,039**	495,512	206,686
Remittance (Note 33)	**680,875**	652,262	646,494	**357,161**	351,392	340,364
Credit card-related	**669,862**	697,962	622,302	**669,862**	697,962	622,302
Interchange fees	**458,456**	383,271	329,059	**458,456**	383,271	329,059
Trust fees (Note 32)	**317,782**	319,422	314,851	**317,782**	319,422	314,851
Miscellaneous	**257,256**	521,264	207,194	**187,249**	311,329	142,290
	6,997,609	6,340,326	4,684,572	**5,563,369**	5,310,729	4,134,519
Discontinued operations:						
Miscellaneous (Note 36)	**–**	110	19,718	**–**	–	–
	₱6,997,609	₱6,340,436	₱4,704,290	**₱5,563,369**	₱5,310,729	₱4,134,519

'Credit card-related fees' and 'Interchange fees' were generated from the credit card business of the Parent Company.

'Miscellaneous' includes income from securities brokering activities and other fees and commission.

26.2 Net Gains on Sale or Exchange of Assets

This account consists of:

	Consolidated			Parent Company		
	2022	2021	2020	**2022**	2021	2020
Net gains from sale of investment properties	**₱5,703,909**	₱15,192	₱11,775	**₱5,701,642**	₱8,268	₱11,806
Net gains from foreclosure and repossession of investment properties	**1,751,739**	138,697	72,109	**1,751,739**	138,697	13,209
Net gains from sale of other assets	**241,807**	52,206	–	**241,807**	60,880	–
Net gains from sale of receivables	**42,786**	766,968	104,181	**42,786**	766,968	104,181
Net gains (losses) from sale of property and equipment (Note 11)	**34,913**	8,399	7,777	**32,027**	(789)	1,297
	₱7,775,154	₱981,462	₱195,842	**₱7,770,001**	₱974,024	₱130,493

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 from sale of receivables of ₱767.0 million.

27. Miscellaneous Income and Expenses

27.1 Miscellaneous Income

This account consists of:

	Consolidated			Parent Company		
	2022	2021	2020	**2022**	2021	2020
Continuing operations:						
Recoveries	**₱303,435**	₱85,164	₱33,000	**₱221,253**	₱84,463	₱24,685
Rental income (Notes 29 and 33)	**275,865**	513,904	680,332	**47,345**	211,775	383,733
Miscellaneous - Loan-related	**205,253**	25,763	29,224	**205,253**	25,763	29,224
Income from assets acquired	**95,736**	183,173	258,708	**95,736**	183,173	253,128
Dividends	**51,211**	63,608	86,139	**11,139**	23,584	45,811
Miscellaneous - Credit card-related	**12,605**	15,912	8,812	**12,605**	15,912	8,812
Referral fees	**3,301**	2,491	3,188	**–**	–	–
Miscellaneous - Trade-related	**351**	188	17,055	**351**	188	17,055
Others	**188,935**	179,844	128,241	**127,751**	214,968	144,304
	1,136,692	1,070,047	1,244,699	**721,433**	759,826	906,752
Discontinued operations (Note 36):						
Rental income	**–**	375,556	–	**–**	–	–
Others	**–**	111,401	243,860	**–**	–	–
	–	486,957	243,860	**–**	–	–
	₱1,136,692	₱1,557,004	₱1,488,559	**₱721,433**	₱759,826	₱906,752

'Others' consist of income from wire transfers, tellers' overages, and penalty payments received by the Group which are related to loan accounts.

27.2 Miscellaneous Expenses

This account consists of:

	Consolidated			Parent Company		
	2022	2021	2020	**2022**	2021	2020
Continuing operations:						
Secretarial, janitorial and messengerial	**₱1,790,422**	₱1,682,794	₱1,631,137	**₱1,779,543**	₱1,669,906	₱1,605,223
Insurance	**1,778,214**	1,997,478	1,833,686	**1,763,300**	1,983,103	1,787,331
Information technology	**1,193,975**	1,304,930	1,448,623	**1,165,865**	1,283,294	1,431,600
Marketing expenses	**1,070,147**	719,070	737,110	**1,063,239**	713,832	732,788
Litigation and assets acquired expenses (Note 13)	**373,740**	395,386	248,302	**373,549**	394,534	243,489
Travelling	**339,868**	284,484	289,765	**333,898**	280,090	282,758
Management and other professional fees	**279,363**	294,090	363,710	**220,880**	245,853	291,457
Stationery and supplies	**269,669**	269,813	265,226	**260,333**	261,679	255,914
Common use service area (CUSA) charges (Note 33)	**188,770**	–	–	**188,770**	–	–
Postage, telephone and cable	**156,800**	151,560	163,160	**127,895**	124,270	125,244
Entertainment, amusement and recreation (EAR) (Note 30)	**154,987**	189,098	147,421	**145,423**	181,251	137,152
Value-added tax on leases	**141,988**	88,116	–	**141,988**	88,116	–
Repairs and maintenance	**79,303**	70,375	62,161	**79,303**	70,375	62,161
Freight	**41,599**	42,418	30,973	**41,547**	42,320	29,428
Fuel and lubricants	**16,301**	14,172	14,157	**13,751**	11,477	10,931
Loss on loan modifications	**–**	–	1,587,605	**–**	–	1,587,605
Others (Note 33)	**176,796**	698,971	190,403	**111,146**	624,455	54,893
	8,051,942	8,202,755	9,013,439	**7,810,430**	7,974,555	8,637,974

(Forward)

	Consolidated			Parent Company		
	2022	2021	2020	**2022**	2021	2020
Discontinued operations:						
Management and other professional fees (Note 33)	**₱–**	₱109,776	₱1,843	**₱–**	₱–	₱–
Insurance	**–**	10,363	457	**–**	–	–
Information technology	**–**	2,906	6,918	**–**	–	–
Marketing expenses	**–**	2,236	8,514	**–**	–	–
Secretarial, janitorial and messengerial	**–**	1,620	6,015	**–**	–	–
Postage, telephone and cable	**–**	751	3,232	**–**	–	–
Travelling	**–**	508	2,390	**–**	–	–
Stationery and supplies	**–**	449	2,090	**–**	–	–
Fuel and lubricants	**–**	411	2,327	**–**	–	–
EAR	**–**	142	2,575	**–**	–	–
Others	**–**	2,832	8,649	**–**	–	–
	–	131,994	45,010	**–**	–	–
	₱8,051,942	₱8,334,749	₱9,058,449	**₱7,810,430**	₱7,974,555	₱8,637,974

'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 2022 and 2021 amounted to ₱369.2 million and ₱351.5 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	
	2022	2021	**2022**	2021
Retirement benefit liability (included in 'Other liabilities') (Note 22)	**₱384,838**	₱926,259	**₱382,449**	₱923,116
Net plan assets (included in 'Other assets - miscellaneous') (Note 15)	**5,988**	5,678	**–**	–
	₱378,850	₱920,581	**₱382,449**	₱923,116

The Parent Company also 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 2022

	January 1, 2022	Net benefit cost: Current Service Cost	Net benefit cost: Past Service Cost	Net benefit cost: Net interest	Net benefit cost: Subtotal	Benefits paid	Remeasurements in other comprehensive income: Return on plan asset excluding amount included in net interest	Remeasurements in other comprehensive income: Actuarial changes arising from experience adjustments	Remeasurements in other comprehensive income: Actuarial changes arising from changes in financial assumptions	Remeasurements in other comprehensive income: Subtotal	Contributions by employer	December 31, 2022
Present value of pension obligation	**₱9,016,762**	**₱593,481**	**₱312,332**	**₱425,991**	**₱1,331,804**	**(₱1,069,819)**	**₱–**	**₱153,996**	**(₱1,170,195)**	**(₱1,016,199)**	**₱–**	**₱8,262,548**
Fair value of plan assets	**8,096,181**	**–**	**–**	**383,369**	**383,369**	**(1,069,819)**	**(373,885)**	**–**	**–**	**(373,885)**	**847,852**	**7,883,698**
	₱920,581	**₱593,481**	**₱312,332**	**₱42,622**	**₱948,435**	**₱–**	**₱373,885**	**₱153,996**	**(₱1,170,195)**	**(₱642,314)**	**(₱847,852)**	**₱378,850**

**Net benefit costs are included in 'Compensation and fringe benefits' in the statements of income*

Consolidated 2021

	January 1, 2021	Net benefit cost: Current Service Cost	Net benefit cost: Past Service Cost	Net benefit cost: Net interest	Net benefit cost: Subtotal	Benefits paid	Remeasurements in other comprehensive income: Return on plan asset excluding amount included in net interest	Remeasurements in other comprehensive income: Actuarial changes arising from experience adjustments	Remeasurements in other comprehensive income: Actuarial changes arising from changes in financial assumptions	Remeasurements in other comprehensive income: Subtotal	Contributions by employer	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*

	Parent Company 2022												
		Net benefit cost					Remeasurements in other comprehensive income						
	January 1, 2022	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	December 31, 2022
Present value of pension obligation	₱8,959,007	₱588,010	₱312,332	₱424,265	₱1,324,607	(₱1,069,819)	₱–	₱151,832	(₱1,159,910)	(₱1,008,078)	₱–	₱8,205,717
Fair value of plan assets	8,035,891	–	–	381,705	381,705	(1,069,819)	(372,362)	–	–	(372,362)	847,853	7,823,268
	₱923,116	₱588,010	₱312,332	₱42,560	₱942,902	₱–	₱372,362	₱151,832	(₱1,159,910)	(₱635,716)	(₱847,853)	₱382,449

*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	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

In 2022, the Parent Company amended certain provisions of its defined benefit retirement plan and EIP, resulting in the recognition of past service costs amounting to ₱312.3 million.

The latest actuarial valuations for these retirement plans were made as of December 31, 2022. The following table shows the actuarial assumptions as of December 31, 2022 and 2021 used in determining the retirement benefit obligation of the Group:

	Consolidated		Parent Company			
			Regular Plans		EIP	
	2022	2021	**2022**	2021	**2022**	2021
Discount rate	**6.92% - 7.15%**	3.45% - 4.99%	**6.92%**	4.75%	**6.93%**	4.75%
Salary rate increase	**6.00% - 10.00%**	3.00% - 10.00%	**6.00%**	6.00%	**–**	–

The Group and the Parent Company employ 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 ₱730.7 million and ₱724.9 million, respectively, to the defined benefit plans in 2023. The average duration of the retirement liability of the Group and the Parent Company as of December 31, 2022 is 14 years and 9 years, respectively.

Shown below is the maturity analysis of the undiscounted benefit payments:

	Consolidated		Parent Company	
	2022	2021	**2022**	2021
Less than one year	**₱1,715,711**	₱1,639,472	**₱1,715,118**	₱1,638,962
More than one year to five years	**5,337,983**	5,181,164	**5,313,181**	5,176,283
More than five years to 10 years	**4,452,313**	4,356,064	**4,399,376**	4,310,518
More than 10 years to 15 years	**3,946,295**	3,625,801	**3,867,711**	3,530,315
More than 15 years	**9,333,106**	8,998,036	**8,884,949**	8,592,546

The fair values of plan assets by each class as at the end of the reporting periods are as follow:

	Consolidated		Parent Company	
	2022	2021	**2022**	2021
Cash and cash equivalents (Note 33)	**₱3,897,238**	₱3,792,281	**₱3,887,225**	₱3,783,563
Equity investments				
Electricity, gas and water	**225,683**	284,300	**224,668**	284,300
Real estate, renting and business activities	**210,570**	466,747	**207,323**	466,747
Financial institutions (Note 33)	**161,806**	177,928	**156,169**	165,210
Others	**192,136**	201,956	**182,638**	194,636
Debt investment				
Government securities	**1,796,154**	1,752,649	**1,787,280**	1,743,551
Private debt securities	**626,677**	537,016	**618,124**	528,473
Investment in UITFs (Note 33)	**565,266**	805,211	**555,186**	794,979
Loans and receivables	**160,380**	63,360	**160,380**	63,360
Interest and other receivables	**50,782**	17,232	**47,121**	13,491
	7,886,692	8,098,680	**7,826,114**	8,038,310
Accrued expenses	**(2,994)**	(2,499)	**(2,846)**	(2,420)
	₱7,883,698	₱8,096,181	**₱7,823,268**	₱8,035,890

All equity and debt investments held have quoted prices in active markets. Fair value of investments in UITFs is based on their published net asset value per share. 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, 2022 and 2021 for the Group includes investments in the Parent Company shares of stock with fair value amounting to ₱156.2 million and ₱165.2 million, respectively (refer to Note 33.3).

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:

	2022			
	Consolidated		**Parent Company**	
	Possible fluctuations	**Increase (decrease)**	**Possible fluctuations**	**Increase (decrease)**
Discount rate	**+1.00%**	**(₱452,402)**	**+1.00%**	**(₱446,082)**
	-1.00%	**504,175**	**-1.00%**	**496,643**
Salary increase rate	**+1.00%**	**469,231**	**+1.00%**	**461,837**
	-1.00%	**(432,648)**	**-1.00%**	**(426,285)**
Employee turnover rate	**+10.00%**	**61,043**	**+10.00%**	**60,283**
	-10.00%	**(61,043)**	**-10.00%**	**(60,283)**

	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

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

29.1 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 ₱270.2 million, ₱251.5 million and ₱580.6 million in 2022, 2021 and 2020, respectively, for the Group, of which ₱201.6 million, ₱223.2 million and ₱532.9 million in 2022, 2021, and 2020, respectively, pertain to the Parent Company. Rent expenses in 2022, 2021 and 2020 pertain to expenses from short-term leases and leases of low-value assets.

As of December 31, 2022 and 2021, the Group has no contingent rent payable.

As of December 31, 2022 and 2021, the carrying amounts of 'Lease liabilities' are as follows:

	Consolidated		**Parent Company**	
	2022	2021	**2022**	2021
Balance at beginning of year	**₱3,765,391**	₱1,366,016	**₱3,698,410**	₱1,370,206
Additions	**799,014**	3,377,981	**789,687**	3,298,634
Payments	**(1,113,225)**	(1,231,287)	**(1,068,038)**	(1,213,912)
Interest expense (Note 19)	**171,885**	112,591	**170,692**	107,052
Effect of loss of control over PNB Holdings	**–**	179,095	**–**	136,430
Effect of discontinued operations (Note 36)	**–**	(39,005)	**–**	–
Transfers	**13,326**	–	**13,326**	–
	₱3,636,391	₱3,765,391	**₱3,604,077**	₱3,698,410

The Parent Company has lease contracts with its affiliates (Note 33).

Future minimum rentals payable under non-cancelable leases follow:

	Consolidated		**Parent Company**	
	2022	2021	**2022**	2021
Within one year	**₱1,010,202**	₱1,097,903	**₱925,509**	₱1,086,436
Beyond one year but not more than five years	**3,172,151**	2,498,020	**3,058,101**	2,486,540
More than five years	**801,283**	1,446,578	**705,688**	1,446,578
	₱4,983,636	₱5,042,501	**₱4,689,298**	₱5,019,554

29.2 Group as Lessor Under Operating Leases

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 2022, 2021 and 2020, total rent income (included under 'Miscellaneous income') amounted to ₱275.9 million, ₱513.9 million and ₱680.3 million, respectively, for the Group and ₱47.3 million, ₱211.8 million and ₱383.7 million, respectively, for the Parent Company (refer to Note 27.1).

Future minimum rentals receivable of the Group under non-cancelable operating leases follow:

	2022	2021
Within one year	**₱42,163**	₱645,654
Beyond one year but not more than five years	**460,051**	102,795
	₱502,214	₱748,449

29.3 Group as Lessor Under Finance Leases

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 10.2.

30. Income and Other Taxes

30.1 Philippine Tax Landscape and Regulations

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. EAR charged against current operations (included in 'Miscellaneous expenses' in the statements of income) amounted to
₱155.0 million in 2022, ₱189.1 million in 2021, and ₱147.4 million in 2020 for the Group, and ₱145.4 million in 2022, ₱181.3 million in 2021, and ₱137.2 million in 2020 for the Parent Company (refer to Note 27.2).

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.

30.2 Provision for (Benefit from) Income Tax

This account consists of:

	Consolidated			Parent Company		
	2022	2021	2020	**2022**	2021	2020
Continuing operations:						
Current						
Regular	**₱3,463,008**	₱1,549,711	₱3,215,178	**₱3,238,970**	₱1,316,245	₱3,186,427
Final	**1,807,104**	1,411,669	1,459,926	**1,784,869**	1,372,443	1,388,839
	5,270,112	2,961,380	4,675,104	**5,023,839**	2,688,688	4,575,266
Deferred	**(338,884)**	2,583,814	(6,541,506)	**(339,814)**	2,323,873	(6,520,787)
	4,931,228	5,545,194	(1,866,402)	**4,684,025**	5,012,561	(1,945,521)
Discontinued operations (Note 36):						
Current						
Regular	–	177,048	68,831	–	–	–
Final	–	15,813	20,519	–	–	–
	–	192,861	89,350	–	–	–
Deferred	–	(84,259)	(768)	–	–	–
	–	108,602	88,582	–	–	–
	₱4,931,228	₱5,653,796	(₱1,777,820)	**₱4,684,025**	₱5,012,561	(₱1,945,521)

30.3 Deferred Taxes

The amounts of net deferred tax assets in the statements of financial position follow:

	Consolidated		Parent Company	
	2022	2021	**2022**	2021
Deferred tax assets	**₱6,616,902**	₱6,405,505	**₱6,574,190**	₱6,271,578
Deferred tax liabilities (Note 22)	**165,721**	165,228	**–**	–
	₱6,451,181	₱6,240,277	**₱6,574,190**	₱6,271,578

The components of net deferred tax assets reported in the statements of financial position follow:

	Consolidated		Parent Company	
	2022	2021	**2022**	2021
Deferred tax assets on:				
Allowance for impairment, credit and other losses	**₱9,055,746**	₱8,467,637	**₱9,070,709**	₱8,395,806
Accumulated depreciation on investment properties and appraisal increment	**520,544**	495,884	**520,544**	495,884
Accrued expenses	**372,660**	469,714	**372,660**	469,714
Deferred revenues	**162,342**	129,050	**162,342**	129,050
Retirement liability	**50,617**	52,434	**–**	–
Unrealized losses on financial assets at FVTPL and FVOCI	**–**	42,169	**–**	42,169
Others	**8,476**	9,812	**–**	–
	10,170,385	9,666,700	**10,126,255**	9,532,623
Deferred tax liabilities on:				
Revaluation increment on land and buildings [1/]	**1,536,217**	1,536,629	**1,536,217**	1,536,629
Fair value adjustments on asset foreclosures and dacion transactions	**1,414,221**	1,066,381	**1,265,883**	918,043
Unrealized foreign exchange gains	**339,957**	340,458	**339,957**	340,458
Gain on remeasurement of previously held interest	**246,651**	246,651	**246,651**	246,651
Fair value adjustments due to business combination	**161,634**	210,574	**161,634**	210,574
Unrealized gains on financial assets at FVTPL and FVOCI	**1,882**	8,836	**1,723**	8,690
Others	**18,642**	16,894	**–**	–
	3,719,204	3,426,423	**3,552,065**	3,261,045
	₱6,451,181	₱6,240,277	**₱6,574,190**	₱6,271,578

[1/] *Balance includes deferred tax liability amounting to ₱613.7 million acquired from business combination*

As of December 31, 2022 and 2021, the Group's net deferred tax liabilities as disclosed in 'Other liabilities' (refer to Note 22) include deferred tax liabilities on fair value adjustments due to business combination amounting to ₱148.3 million.

Benefit from deferred tax credited directly to OCI pertaining to remeasurement losses on retirement plan amounted to nil and ₱2.5 million in 2022 and 2021, respectively, for the Group. Provision for deferred tax charged directly to OCI pertaining to net unrealized gains on financial assets at FVOCI amounting to ₱32.7 million for the Group and the Parent Company in 2022, and ₱87.6 million for the Group and the Parent Company in 2021.

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	
	2022	2021	**2022**	2021
Allowance for impairment and credit losses	**₱8,615,344**	₱13,997,827	**₱8,615,344**	₱6,642,377
Unamortized past service cost	**2,140,071**	2,540,326	**2,140,071**	2,540,326
Derivative liabilities	**1,037,348**	891,346	**1,037,348**	891,346
Unrealized losses on financial assets	**870,774**	–	**870,774**	–
Unrealized foreign exchange loss	**627,501**	1,450,079	**627,501**	1,450,079
Retirement liability	**382,449**	923,116	**382,449**	923,116
Lease liability	**284,486**	21,752	**284,162**	19,825
NOLCO	**140,800**	140,800	**–**	–
Unearned interest and discount	**–**	334,355	**–**	334,355
	₱14,098,773	₱20,299,601	**₱13,957,649**	₱12,801,424

Details of the Group's NOLCO follow:

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
2020	₱89,960	₱–	₱89,960	2025
2021	50,840	–	50,840	2026
	₱140,800	₱–	₱140,800	

Unrecognized deferred tax liabilities

As of December 31, 2022, there was a deferred tax liability of ₱840.4 million (₱736.1 million in 2021) for temporary differences of ₱3.4 billion (₱2.9 billion in 2021) 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.

30.4 Statutory Income Tax Reconciliation

The reconciliation between the statutory income tax rate to effective income tax rate follows:

	Consolidated			Parent Company		
	2022	2021	2020	**2022**	2021	2020
Statutory income tax rate	**25.00%**	25.00%	30.00%	**25.00%**	25.00%	30.00%
Tax effects of:						
Non-deductible expenses	**14.69**	4.54	1,060.87	**13.73**	5.20	559.12
Net unrecognized deferred tax assets	**(6.04)**	6.03	(1,169.49)	**(6.36)**	5.46	(635.63)
Tax-exempt income	**(2.91)**	(21.93)	(116.17)	**(2.96)**	(22.94)	(65.28)
Tax-paid income	**(2.01)**	(0.63)	(85.73)	**(2.05)**	(0.66)	(47.66)
FCDU loss (income) before tax	**1.49**	2.61	(59.81)	**1.52**	2.73	(32.34)
Optional standard deduction	**(0.36)**	(0.08)	–	**–**	–	–
CREATE adjustment – deferred tax	**–**	0.01	–	**–**	0.01	–
CREATE adjustment – current tax	**–**	(0.95)	–	**–**	(0.99)	–
Effective income tax rate	**29.86%**	14.60%	(340.33%)	**28.88%**	13.81%	(191.79%)

31. Earnings Per Share

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

	2022	2021	2020
a) Net income attributable to equity holders of the Parent Company	**₱11,532,318**	₱31,630,626	₱2,614,653
b) Weighted average number of common shares for basic earnings per share (Note 25)	**1,525,765**	1,525,765	1,525,765
c) Basic/Diluted earnings per share (a/b)	**₱7.56**	₱20.73	₱1.71

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

	2022	2021	2020
a) Net income attributable to equity holders of the Parent Company from continuing operations	**₱11,532,318**	₱32,365,991	₱2,403,984
b) Weighted average number of common shares for basic earnings per share (Note 25)	**1,525,765**	1,525,765	1,525,765
c) Basic/Diluted earnings per share (a/b)	**₱7.56**	₱21.21	₱1.58

In 2022, 2021 and 2020, 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 ₱152.7 billion and ₱143.3 billion as of December 31, 2022 and 2021, respectively. In connection with the trust functions of the Parent Company, government securities amounting to
₱1.6 billion (included under 'Investment securities at amortized cost') as of December 31, 2022 and 2021 are deposited with the BSP in compliance with trust regulations (refer to Note 9.3).

Trust fee income in 2022, 2021 and 2020 amounting to ₱317.8 million, ₱319.4 million and ₱314.9 million, respectively, is included under 'Service fees and commission income' (refer to Note 26.1).

In compliance with existing banking regulations, the Parent Company transferred from surplus to surplus reserves the amounts of ₱24.7 million, ₱23.2 million and ₱20.4 million in 2022, 2021 and 2020, 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 (refer to Note 25.3).

33. Related Party Transactions

33.1 Summary of Significant Related Party Transactions

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.

	2022		
Category	**Amount/ Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Significant Investors			
Deposit liabilities		**₱1,323,009**	Peso and foreign currency deposits with annual rates ranging from 0.0% to 4.75%
Net deposits	**₱1,318,594**		Net deposits during the period
Interest expense	**17,621**		Interest expense on deposits
Accrued interest payable		**2,060**	Accrued interest on deposit liabilities
Subsidiaries			
Receivables from customers		**₱1,105,000**	Term loan maturing in January 2023 with nominal interest rate of 8.4%; includes domestic bills purchased; fully provided with allowance for credit losses
Loan releases	**₱1,680,302**		
Loan collections	**2,057,558**		
Credit facilities		**11,925,849**	Includes omnibus line and revocable revolving credit lines, domestic bills purchase lines and letters of credit/ trust receipt lines; also includes irrevocable standby letters of credit; with provision for liability of ₱649.7 million relating to undrawn loan commitments of PMLFC
Interbank loans receivable		**15,147**	Foreign currency-denominated interbank term loans with interest rates ranging from 0.01% to 4.50% and maturity on March 2023 with ACB
Availments	**80,632**		
Settlements	**94,888**		
Due from other banks		**269,904**	Foreign currency-denominated demand deposits
Accrued interest receivable		**3,187**	Interest accrual on receivables from customers and interbank loans receivable
Accounts receivable		**60,474**	Peso and USD remittances cover
Deposit liabilities		**3,494,470**	Peso and foreign currency-denominated deposits with annual fixed interest rates ranging from 0.0% to 4.85% and maturities up to 2 years
Net withdrawals	**9,193,250**		Net withdrawals during the period
Bills payable		**13,904**	Foreign currency-denominated bills payable with ACB maturing in March 2023 with interest rate of 4.0%
Availments	**81,140**		
Settlements	**97,713**		
Due to other banks		**122,139**	Foreign currency-denominated clearing accounts used for funding and settlement of remittances with GRFC, IIC, PNB Europe, and ACB
Accrued interest payable		**11,206**	Accrued interest on deposit liabilities and bills payable
Interest income	**102,763**		Interest income on receivables from customers, due from other banks and interbank loans receivable
Interest expense	**87,562**		Interest expense on deposit liabilities and bills payable
Service fees and commission income	**171,433**		Various services rendered by PNB to its subsidiaries covered by a service level agreement; also includes PNB's share in service fees
Rental income	**145**		Payment received for the use or occupation of property
Miscellaneous other income	**4,562**		Management and other professional fees

	2022		
Category	**Amount/ Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Securities transactions			
Purchases	**₱3,990**		Outright purchase of securities
Sales	**948,190**		Outright sale of securities
Trading gain	**19**		Gain from sale of investment securities
Other Related Parties			
Receivables from customers		**₱41,077,025**	Partly secured by real estate, vehicles, deposits, government securities, among others; With interest rates ranging from 2.5% to 11.5% with remaining maturity terms ranging from 7 days to 9 years and payment terms ranging from monthly to quarterly payments; with aggregate allowance for credit losses of ₱2.9 billion
Loan releases	**₱12,130,218**		
Loan collections	**28,633,622**		
Credit facilities		**94,657,106**	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
Sales contract receivable		**1,065**	Receivable from sale of property paid in installments; with interest rate of 5.0% and maturing in July 2027
Financial assets at FVOCI		**23,218,499**	Majority represents the retained 49.00% interest in PNB Holdings, with unrealized gain of ₱325.8 million recorded in OCI (refer to Note 12.4 for further discussion)
Accrued interest receivable		**132,080**	Accrued interest on receivables from customers
Security deposit		**55,513**	Amount given to fulfill the terms of the lease contract
Deferred charges		**5,097**	Lease payments under the lease contract paid in advance
Right-of-use assets		**3,352,161**	Lease of office space with terms up to 10 years and the corresponding accumulated amortization
Accumulated amortization of right-of-use assets		**1,115,025**	
Deposit liabilities		**40,352,466**	Peso-denominated and foreign currency-denominated demand, savings and time deposits with maturity terms ranging from 30 days to 365 days
Net deposits	**4,235,274**		Net deposits during the period
Bonds payable		**84,840**	Foreign currency bonds with interest rate of 4.25% with maturity terms of five years.
Accrued interest payable		**75,597**	Accrued interest payable from various deposits
Lease liabilities		**2,191,862**	Lease of office space with terms ranging from 20 months to 10 years
Accrued other expenses		**319,882**	Accruals in relation to promotional expenses
Deferred revenue		**44,444**	Unamortized portion of income related to the bancassurance agreement with ABIC
Service fees and commission income		**3,334**	Amortization of fees under the bancassurance agreement with ABIC
Interest income	**723,194**		Interest income on receivables from customers
Interest expense	**570,304**		Interest expense on deposit liabilities, bonds payable and lease liabilities
Amortization expense	**555,048**		Amortization of right-of-use asset relating to leases of office spaces
Miscellaneous expenses	**270,820**		Includes CUSA charges for the Parent Company's share in common areas on premises owned by PNB Holdings; and promotional expenses for Mabuhay Miles redemption; includes management fees paid to Eton Properties Philippines, Inc.
Securities transactions			
Purchases	**13,089,879**		Outright purchase of securities
Sales	**6,926,458**		Outright sale of securities
Trading loss	**(23,612)**		Loss from sale of investment securities
Rental income	**8,779**		Payment received for the use or occupation of property

	2022		
Category	**Amount/ Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Remittance transactions			
Fund transfers	**₱2,527,729**		Peso equivalent of funds transferred
Service fees	**3,956**		Income share and commission on remittance transactions
Associate			
Deposit liabilities		**₱468,046**	Peso and foreign currency-denominated deposits with annual interest rates ranging from 0% to 0.10%
Net withdrawals	**₱86,560**		
Accrued interest payable		**19**	Accrued interest on deposit liabilities
Rental deposits		**27**	Advance rental and security deposits received for three months
Deferred revenue		**622,192**	Unamortized portion of income related to the sale of APLII
Interest expense	**2,066**		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		**₱2,778**	Housing loans to senior officers with interest rates ranging from 3% to 15%; Secured and unimpaired
Accrued interest receivable		**9**	Accrued interest on loans
Loan collections	**₱714**		Settlement of loans and interest
Interest income	**212**		Interest income on housing loans
Deposit liabilities		**118,975**	Peso and foreign currency-denominated deposits with interest rates ranging from 0.0% to 4.75%
Net deposits	**15,019**		Net deposits during the period
Interest expense	**3,823**		Interest expense on deposits
Accrued interest payable		**144**	Accrued interest on deposit liabilities

	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%
Net withdrawals	₱127,586		Net withdrawals during the period
Interest expense	5		Interest expense on deposits
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.

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
	2021		
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 ACB; 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, PNB Europe, and ACB
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
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 remaining maturity terms ranging from 7 days to 10 years and payment terms 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, with unrealized gain of ₱117.1 million recorded in OCI (refer to Note 12.4 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

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
	2021		
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
Depreciation 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
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

The related party transactions shall be settled in cash.

Remedies over a loan exposure to a related party
In April 2022, the Parent Company entered into a dacion agreement with a related party over an investment property with fair value at the time of dacion of ₱1.4 billion in settlement of certain loans. The remedy to settle the loan also provided for the conversion of the remaining debt to equity shares of the former borrower.

Transactions relating to the investment in PNB Holdings
As discussed in Note 12.4, 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 (refer to Note 12.4).

Financial assets at FVTPL traded through PNB Securities
As of December 31, 2022 and 2021, the Parent Company's financial assets at FVTPL include equity securities traded through PNB Securities with a fair value of ₱15.4 million and ₱130.3 million, respectively. The Parent Company recognized trading gains amounting to ₱0.1 million in 2022 and ₱7.1 million in 2021 and trading losses of ₱61.5 million in 2020 from the transactions facilitated by PNB Securities.

Joint arrangements with Eton Properties Philippines, Inc. (EPPI)
The Parent Company and EPPI signed two joint venture agreements (JVAs) for the development of two real estate properties of the Parent Company included under 'Other assets' (refer to 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.

33.2 Remuneration of Key Management Personnel and Directors

The compensation of the key management personnel for the Group and Parent Company follows:

	2022	2021	2020
Short-term employee benefits	**₱517,114**	₱460,711	₱481,184
Post-employment benefits	**47,424**	50,629	55,308
	₱564,538	₱511,340	₱536,492

Non-executive directors are entitled to a per diem as follows: ₱50,000 for each BOD meeting attended and ₱25,000 for each BOD committee meeting attended, provided that in no case shall the total per diem exceed ₱0.25 million per month for committee meetings. No other emoluments are granted to non-executive directors of the Parent Company except for the aforementioned per diem. There is no profit-sharing arrangement between the Parent Company and its BOD. In 2022 and 2021, total per diem given to non-executive directors amounted to ₱62.6 million and ₱67.5 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 20,099 and 21,474, respectively, Parent Company shares in relation to the centennial bonus distribution.

33.3 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 ₱7.9 billion and ₱8.1 billion as of December 31, 2022 and 2021, respectively and the fair values of the funds of the Parent Company amounted to ₱7.8 billion and ₱8.0 billion as of December 31, 2022 and 2021, respectively.

Relevant information on transactions with the retirement plans follows:

	Consolidated		**Parent Company**	
	2022	2021	**2022**	2021
Investment in PNB UITFs	**₱558,013**	₱805,211	**₱555,186**	₱794,979
Deposits with PNB	**481,123**	1,006,570	**480,913**	1,005,202
Investment in PNB shares	**156,169**	165,210	**156,169**	165,210
Total Fund Assets	**₱1,195,305**	₱1,976,991	**₱1,192,268**	₱1,965,391
Unrealized gain (loss) on PNB shares	**(₱9,041)**	(₱76,030)	**(₱9,041)**	(₱76,030)
Unrealized gain (loss) on PNB UITF	**(35,926)**	8,296	**(35,926)**	8,296
Interest income	**18,314**	3,607	**17,412**	3,607
	(26,653)	(64,127)	**(27,555)**	(64,127)
Trust fees	**(9,152)**	(9,139)	**(9,290)**	(9,139)
Net Fund Losses	**(₱35,805)**	(₱73,266)	**(₱36,845)**	(₱73,266)

As of December 31, 2022 and 2021, the retirement funds of the Group and the Parent Company include 8,219,406 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, *Provisions, Contingent Liabilities and Contingent Assets.* The Group and its legal counsel believe that any losses arising from these contingencies which are not specifically provided for will not have a material adverse effect on the financial statements.

There were no significant settlements made in 2022 and 2021.

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 effects of rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreements or similar arrangements to the Group and the Parent Company's financial statements are disclosed in the succeeding tables.

Consolidated

2022

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	**₱61,149,066**	**₱59,787,115**	**₱1,361,951**	**₱73,039**	**₱–**	**₱1,288,912**
Securities held under agreements to resell (Note 8)	**64,523,863**	**–**	**64,523,863**	**–**	**64,334,349**	**189,514**
Total	**₱125,672,929**	**₱59,787,115**	**₱65,885,814**	**₱73,039**	**₱64,334,349**	**₱1,478,426**

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)	15,796,673	–	15,796,673	–	16,084,357	–
Total	₱104,726,518	₱87,564,794	₱17,161,724	₱240,111	₱16,084,357	₱1,124,940

2022

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	**₱70,051,569**	**₱69,011,793**	**₱1,039,776**	**₱456,745**	**₱–**	**₱583,031**
Securities sold under agreements to repurchase (Notes 9 and 19)*	**6,595,689**	**–**	**6,595,689**	**–**	**7,981,190**	**–**
Total	**₱76,647,258**	**₱69,011,793**	**₱7,635,465**	**₱456,745**	**7,981,190**	**₱583,031**

** Included in bills and acceptances payable in the statements of financial position*

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*

Parent Company

2022

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	**₱61,146,943**	**₱59,787,115**	**₱1,359,828**	**₱73,039**	**₱–**	**₱1,286,789**
Securities held under agreements to resell (Notes 8 and 19)	**64,523,863**	**–**	**64,523,863**	**–**	**64,334,349**	**189,514**
Total	**₱125,670,806**	**₱59,787,115**	**₱65,883,691**	**₱73,039**	**₱64,334,349**	**₱1,476,303**

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	₱88,926,835	₱87,564,794	₱1,362,041	₱55,079	₱–	₱1,306,962
Securities held under agreements to resell (Notes 8 and 19)	15,796,673	–	15,796,673	–	16,084,357	–
Total	₱104,723,508	₱87,564,794	₱17,158,714	₱55,079	₱16,084,357	₱1,306,962

2022

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	**₱70,051,569**	**₱69,011,793**	**₱1,039,776**	**₱456,745**	**₱–**	**₱583,031**
Securities sold under agreements to repurchase (Notes 9 and 19)*	**6,595,689**	**–**	**6,595,689**	**–**	**7,981,190**	**–**
Total	**₱76,647,258**	**₱69,011,793**	**₱7,635,465**	**₱456,745**	**7,981,190**	**₱583,031**

** Included in bills and acceptances payable in the statements of financial position*

	2021					
				Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		
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]	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*

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. Discontinued Operations

36.1 PNB Gen

The results of operation of PNB Gen are presented below:

	2021	2020
Interest Income on		
Loans and receivables	₱35	₱202
Investment securities at amortized cost and FVOCI (Note 9)	19,830	81,734
Deposits with banks and others	34	5,087
	19,899	87,023
Interest Expense on		
Lease liabilities (Note 19)	530	2,698
Net Interest Income	19,369	84,325
Net Service Fees and Commission Income (Note 26)	110	19,718
Insurance premium	202,543	955,640
Insurance benefits and claims	143,605	716,820
Net Insurance Premium	58,938	238,820
Other Income		
Foreign exchange gains (losses) - net	1,804	(2,878)
Trading and investment securities gains - net (Note 9)	–	9,123
Total Operating Income	80,221	349,108
Operating Expenses		
Compensation and fringe benefits	37,040	152,265
Depreciation and amortization (Note 11)	6,592	28,862
Provision for (reversal of) credit losses (Note 16)	1,174	29,781
Occupancy and equipment-related costs	903	1,910
Taxes and licenses	290	4,750
Miscellaneous (Note 27)	8,832	43,539
Total Operating Expenses	54,831	261,107
Income Before Income Tax	25,390	88,001
Provision for Income Tax (Note 30)	4,774	20,418
Net Income from Discontinued Operations	₱20,616	₱67,583

Net insurance premium consists of:

	2021	2020
Net insurance premiums		
Gross earned premium	₱385,904	₱2,385,857
Reinsurer's share of gross earned premiums	(183,361)	(1,430,217)
	202,543	955,640
Less net insurance benefits and claims		
Gross insurance contract benefits and claims paid	207,003	2,241,488
Reinsurer's share of gross insurance contract benefits and claims paid	(130,493)	(1,983,736)
Gross change in insurance contract liabilities	48,017	1,410,172
Reinsurer's share of change in insurance contract liabilities	19,078	(951,104)
	143,605	716,820
	₱58,938	₱238,820

Net cash flows of PNB Gen follow:

	2021	2020
Net cash flows from operating activities	(₱36,288)	(₱27,016)
Net cash flows from investing activities	18,740	(242,063)
Net cash flows from financing activities	(1,912)	(22,648)
	(₱19,460)	(₱291,727)

36.2 PNB Holdings

The results of operation of PNB Holdings are presented below:

	2021	2020
Interest Income on		
Investment securities at amortized cost and FVOCI (Note 9)	₱–	₱500
Deposits with banks and others	1,143	5
	1,143	505
Interest Expense on		
Lease liabilities (Note 19)	2,998	202
Net Interest Income (Expense)	(1,855)	303
Net Service Fees and Commission Expense	(45,849)	(60)
Other Income		
Trading and investment securities gains - net (Note 9)	–	50
Miscellaneous income (Note 27)	486,957	243,860
Total Operating Income	439,253	244,153

(Forward)

	2021	2020
Interest Income on		
Investment securities at amortized cost and FVOCI (Note 9)	₱–	₱500
Deposits with banks and others	1,143	5
	1,143	505
Interest Expense on		
Lease liabilities (Note 19)	2,998	202
Net Interest Income (Expense)	(1,855)	303
Net Service Fees and Commission Expense	(45,849)	(60)
Operating Expenses		
Taxes and licenses	646,070	30,241
Occupancy and equipment-related costs	191,781	380
Provision for credit losses (Note 16)	86,967	–
Depreciation and amortization (Note 11)	42,450	711
Compensation and fringe benefits	976	100
Miscellaneous (Note 27)	123,162	1,471
Total Operating Expenses	1,091,406	32,903
Income (Loss) Before Income Tax	(652,153)	211,250
Provision for Income Tax (Note 30)	103,828	68,164
Net Income (Loss) from Discontinued Operations	(₱755,981)	₱143,086

Net cash flows of PNB Holdings follow:

	2021	2020
Net cash flows from operating activities	₱790,488	(₱2,151)
Net cash flows from investing activities	–	524,081
Net cash flows from financing activities	(567,887)	48
	₱222,601	₱521,978

37. Events After the Reporting Date

In addition to the loans transferred to the Parent Company as discussed in Note 10, on January 31, 2023, the Parent Company and PMLFC entered into a Receivables Purchase Agreement for the transfer of another tranche of receivables of PMLFC to the Parent Company for a total consideration of ₱178.7 million.

38. Notes to Statements of Cash Flows

38.1 Cash Flows from Financing Activities

The changes in liabilities arising from financing activities in 2022 and 2021 follow:

	Consolidated			
	2022			
	Beginning balance	**Net cash flows**	**Others**	**Ending balance**
Bills and acceptances payable	**₱52,953,797**	**(₱39,495,624)**	**₱1,522,200**	**₱14,980,373**
Bonds payable	**53,383,421**	**–**	**5,055,676**	**58,439,097**
Lease liabilities	**3,765,391**	**(1,113,225)**	**984,225**	**3,636,391**
	₱110,102,609	**(₱40,608,849)**	**₱7,562,101**	**₱77,055,861**

	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

	Parent Company			
	2022			
	Beginning balance	**Net cash flows**	**Others**	**Ending balance**
Bills and acceptances payable	**₱51,113,018**	**(₱38,736,538)**	**₱1,511,555**	**₱13,888,035**
Bonds payable	**53,383,421**	**–**	**5,055,676**	**58,439,097**
Lease liabilities	**3,698,410**	**(1,068,038)**	**973,705**	**3,604,077**
	₱108,194,849	**(₱39,804,576)**	**₱7,540,936**	**₱75,931,209**

	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

Others include the effects of foreign exchange revaluations, additional lease liabilities, amortization of transaction costs, accretion of interest, and effect of loss of control of a subsidiary.

38.2 Non-Cash Transactions

The following are non-cash transactions of the Group and the Parent Company in 2022 and 2021 relating to their long-term leases:

	Consolidated		Parent Company	
	2022	2021	**2022**	2021
Additions to right-of-use assets (Note 11)	**₱803,905**	₱3,352,354	**₱803,905**	₱3,350,486
Additional lease liabilities (Note 29)	**799,014**	3,377,981	**789,687**	3,298,634

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 (refer to Note 12.4).

On December 17, 2021, the BOD of PNB Capital approved the declaration of cash dividends amounting to ₱300.0 million. The Parent Company received such cash dividends from PNB Capital on June 29, 2022 (refer to Note 12.2).

The Group acquired investment properties through foreclosure, dacion and rescission amounting to ₱4.3 billion, ₱524.7 million, and ₱86.7 million in 2022, 2021 and 2020, respectively. The Parent Company acquired investment properties acquired through foreclosure and rescission amounted to ₱4.3 billion, ₱334.4 million and ₱78.0 million in 2022, 2021 and 2020, respectively (refer to Note 13). Included in the ₱4.3 billion foreclosures is the dacion in settlement of a certain loan in exchange for an investment property, and the debt-to-equity conversion of the remaining loan exposures of the former borrower (refer to Note 33.1).

The Group applied creditable withholding taxes against its income tax payable amounting to ₱2.4 billion, ₱1.6 billion and ₱2.8 billion in 2022, 2021 and 2020, respectively. The Parent Company applied creditable withholding taxes against its income tax payable amounting to ₱2.4 billion, ₱1.6 billion and ₱2.7 billion in 2022, 2021, and 2020, 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 13, 2023.

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.

40.1 Taxes 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 2022 (in absolute amounts):

Taxes and licenses

	Amount
Gross receipts tax	₱2,341,737,766
Documentary stamp taxes	3,600,000,000
Real estate tax	39,108,997
Local taxes	173,742,331
Others	278,632,255
	₱6,433,221,349

Withholding taxes

	Remitted	Outstanding
Withholding taxes on compensation and benefits	₱972,704,187	₱185,316,904
Final income taxes withheld on interest on deposits and yield on deposit substitutes	621,327,643	94,632,147
Expanded withholding taxes	186,839,828	22,368,470
Withholding taxes on the amount withdrawn from the decedent's deposit dccount	32,970,113	1,418,330
VAT withholding taxes	6,047,534	188,832
Other final taxes	99,850,992	8,099,828
	₱1,919,740,297	₱312,024,511

40.2 Tax Cases and Assessments

As of December 31, 2022 and 2021, 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

41.1 Basic Quantitative Indicators of Financial Performance

The following basic ratios measure the financial performance of the Group and the Parent Company:

	Consolidated			Parent Company		
	2022	2021	2020	**2022**	2021	2020
Return on average equity (a/b)	**7.00%**	19.98%	1.69%	**7.10%**	20.08%	1.94%
a) Net income	**₱11,583,988**	₱31,690,038	₱2,625,488	**₱11,532,318**	₱31,283,762	₱2,959,932
b) Average total equity	**165,564,295**	158,602,982	155,479,204	**162,468,924**	155,768,842	152,657,314
Return on average assets (c/d)	**0.99%**	2.62%	0.22%	**0.99%**	2.60%	0.26%
c) Net income	**₱11,583,988**	₱31,690,038	₱2,625,488	**₱11,532,318**	₱31,283,762	₱ 2,959,932
d) Average total assets	**1,167,970,869**	1,210,959,231	1,186,712,205	**1,160,877,451**	1,204,106,165	1,144,703,450
Net interest margin on average earning assets (e/f)	**3.61%**	3.27%	3.35%	**3.62%**	3.26%	3.37%
e) Net interest income	**₱37,327,570**	₱34,844,827	₱35,820,463	**₱36,590,225**	₱34,003,443	₱34,649,027
f) Average interest earning assets	**1,033,972,342**	1,064,649,949	1,068,225,934	**1,010,841,903**	1,042,450,632	1,028,955,579

Note: Average balances are the sum of beginning and ending balances of the respective statement of financial position accounts divided by two (2)

41.2 Description of Capital Instruments Issued

As of December 31, 2022 and 2021, the Parent Company has only one class of capital stock, which are common shares.

41.3 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			
	2022		2021		**2022**		2021	
	Carrying Amount	**%**	Carrying Amount	%	**Carrying Amount**	**%**	Carrying Amount	%
Primary target industry:								
Financial intermediaries	**₱123,572,805**	**20.16**	₱127,322,501	20.22	**₱124,585,259**	**20.78**	₱128,833,193	20.95
Wholesale and retail	**94,635,306**	**15.44**	89,964,601	14.29	**89,062,370**	**14.86**	85,521,203	13.91
Electricity, gas and water	**77,908,127**	**12.71**	72,603,754	11.53	**77,908,992**	**13.00**	72,543,926	11.80
Manufacturing	**64,750,821**	**10.57**	57,374,303	9.12	**62,394,048**	**10.41**	46,719,362	7.60
Transport, storage and communication	**41,702,691**	**6.80**	50,593,556	8.04	**40,836,136**	**6.81**	57,003,954	9.27
Agriculture, hunting and forestry	**6,846,668**	**1.12**	10,984,068	1.75	**6,685,454**	**1.12**	8,472,952	1.38
Public administration and defense	**1,868,664**	**0.30**	8,668,925	1.38	**1,868,663**	**0.31**	10,984,068	1.79
Secondary target industry:								
Real estate, renting and business activities	**96,701,343**	**15.78**	98,619,763	15.67	**93,010,341**	**15.51**	95,143,733	15.47
Construction	**30,989,724**	**5.06**	30,123,753	4.79	**30,923,083**	**5.16**	29,341,619	4.77
Others	**73,881,893**	**12.06**	83,171,564	13.21	**72,242,925**	**12.05**	80,345,800	13.07
	₱612,858,042	**100.00**	₱629,426,788	100.00	**₱599,517,271**	**100.00**	₱614,909,810	100.00

41.4 Breakdown of Total Loans

41.4.1 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			
	2022		2021		**2022**		2021	
	Carrying Amount	**%**	Carrying Amount	%	**Carrying Amount**	**%**	Carrying Amount	%
Secured:								
Real estate mortgage	**₱61,579,391**	**10.05**	₱65,400,278	10.40	**₱52,764,741**	**8.80**	₱55,459,239	9.03
Chattel mortgage	**12,560,778**	**2.05**	23,572,533	3.75	**12,425,497**	**2.07**	22,348,756	3.63
Bank deposit hold-out	**3,844,755**	**0.63**	4,375,531	0.70	**3,698,931**	**0.62**	4,137,837	0.67
Others	**30,856,608**	**5.03**	20,528,460	3.26	**28,814,577**	**4.81**	17,144,181	2.79
	108,841,532	**17.76**	113,876,802	18.09	**97,703,746**	**16.30**	99,090,013	16.11
Unsecured	**504,016,510**	**82.24**	515,549,986	81.91	**501,813,525**	**83.70**	515,819,797	83.89
	₱612,858,042	**100.00**	₱629,426,788	100.00	**₱599,517,271**	**100.00**	₱614,909,810	100.00

41.4.2 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			
	2022		2021	
	Performing	**NPL**	Performing	NPL
Corporate	**₱517,026,645**	**₱26,814,155**	₱497,743,877	₱46,315,906
Commercial	**15,227,846**	**3,727,358**	10,464,612	3,869,552
Credit cards	**11,889,481**	**2,493,200**	10,721,147	2,435,798
Consumer	**24,706,149**	**10,973,208**	42,329,698	15,546,198
	₱568,850,121	**₱44,007,921**	₱561,259,334	₱68,167,454

	Parent Company			
	2022		2021	
	Performing	**NPL**	Performing	NPL
Corporate	**₱508,724,119**	**₱24,153,812**	₱491,798,885	₱45,983,507
Commercial	**15,475,530**	**2,027,403**	9,398,044	2,006,364
Credit cards	**11,889,481**	**2,493,200**	10,721,147	2,435,798
Consumer	**21,423,352**	**13,330,374**	37,088,108	15,477,957
	₱557,512,482	**₱42,004,789**	₱549,006,184	₱65,903,626

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.

In 2022, the Parent Company adopted BSP Memorandum No. M-2021-056, *Regulatory Treatment of Restructured Loans for Purposes of Measuring Expected Credit Losses*, which provides guidance on the regulatory treatment of loans with terms and conditions that have been modified due to the impact of the COVID-19 pandemic, especially consumption loans, for purposes of measuring ECL and classifying the accounts as NPL.

The table below shows the gross and net NPL ratios of the Group and the Parent Company as reported to the BSP (with certain adjustments) as of December 31, 2022 and 2021:

	2022		2021	
	Gross NPL	**Net NPL**	Gross NPL	Net NPL
Consolidated	**6.34%**	**2.58%**	10.07%	5.27%
Parent Company	**6.19%**	**2.54%**	9.97%	5.21%

41.5 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, 2022 and 2021, the Parent Company is in compliance with such regulations.

The information relating to the DOSRI loans of the Group and Parent Company follows:

	2022		2021	
	DOSRI loans	**Related party loans (inclusive of DOSRI loans)**	DOSRI loans	Related party loans (inclusive of DOSRI loans)
Total outstanding loans	**₱39,017**	**₱42,182,025**	₱4,606,070	₱59,914,803
Percent of DOSRI/related party loans to total loan portfolio	**0.01%**	**6.22%**	0.70%	9.08%
Percent of unsecured DOSRI/related party loans to total DOSRI/related party loans	**1.56%**	**86.52%**	0.03%	64.94%
Percent of past due DOSRI/related party loans to total DOSRI/related party loans	**3.52%**	**2.62%**	–	10.17%
Percent of non-performing DOSRI/related party loans to total DOSRI/related party loans	**3.52%**	**2.62%**	–	44.00%

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.

41.6 Aggregate Amount of Secured Liabilities and Assets Pledged as Security

As of December 31, 2022 and 2021, 'Bills payable' amounting to ₱6.6 billion and ₱38.5 billion in Note 19, respectively, are secured by a pledge of certain 'Financial assets at FVOCI' amounting to ₱2.5 billion and ₱32.8 billion respectively, and 'Investment securities at amortized cost' amounting to ₱5.5 billion and ₱5.3 billion, respectively.

41.7 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**	
	2022	2021	**2022**	2021
Trust department accounts	**₱152,746,479**	₱143,335,871	**₱152,746,479**	₱143,335,871
Derivative forwards	**151,543,370**	158,060,387	**147,448,673**	153,621,017
Standby letters of credit	**43,922,556**	37,361,325	**43,702,875**	37,198,406
Unutilized credit card lines	**41,981,905**	41,690,462	**41,981,905**	41,690,462
Deficiency claims receivable	**28,065,650**	22,862,480	**28,065,650**	22,862,480
Derivative spots	**7,474,525**	19,204,658	**7,474,525**	19,204,658
Inward bills for collection	**1,116,689**	2,591,812	**1,116,689**	2,589,780
Outward bills for collection	**355,358**	182,354	**300,396**	78,770
Unused commercial letters of credit	**204,707**	219,246	**204,707**	219,246
Items held as collateral	**165,282**	248,046	**165,270**	248,025
Confirmed export letters of credit	**94,784**	86,188	**94,784**	86,188
Shipping guarantees issued	**22,800**	20,822	**20,655**	18,861
Other contingent accounts	**76,663**	14,440	**7,592**	7,185

2022 vs 2021

The Group's consolidated total assets stood at ₱1,145.2 billion as of December 31, 2022, 3.8% or ₱45.6 billion lower compared to ₱1,190.8 billion reported as of December 31, 2021. Major changes in assets were registered in the following accounts:

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

(In Thousands)	December 31, 2022	December 31, 2021	Increase/ (Decrease)	%
Cash and Other Cash Items	₱22,217,915	₱27,552,773	(₱5,334,858)	(19.4)
Due from Bangko Sentral ng Pilipinas	94,701,360	161,001,912	(66,300,552)	(41.2)
Due from Other Banks	26,010,183	27,222,083	(1,211,900)	(4.5)
Interbank Loans Receivable	16,290,101	32,106,088	(15,815,987)	(49.3)
Securities Held under Agreements to Resell	64,523,863	15,796,673	48,727,190	308.5

  In 2022, the Group reduced its cash in vaults by ₱6.0 billion to further use in interest-yielding assets.

  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 24.1% and 22.6% of the Group's total assets as of December 31, 2022 and 2021, respectively, are higher by 7.4 billion or 2.8%, mainly due to net acquisitions of investment securities at amortized cost during the period, partly offset by the mark-to-market losses and net maturities and/or disposals of financial assets at FVOCI and financial assets at FVTPL.

- Loans and Receivables, net of allowance for credit losses, represent 51.8% and 51.0% of the Group's total assets as of December 31, 2022, and 2021, respectively. Loans and Receivables decreased by ₱13.9 billion at ₱593.1 billion as of December 31, 2022 from ₱607.0 billion as of December 31, 2021, mainly due to 6.7 billion net payments of loans and receivables and additional provision for impairment, credit and other losses of ₱7.2 billion.

- Property and Equipment and Intangible Assets (including Goodwill) as of December 31, 2022 at ₱12.0 billion and ₱13.1 billion, respectively, decreased by ₱1.5 billion and ₱0.6 billion, respectively, compared to ₱13.5 billion and ₱13.7 billion, respectively, as of December 31, 2021, mainly due to depreciation and amortization during the year.

- Investment in an Associate went down by ₱0.2 billion at ₱2.7 billion as of December 31, 2022, compared to ₱2.5 billion as of December 31, 2021, pertaining mostly to equity share in the net comprehensive loss of the associate for the year.

- Investment Properties as of December 31, 2022, at ₱13.8 billion increased by ₱3.1 billion compared to ₱10.7 billion as of December 31, 2021, due to new foreclosures during the year, offset by disposals of real and other properties during the year.

- Other Assets as of December 31, 2022, at ₱4.2 billion declined by ₱0.6 billion from ₱4.8 billion as of December 31, 2021, mainly due ₱0.6 billion decreases in creditable withholding taxes.

The Group's consolidated liabilities were at ₱975.3 billion as of December 31, 2022, 5.2% or ₱54.3 billion lower from ₱1,029.6 billion as of December 31, 2021. Major changes in liability accounts were as follows:

- Deposit Liabilities at ₱871.2 billion and ₱894.9 billion, which represent 89.3% and 86.9% of the Group's total liabilities as of December 31, 2022 and 2021, respectively, are lower by 23.7 billion or 2.6% mainly due to decrease in Time Deposits by ₱39.6 billion or 26.1%, and maturity of a Long-Term Negotiable Certificate of Deposit amounting to ₱9.1 billion, partially offset by an increase in Savings Deposits of ₱21.4 billion or 4.3%, and Demand Deposits by ₱3.7 billion or 1.7%.

- Financial Liabilities at FVTPL are ₱0.1 billion higher than the 2021 year-end balance of ₱891.5 million mainly from the increase in negative fair value balance of stand-alone currency forwards as of December 31, 2022.

- Bills and Acceptances Payable is lower by ₱38.0 billion or 71.7% from ₱53.0 billion as of December 31, 2021, to ₱15.0 billion as of December 31, 2022, brought by net settlements of short-term interbank borrowing and repurchase agreements during the year.

- Accrued Taxes, Interest and Other Expenses were higher by ₱1.4 billion, from ₱7.8 billion as of December 31, 2021, to ₱9.1 billion as of December 31, 2022, mainly due to the increase in accrued promotional costs and accrued interest payable.

- Bonds Payable increased by ₱5.0 billion from ₱53.4 billion as of December 31, 2021 to ₱58.4 billion as of December 31, 2022, driven by the revaluation of foreign currency-denominated bonds.

- Income Tax Payable increased by ₱825.3 million from ₱157.7 million as of December 31, 2021 to ₱983.0 million as of December 31, 2022 representing higher tax accrual on the taxable income of the Group.

The Group's consolidated total equity stood at ₱169.9 billion as of December 31, 2022 from ₱161.2 billion as of December 31, 2021, or an increase of ₱8.7 billion attributed mainly to the ₱11.6 billion consolidated net income reported for the year ended December 31, 2022 and ₱0.8 billion increase in Accumulated Translation Adjustment, ₱0.8 billion increase in Share in Aggregate Reserves on Life Insurance Policies, ₱0.5 billion reduction in Remeasurement Losses on Retirement Plan and 0.3 billion increase in Non-controlling interests.

The increase in the consolidated total equity was offset by net change in unrealized losses on financial assets at FVOCI amounting to ₱5.3 billion from ₱0.7 billion as of December 31, 2021 to ₱6.0 billion as of December 31, 2022.

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 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 year.

- 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 Bank 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 Bank'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 96.1 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 year.

- 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.

Results of Operations

2022 vs 2021

For the year ended December 31, 2022, the Group posted a net income of ₱11.6 billion, ₱20.1 billion lower than the ₱31.7 billion net income last year due a one-off gain in 2021 as discussed below. Movements in net income are primarily due to the following:

- Net interest income amounted to ₱37.3 billion, higher by 7.1% or ₱2.5 billion compared to last year. Total gross interest income increased by 6.7% or ₱2.8 billion to ₱45.2 billion for the year ended December 31, 2022, reflective of the rising interest rate environment in 2022. Total gross interest expense slightly increased by ₱0.3 billion to ₱7.9 billion in 2022 from ₱7.6 billion in 2021 primarily due to reduced interest cost of bills payable and other borrowings as compared to last year.

- Net service fees and commission income increased by ₱279.5 million or 5.3% at ₱5.6 billion for the year ended December 31, 2022, mainly due to increases in deposit-related, bancassurance, underwriting, remittance fees and interchange fees, partly offset by decreases in loan and credit card-related and trust fees and increases in banking fees and commission.

- Other operating income increased by ₱5.6 billion in 2022 or 156.7%, mainly coming from the sale of major investment properties as part of the Group's strategy to monetize the value of its low-earning assets. However, this was offset by the trading and investment securities losses of 1.3 billion brought about by the continued hike in benchmark interest rates in 2022 affecting both the Bank and its associate.

- In 2021, the Group recognized a one-off ₱33.6 billion gain on loss of control over PNB Holdings Corporation (PNB Holdings) as a subsidiary of the Group.

- Administrative and other operating expenses amounted to ₱28.4 billion for the year ended December 31, 2022, 2.2 billion or 8.5% higher compared to last year, mainly due to the increase of ₱1.4 billion in Depreciation and amortization, and ₱1.2 billion in Taxes and Licenses, offset by decreases in Compensation and fringe benefits by ₱0.2 billion.

- The Group recorded lower provisions for impairment, credit and other losses at ₱7.2 billion for the year ended December 31, 2022 compared to the ₱12.9 billion provisions recorded last year when the Group was still continuing to build its loan loss reserves in anticipation of the rise in nonperforming COVID-impacted accounts of the Group.

Total comprehensive income for the year ended December 31, 2022 amounted to ₱8.7 billion, registering a decrease of ₱20.9 billion compared to last year mainly due to the lower net income during the year brought about by the one-off gain of ₱33.6 billion recognized in 2021, and net change in unrealized losses on financial assets at FVOCI, net of tax, and share in changes in net unrealized losses on financial assets at FVOCI of an associate of ₱1.2 billion and ₱0.3 billion, respectively. This is offset by higher accumulated translation adjustment, share in changes in aggregate reserves on life insurance policies, and remeasurement gains (losses) on retirement plan of ₱0.1 billion, ₱0.4 billion, and ₱0.2 billion, respectively.

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 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 last year. Total gross interest income decreased by 9.7% or ₱4.5 billion to ₱42.4 billion from ₱46.9 billion 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 last year primarily due to reduction in levels of high-cost deposits as compared to 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 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 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 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 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 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 2020. The results for 2020 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 2020, higher by 0.01% 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 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 last year mainly due to decrease in net unrealized gains on financial assets at FVOCI and lower net income for the year 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.

Key Performance Indicators

- Capital Adequacy/Capital Management

The Bank's Capital Management Sub-Committee (CMSC) of the Asset Liability Committee (ALCO) was created to specifically handle policies and procedures pertaining to the capital planning and assessment as well as possible equity investments of the Bank.

The CMSC 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 CMSC 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 CMSC 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 CMSC 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 year.

Regulatory Qualifying Capital

Under existing BSP regulations, the determination of the Bank's compliance with regulatory requirements and ratios is based on the amount of the Bank'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 15.49%, 13.66%, and 15.14% as of December 31, 2022, 2021 and 2020, 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 Group's non-performing loans (NPL), gross of unearned and other deferred income and allowance for credit losses, decreased to 44.0 billion as of December 31, 2022 compared to 68.2 billion as of December 31, 2021. The NPL ratios of the Group, net of valuation reserves, is at 2.58% as of December 31, 2022, compared to 5.27% at end of 2021. Gross NPL ratio is at 6.34% at end of 2022 compared to 10.07% at end of 2021.

Profitability

	Years Ended	
	12/31/22	12/31/21
Return on equity (ROE)[1/]	**7.00%**	19.98%
Return on assets (ROA)[2/]	**0.99%**	2.62%
Net interest margin (NIM)[3/]	**3.59%**	3.24%

[1/]Net income divided by average total equity for the year indicated
[2/]Net income divided by average total assets for the year indicated
[3/]Net interest income divided by average interest-earning assets

Liquidity

The ratio of liquid assets to total assets as of December 31, 2022 was 27.63% compared to 29.44% as of December 31, 2021. The ratio of current assets to current liabilities was at 64.75% as of December 31, 2022 compared to 65.09% as of December 31, 2021.

Cost Efficiency

The ratio of total operating expenses (excluding provision for impairment, credit and other losses) to total operating income resulted to 54.47% for the year ended December 2022 compared to 59.82% last year.

RECONCILIATION OF REGULATORY CAPITAL TO AUDITED FINANCIAL STATEMENTS

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, 2022 attributable to the Bank (amounts in Php thousands):

Accounts	**Balance in FRP**	**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	4,373,141	556,101	4,929,242
Surplus	67,697,114	6,222,795	73,919,909
Net unrealized loss on available-for-sale investments	(5,648,377)	(310,898)	(5,959,275)
Remeasurement losses on retirement plan	(2,244,634)	21,689	(2,222,945)
Accumulated translation adjustment	1,051,631	1,262,816	2,314,447
Other equity reserves	390,517	–	390,517
Share in aggregate reserves on life insurance policies	–	136,096	136,096
TOTAL	**₱158,756,546**	**₱7,888,599**	**₱166,645,145**

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