PNB
2023
Annual Report

THINK AS ONE, DO AS ONE.

OUR COVER

THINK AS ONE, DO AS ONE.

A strategy is only as good as the team that executes it.

To 'Think As One, Do As One' is the foundation of our success. Being on the same page is of paramount importance in any organization. No matter how great a strategy is, team members and groups must constantly collaborate to translate strategy into desired results.

Keeping communication lines open, breaking down silos, welcoming and contributing ideas, having a common goal – these are key to making great things happen.

At PNB, we work every step together to reach our goals and the goals of our customers and stakeholders. We believe in always thinking as one and doing as one – staying true to our commitment of being the bank Filipinos can count on anytime, wherever they are in the world.

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Corporate Objective

GRI 2-1

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

VISION

To be among the Top 3 Banks in terms of Customer Growth and Satisfaction, and Return on Equity.

MISSION

We are The Philippine bank promoting financial prosperity for all Filipinos and their businesses, locally and internationally, empowering them to build a competitive, inclusive, and sustainable economy.

CORE VALUES

M.A.T.A.T.A.G.

Masasandalan (Reliable)
Our customers and stakeholders can count on PNB to fulfill their needs.

Alab ng Damdamin (Passion)
We have a burning love for our country, our fellowmen, and our work.

Tiwala at Integridad (Trust and Integrity)
Operating with integrity and trust is in the heart of everything that we do.

Aruga (Care)
We care for the environment, the markets we serve, and our people.

Tibay (Strength or Stability)
Our over 100 years of existence proves our strength and stability.

Akma (Adaptive to Change)
We are agile and quick to adapt to change.

Galing (Competence)
We deliver results and uphold a culture of excellence, innovation, and teamwork.

The PNB Brand

GRI 2-1

'Every Step Together'

'Every Step Together' is our renewed inspiration to understand, anticipate, and serve our customers' evolving needs in the best as well as the toughest of times.

With a solid track record of service excellence earned in over a century of operations, PNB stays deeply committed to always be the dependable financial partner that offers stability and security to Filipinos all around the world.

In 2024 and beyond, the bank is poised to move forward to become an even more customer-centric, flexible, results-driven, and innovative bank. More than ever, we are steadfast in fulfilling our mission to promote prosperity for Filipino individuals and enterprises—empowering them to build a bountiful, inclusive, and sustainable economy.

We have served and shall continue to serve as the reliable financial partner of generations of Filipinos in their journey to success and wealth creation. We shall continue to support not just our customers, but also our employees, shareholders, and the communities in their financial needs and goals as we truly believe in the right to prosperity for all.

We have thrived and triumphed in the most difficult times such as the COVID-19 pandemic. Then and now, PNB has proven to be the bank Filipinos can count on to help them hurdle challenges and ride the tide until a new dawn begins.

Whether they're building the foundation for their future, reaping the benefits of their hard work, or leaving a legacy for the next generation, our customers can trust PNB to be at their side in every life stage they're in. We shall be right beside our customers to make things happen—to be with them every step of the way.

We shall constantly observe the highest standards of professionalism and integrity—always working as a cohesive whole with a passion for growth and service excellence. We shall make it our purpose to be an employer of choice and a true partner in nation-building.

This commitment is captured in our refreshed brand promise, 'Every Step Together'. It is our renewed inspiration to understand, anticipate, and serve our customers' evolving needs in the best as well as the toughest of times.

'Every Step Together' pays homage to what PNB has been known for throughout the decades—a bank that generations of Filipinos can truly rely on in every step of their life's journey.

To watch PNB's newest TV commercial, 'PNB Every Step Together', you may visit the official YouTube account: @PNBph

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; and stock brokerage.

The Bank provides a full range of banking and other financial services to its customers through its Head Office, 631 domestic branches and 73 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 as well as 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) focuses principally 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 as a sales-focused organization also undertakes cross-selling of trust products, treasury products, and bancassurance products (both life and non-life) to existing customers as well as referrals of customers.

International Banking and Remittance Group. The International Banking and Remittance Group (IBRG) manages the Bank's overseas business through its branches and 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 Own a Philippine Home Loan (OPHL) which makes it easier even for non-Filipinos to acquire their dream homes in the Philippines. IBRG also provides services to manning agency clients through payroll processing for sea-based OFWs. In addition, IBRG is responsible for establishing and strengthening partnerships with remittance tie-ups and pay-out partners to further extend the Bank's market reach beyond its brick-and-mortar presence worldwide.

Consumer Finance Sector. As part of the Bank's ongoing efforts to streamline operations and optimize cost structure to ensure operational efficiency as well as harness the maximum potential of the consumer loan business, the Consumer Finance Sector (CFS) was created last November 2023, consolidating the Cards and Payments Solutions Group (CPSG) and the Retail Lending Group (RLG), with select Retail Lending Operations Department functions.

The sector provides a range of tailored products to meet the evolving needs of the Bank's diverse retail and corporate client base such as: Credit, Debit, Prepaid Cards and installment loans under the major network of credit card organization (Mastercard, Visa, and UnionPay); Auto Loan; Real Estate Loan; Contract-to-sell facility; and Personal Loan.

CFS continuously invests in technological advancements to provide digital platforms and user-friendly interfaces, enhancing the overall customer experience. The sector is also responsible for exploring opportunities for forging strategic partnerships to enhance product offerings and widen market reach.

Institutional Banking Sector. The Institutional Banking Sector (IBS) is the primary lending arm responsible for the establishment, expansion, and overall management of the Bank's relationships with corporate clients. The Corporate Banking Group (CBG) 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. CBG offers a comprehensive suite of well-crafted products and services designed to meet the complex requirements of its clients.

In 2023, IBS reorganized its Commercial Banking Group into Metro Manila COMMBG, Luzon COMMBG, and VisMin COMMBG to deepen relationships with commercial clients and capitalize on growth opportunities with middle markets and SME customers in priority industries.

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 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) plays a pivotal role as an agile division capable of undertaking special projects and functions. Cognizant of the latest regulatory requirements and sustainable financing goals, the division promotes synergy across business units by providing timely business reviews, industry studies, and portfolio analysis.

Global Banking and Markets Sector. The Global Banking and Markets Sector (GBMS) is primarily tasked with the management of the Bank's liquidity and funding needs, as well as the execution of financial market transactions involving investments, trading of fixed income, foreign exchange, derivatives and hedging solutions for clients. The sector also capitalizes on opportunities in capital markets as the economy continues to recover. Furthermore, the sector is entrusted to strategically deploy excess funds in low-risk high-quality investment outlets, effectively manage returns and duration, and ensure the ease of converting these investments into higher-yielding assets as the market normalizes. 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 or government funding sources.

Trust Banking Group. The Trust Banking Group (TBG) offers a wide range of investment funds which include money market, fixed income, multi-asset, local equity funds, and global feeder funds. These funds are suited to meet every customer's financial standing, investment goal, risk appetite, and investment horizon. 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. TBG is considered as one of the strongest trust entities in the industry on Fiduciary services such as Escrow, Facility Agency, Trust Under Indenture and Transfer Agency. Its personal trust products and services include Personal Management Trust and Investment Management Account. The group's corporate trust products and services include Corporate Fund Management and Employee Benefit Trust.

Digital Innovations Group. The Digital Innovations Group (DIG) 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 services for retail consumers. The group provides end-to-end digital business and product ideation and development, covering market scoping and assessment, ideation of business models, customer experience design, and coordination with marketing and business groups to promote the acquisition of digital customers and usage of digital offerings. DIG is likewise tasked to execute, deliver and implement digital products and services, as well as manage and provide post-launch support to the Bank's digital platforms, in coordination with ITG and external solutions providers.

The ideation and execution of such digital experiences support the Bank's vision of delighting customers while increasing revenue and decreasing cost to serve the Bank's retail businesses.

Financial Highlights

(In Thousands except Selected Ratios, Per Common Share Data and Headcount)

	Consolidated		Parent Entity	
Minimum Required Data	**2023**	**2022**	**2023**	**2022**
Profitability				
Net Interest Income	**44,592,843**	37,327,570	**43,585,566**	36,590,225
Non-Interest Income	**12,767,209**	14,751,698	**11,956,142**	13,737,884
Non-Interest Expenses	**28,427,236**	28,365,935	**26,953,961**	26,806,113
Pre-Provision Profit	**28,932,816**	23,713,333	**28,587,747**	23,521,996
Provision for Impairment	**6,959,621**	7,198,117	**6,736,831**	7,305,653
Income Tax Provision	**4,007,375**	4,931,228	**3,847,968**	4,684,025
Net Income	**17,965,820**	11,583,988	**18,002,948**	11,532,318
Selected Balance Sheet Data				
Liquid Assets	**365,825,504**	316,426,492	**355,770,856**	306,214,368
Gross Loans	**642,478,454**	613,612,134	**628,841,736**	600,128,347
Total Assets	**1,210,549,400**	1,145,157,076	**1,200,374,156**	1,133,744,250
Deposits	**927,970,918**	871,227,721	**922,782,083**	866,630,380
Total Equity	**191,148,654**	169,905,634	**187,952,489**	166,645,145
Selected Ratios				
Return on Equity	**9.95%**	7.00%	**10.15%**	7.10%
Return on Assets	**1.53%**	0.99%	**1.54%**	0.99%
Common Equity Tier 1 Ratio	**16.85%**	14.58%	**14.67%**	12.67%
Capital Adequacy Ratio	**17.70%**	15.38%	**15.52%**	13.47%
Per Common Share Data:				
Earnings Per Share:				
Basic	**11.78**	7.56	**11.80**	7.56
Diluted	**11.78**	7.56	**11.80**	7.56
Book Value	**122.98**	109.03	**123.19**	109.22
Others				
Cash dividends declared	**-**	-	**-**	-
Headcount				
Officers			**4,509**	4,452
Staff			**3,818**	3,866

Message from the Chairman to Shareholders

GRI 2-11, 2-22

We continued efforts to maintain profitability, deliver excellent customer experience, and create more value for our shareholders.

The Philippine economy continued to expand in 2023 although at a slower rate of 5.5% compared to 7.6% in 2022. All major pillars of the country's gross domestic product (GDP) grew at a slower pace – household spending from 8.3% to 5.6%, gross capital formation from 13.7% to 5.9%, and government expenditures from 5.1% to 0.6%, respectively. Diminished "revenge spending", high inflation, elevated cost of borrowing, and the need for stricter fiscal discipline were the main reasons for the deceleration. Nevertheless, the Philippines' 5.5% GDP growth was the fastest in Southeast Asia last year.

Headline inflation accelerated further to 6.0% in 2023 from 5.8% in 2022. The faster increase in consumer prices last year was primarily driven by agricultural supply side issues (rice in particular) and second round effects from the elevated prices in 2022. To prevent further inflationary spiral, the Bangko Sentral ng Pilipinas (BSP) managed the demand side by continuing to tighten monetary conditions. The Target Overnight Reverse Repurchase Rate was consequently hiked by a total of 100 basis points last year to 6.50%. From a low of 2.00% during the height of the pandemic, the key policy rate of the Philippines has been raised by a total of 450 basis points.

Our country was not alone in raising the benchmark cost of borrowing amid persistently high inflation. The Federal Reserve likewise tightened by a total 100 basis points in 2023, after a cumulative 425 basis points hike in 2022. Meanwhile, the peso mildly appreciated to Php55.4/$1 by end-2023 from Php55.8 in end-2022, amid stable interest rate differential between the US and the Philippines. Moreover, the country's balance of payments position improved to a surplus of US$3.7 billion, a turnaround from the US$7.3 billion deficit in 2022.

MESSAGE FROM THE CHAIRMAN TO SHAREHOLDERS

For 2024, the Bank is anticipating that GDP growth may moderately rise to 6.0%. This is underpinned by the expectation for slower inflation, decline in interest rates, and faster increase in government spending. Meanwhile, inflation may improve from 6.0% to 4.0% on the assumption that supply shocks will not be as severe compared to 2023 (state of calamity lasting until April 2023 due to Typhoon Paeng) and 2022 (Russia-Ukraine war). As such, the BSP may have some room to cut rates and implement accommodative monetary policy to support faster economic growth.

As the local and global economies continued the journey towards recovery and business truly began to normalize, we took an inward look at how we can improve the way we do business and take advantage of the opportunities that emerged after the pandemic.

The post-COVID-19 era was a turning point for many organizations and at PNB, we seized the opportunity to strengthen our foundation. In April 2023, the Bank's board of directors and senior management team gathered and worked together to develop a new set of vision, mission, and core values. Apart from this, the working team also determined the key objectives of the Bank. Our refreshed vision and mission set the tone and pace for our next action steps and serve as an anchor in executing our strategy.

While the pandemic years compelled us to find innovative ways to serve our customers, the year 2023 was focused on making what we have better. With our vision and mission redefined, we assessed and realigned our priorities. To give our customers a safer and more efficient banking experience, we enhanced our services and financial solutions – both at the branch and digital fronts. To maintain a capable and resilient human resource, we established learning programs that allow flexibility and agility. Overall, we continued efforts to maintain profitability, deliver excellent customer experience, and create more value for our shareholders.

In the area of sustainability, the Bank has concluded the third year of implementation of its transition plan. In my message herein as the Corporate Governance and Sustainability Committee Chairman, I am proud to share the several wins we have made in driving our initiatives. These wins gained us recognitions from various award organizations in the areas of sustainability reporting, corporate governance practice, and corporate social responsibility.

We had key developments in our Board as part of our initiatives to strengthen succession planning and promote diversity in its composition. Our *Kapitan*, Dr. Lucio C. Tan, and Ms. Carmen K. Tan took on the roles of Chairman Emeritus and Board Advisor, respectively. We welcomed Maria Almasara Cyd N. Tuaño-Amador, Eusebio V. Tan, and Chester Y. Luy as members of the PNB Board of Directors. These appointments are a significant step in aligning PNB's leadership to better serve our customers and stakeholders.

Overall, 2023 was a year of strengthening our foothold and asserting our position as one of the key universal banks in the country.

Overall, 2023 was a year of strengthening our foothold and asserting our position as one of the key universal banks in the country. We are grateful for the unwavering trust and support of our customers, employees, and shareholders. We remain faithful to our commitment of being a reliable financial partner of all Filipinos and a steady partner of the Philippine government in building a competitive, inclusive, and sustainable economy.

Taking every step together, let us march forward towards a better and brighter future.

(Original Signed)
EDGAR A. CUA
Chairman / Independent Director

Message from the President to Shareholders

PNB will always be the bank Filipinos can count on to help them reach their goals and carry on during tough times.

When I assumed the position of PNB President in July 2022, I immediately called for *Urgent, Unified Action* to ensure that everyone in the Bank is directed towards one clear purpose and corporate goal – Sustained Profitable Growth. In this regard, I rallied Philnabankers to *Think As One, Do As One,* emphasizing that we have to proactively work with each other in implementing effectively our integrated strategic initiatives to attain our common goal.

Our collaborative efforts had paid off. I am proud to share that the year 2023 was a banner year for PNB. The Bank's consolidated net income increased substantially by 55% year-on-year to reach Php18.0 billion mainly due to robust net interest income and lower credit provisions. Even without the gains on sale of acquired properties, the Bank's net core banking income posted an impressive 156% growth year-on-year. Thus, return on equity (ROE) significantly improved to 10% compared to 7% a year ago.

With our continued focus on the efficient deployment of funds together with the generation of low-cost deposits, the Bank's net interest margin widened to 4.2% in 2023, up from previous year's 3.6%. We took steps to shift the Bank's marketing focus from large corporates to commercial/SMEs and consumer segments with gross loans increasing by 5% to Php642 billion from year-ago level. Likewise, we persistently beefed up our current and savings accounts (CASA) deposits which grew by 4% year-on-year and comprised 83% of PNB's total deposits as of end-2023.

Despite the limited market liquidity and uptrend in interest rate in 2023, we were able to capitalize on market opportunities such that our gains from trading and foreign exchange rose by more than 4 times year-on-year to Php1.8 billion. Furthermore, we were also successful in our strategy to aggressively dispose of non-performing assets as we offloaded certain high-value properties that augmented the Bank's revenues.

MESSAGE FROM THE PRESIDENT TO SHAREHOLDERS

In 2023, we also set aside lower provisions on distressed loans and other credit assets as the market continued to bounce back from the lingering effects of the pandemic and other adverse market conditions in recent years.

Despite our continued business growth, prudent spending allowed us to keep our operating expenses flat at Php28.4 billion in 2023. As a result, we were able to improve our cost efficiency ratio to 50% from previous year's 54%.

As of end-2023, the Bank's total assets stood at Php1.2 trillion, increasing by 6% from year-ago level, mainly driven by higher loans and investment portfolio. Meanwhile, the Bank's capital strengthened by 13% year-on-year to Php191 billion, resulting in Common Equity Tier 1 Ratio and Capital Adequacy Ratio of 16.85% and 17.7%, respectively, way above the minimum regulatory requirement of 10%.

On the operational front, we also made great strides in streamlining the Bank's organization, simplifying and realigning processes, and pursuing strategic priorities to address customers' needs – all directed towards making the Bank ready for further growth.

We enhanced the features and functions of our mobile banking app – PNB Digital. We focused on elevating client experience through innovation and convenient banking, with emphasis on system reliability and security. Through our committed execution of our digital strategy, we achieved greater digital adoption and usage as well as higher enrollment. In 2023, the number of registered users of PNB Digital has surpassed one million – a 42% year-on-year growth. Our efforts were recognized by industry experts as PNB won the top award for 'Philippines Digital Experience of the Year for Banking' at the Asian Experience Awards 2023.

We boosted the Bank's deposit base through our successful CASA promotions. Online account openings grew by 18%, driven by targeted promo campaigns. Collaborating with PAL Mabuhay Miles, we also rewarded eligible PNB account holders. To ensure efficient delivery of banking services, we continued to streamline our physical distribution network through our branch rationalization program, with branches numbering 631 by year-end and the ATM/Cash Accept Machine fleet exceeding a thousand units. Meanwhile, our Bank On Wheels continues to serve customers in remote areas of Metro Manila and Luzon.

We took steps in maximizing the potential of our consumer loan business together with optimizing its cost structure by simplifying operations and workflows. In the last quarter of 2023, we consolidated the businesses of the Cards and Payments Solutions Group and the Retail Lending Group into the Consumer Finance Sector. With growth objectives aligned, this new sector leverages on PNB's extensive branch network as a solid sales channel to promote cards acquisition and enhance our consumer loan portfolio.

For our overseas operations, our international banking and remittance business established new partnerships with several organizations with the goal of bringing our products and services to more Filipinos around the globe. Our key officers from various host countries won awards and accolades for service excellence and thought leadership. To improve client servicing, the overseas business started to implement new and innovative ways of working, notably the enhanced 'know-your-customer' process and an online system deployment for loans.

On the investment front, PNB's wealth management business continued to offer a wide array of financial solutions to clients of diverse risk profiles. To support this, our research team consistently provided client investors with guidance on the right investment tools. In recognition of the Bank's efforts, Asiamoney's Private Banking Awards hailed PNB as 'Best Bank for Investment Research in the Philippines' for the third consecutive year.

Our endeavors to give customers a great banking experience gained recognition from some of the world's most prestigious award-giving organizations. For 2023, PNB ranked second in the Philippines in Forbes' list of the World's Best Banks. The ranking was based on a worldwide survey of 48,000 banking customers in 32 countries as highlighted in Forbes' story, "Meet the World's Best Banks 2023". Forbes said: *Trust was the most important factor that contributed to the success of banks globally. Banks need more than great rates to attract corporate and individual customers. They must also offer quick, multi-channel service – both online and in branches – and use that customer service to earn trust.*

Before the year ended, we began a new chapter in the Bank's brand history. Through a multi-media advertising campaign, we revitalized the PNB brand by introducing a new brand promise: *Every Step Together*. With this refreshed branding, we aim to bring across to our customers and stakeholders the message that PNB will always be the bank Filipinos can count on to help them reach their goals and carry on during tough times. PNB promises to be right beside our customers to make things happen, every step of the way.

On behalf of the PNB Board of Directors and all Philnabankers around the world, I would like to express my sincerest gratitude to our customers, shareholders, regulators, business partners, and all our stakeholders for the support, the trust, and the commitment to be our partners in success. Rest assured that we in PNB will continue to *Think As One And Do As One* and be your dependable bank in all stages of your life, wherever you are in the world.

Maraming salamat!

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

Branch Banking

The remarkable success of Branch Banking Group (BBG) under the Retail Banking Sector (RBS) in 2023 was primarily fueled by competitive rates within the high-cost CASA segment. The group sustained the growth rate of its average daily balance above the Php800-billion mark. This achievement is a testament to the effective synergy cultivated through continuous marketing efforts, fostering robust connection between clients and branches.

In October 2023, BBG introduced the "Save and Soar" promo with the goal of boosting CASA by giving Mabuhay Miles points to qualified account holders for both existing and new-to-bank clients. These points can be converted to PAL Mabuhay Miles based on their planned year-to-date ADB. Consequently, the initiative successfully attracted deposits, contributing to the overall growth of deposits. This promotional campaign ran until the first quarter of 2024.

For the online account opening service launched in April 2021 under the "PNB EZ Promo", a surge in online applications was notable, which increased to Php1.62 billion in CASA deposits from 290,298 accounts since its launch. Over the course of the past year, BBG witnessed a remarkable achievement – surpassing the account opening figures of 2022 with a total of 126,000 applications. This represents a noteworthy 18% increase in account openings, underscoring BBG's robust growth in this pivotal area.

Meanwhile, the "Easy Open, Easy Ipon" campaign aims to encourage clients to shift to digital banking, making banking more accessible to a broader demographic. This promotion has been extended until June 2024.

Consequently, one of our branches in Mindanao – PNB Davao del Norte-Tagum-Rizal – was honored with a plaque of recognition at the Bulawanong Pasidungog 2023 for making it to the list of top 10 highest taxpayers in the entire province of Davao de Oro.

As part of the Bank's rationalization program, PNB's domestic branch network was brought down to 631 branches by year-end, involving the consolidation of 20 branches and the relocation of 14 others. The ATM and Cash Accept Machine (CAM) fleet reached 1,680 units. Bank on Wheels (BOW) vehicles continued to enhance access to cash, serving 70 communities in Metro Manila and Luzon.

The wins of the past year bring new and significant opportunities for PNB's retail banking business. As PNB looks forward to 2024, BBG remains committed to provide exceptional customer experience and sustain the Bank's growth momentum.

631 PNB's Domestic Branch Network

1,680 PNB's ATMs & Cash Accept Machines

70 Communities served by PNB's Bank on Wheels

International Banking and Remittance

With 73 overseas offices and 81 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 remittance, overseas bills payment, deposits, corporate credit and trade, and consumer financing facility with the Own a Philippine Home Loan (OPHL).

In 2023, PNB inaugurated its newest branch located inside the Department of Migrant Workers (DMW) Building spearheaded by the group. This marks PNB's presence at the start of the Overseas Filipino Workers' (OFW) journey, allowing the Bank to provide stronger and more accessible banking to the Filipinos Overseas.

IBRG continues to develop innovative ways to further serve its customers. In tandem with PNB Japan, the group started to implement and conduct eKYC via video conference to enhance its account opening facilitation and expand New-To-Bank client coverage outside Tokyo and Nagoya. The group also represented PNB in the Expo Maritime Philippines 2023: Flag State and Ship Builders Convention where the team facilitated the opening of new accounts onsite. IBRG, in collaboration with IT Group, successfully completed the online system deployment of the new PNB Pangarap Loan System (PLS) for PNB Global Hong Kong (PNB GHK). The new PLS powers the Pangarap Loan Program - an all-purpose loan secured by a holdout on deposit extended to all qualified customers of PNB GHK. The new program enables the PNB GHK customers to receive release of loan proceeds in less than an hour from time of application.

With IBRG's active presence in the OFW community both locally and overseas, the group received various awards with PNB New York's General Manager being hailed as Outstanding Leader in the Banking Sector during the 5th Annual Platinum Global Awards, PNB Los Angeles' General Manager receiving the International Banking Service Excellence Award from the Filipino American Chamber of Commerce, and PNB Middle East Region Head being recognized as Asia's Empowered International Leader by Asia's Pinnacle Awards. Through IBRG, the Pag-IBIG Fund recognized PNB for having the highest number of transactions and amount of collections among bank partners in its Stakeholders' Accomplishment Report (StAR) Awards 2023. The Social Security System (SSS) also recognized PNB as the Best Collection Bank Partner (Overseas) during their SSS Balikat ng Bayan Awards 2023.

In 2024, IBRG will remain steadfast in its commitment to improve customer proposition, deliver relevant products and services, promote operational efficiency, and develop resilient employees for a sustainable business that thrives amidst changing times.

Most extensive overseas network

Leaders recognized by communities

Consumer Finance Sector

As part of the Bank's ongoing efforts to streamline operations and optimize cost structure to ensure operational efficiency as well as harness the maximum potential of the consumer loan business, the Consumer Finance Sector (CFS) was created last November 2023. The move consolidated the Cards and Payments Solutions Group and Retail Lending Group as well as selected retail lending operations functions to align with the growth and revenue objective of the Bank to grow its consumer portfolio.

The sector's key result areas include increasing the overall loan portfolio of consumer loans and credit cards while improving profitability by ensuring a low rate of non-performing loans; ensuring strict compliance and adherence to regulatory bodies; and conceptualizing, managing, and developing innovative programs, products and services to grow the portfolio and gain customer loyalty.

For the year 2023, acquisition of cards and consumer loans had been aggressive, with the sector leveraging on PNB's branch network as a steady sales channel to increase portfolio.

Efforts in digitization were implemented by the sector through the automation of the Collection System, which was launched April 2023. The system significantly improved the non-performing loans of the

Bank since PNB was able to proactively reach out to customers in advance to avoid further deterioration of their accounts. The system also helped the sector achieve better asset quality.

For the year 2024, CFS 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. The sector shall ensure that customers would benefit from a wide range of products tailor-fit to their financial needs, as well as services delivered in a way that is efficient, satisfactory, and convenient.

The Bank shall migrate to the use of technology-driven loan underwriting platforms to improve the processing time for all types of loans. This aims to improve processing and approval turnaround time of loan applications.

Global Banking and Markets

The Global Banking and Markets Sector (GBMS) is primarily tasked with the management of the Bank's liquidity and funding needs, as well as the execution of financial market transactions involving investments, trading of fixed income, foreign exchange, derivatives and hedging solutions for clients. The Sector also capitalizes on opportunities in capital markets as the economy continued to recover. The group strategically deploys its excess funds in low-risk high-quality investment outlets and effectively manages returns and duration and ensures the ability to convert these investments into higher-yielding assets as the market normalizes. 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 or government funding sources.

Global Markets Group

Global Markets Group (GMG) continued to offer holistic and relevant banking solutions to meet the needs of its customers as it proactively managed risk and efficiently optimized the Bank's balance sheet. Armed with extensive knowledge of financial markets and supported by a robust internal control framework, GMG guided its internal and external customers as they continued their recovery story in 2023. GMG provided technical and operational support to customers while it managed its own risks to deliver results for the Bank.

The group has four divisions:

Trading Division is responsible for servicing client requirements and formulating and executing trading strategies. The division capitalized on opportunities in the capital markets as the economy recovered by taking calculated and strategic risk positions in fixed income, foreign exchange, and derivatives. Since 2019, PNB has ranked among the top dealers in both fixed income and foreign exchange markets. PNB, being a key partner for nation-building, was awarded by the Bureau of the Treasury as one of the Top Government Securities Eligible Dealers for 2023.

Asset and Liability Management Division ensures that the daily operating funding requirements of the Bank and the regulatory liquidity ratios were met. Collaborating with other units, the division maintained healthy liquidity and funding across currencies, as PNB navigated the market uncertainties throughout the year. The division strategically deployed its excess funds in low-risk, high-quality investment outlets, effectively managed returns and duration and ensured that these investments may be converted into higher-yielding assets when the market normalizes.

Global Markets Sales Division (GMSD), the marketing and sales arm of GMG, provides best price and best execution in foreign exchange, derivatives, and hedging solutions to corporates, financial institutions, and branch-referred individual customers. GMSD is also the brokering arm for fixed income products catering to institutional clients. The team conducts regular marketing calls together with the Institutional Banking Sector (IBS), Branch Banking Group (BBG) and other bank units; develops plans and strategies and anticipates client requirements; and provides financial insights to deepen customer relationships and improve client satisfaction. In line with GMSD's thrust to enhance customer experience and as the Bank shifts to digital, the PNB Digital Foreign Exchange or D-FX was launched in 2023. D-FX allows clients to execute FX transactions safely and conveniently through the Internet. PNB has been consistently recognized as Top 3 PDEx Brokering Participant.

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

For 2024, the Global Markets Group will continue to provide mindful and adaptive solutions to the evolving needs of its clients through traditional and digital platforms. GMG will continue to support its clients as they grow while delivering on its financial goals for the Bank.

Wealth Management Group

Wealth Management Group (WMG) stands as the premier investment distribution arm of the Bank, dedicated to serving high-net-worth individuals, retail clients, and non-financial corporate entities. Its primary mission is to guide clients towards a prosperous financial future through the creation of a robust and diversified investment portfolio tailored to their financial objectives, risk appetite, investment experience, and understanding of the financial landscape.

In the face of rising policy rates by the US Federal Reserve and BSP throughout 2023 and a flat yield curve, investor preference shifted away from equities and long-duration bonds towards less volatile and high-yielding money market instruments. WMG has adeptly navigated this shift, aligning its offerings with client preferences for shorter-term investments, which resulted in a commendable increase in both Volume and Assets Under Management. The group's commitment to innovation and market responsiveness was also evidenced by its continued offering of Foreign Exchange Forward Contracts, Asset Swaps, and a focus on Environmental, Social, and Governance (ESG) investing through Green Bonds and a Global Sustainability Equity Fund.

The digitalization of WMG has been a pivotal focus, with significant strides towards enhancing operational efficiency and client engagement. The Order Management Module, featuring a comprehensive client suitability assessment, was successfully rolled out in 2022. Building on this foundation, 2023 saw the launch of the Relationship Management System, designed to optimize client management and acquisition strategies. The forthcoming debut of the Customer Portal in 2024 is anticipated with great enthusiasm, set to complete the implementation of the Wealth Management System, and further solidify the group's digital infrastructure.

As WMG forges ahead, its strategy is clear: to harness the full potential of its Wealth system, continue delivering cutting-edge financial solutions, and leverage on the insights of the multi-awarded PNB Research team. For the upcoming year, WMG reinforces its commitment to excellence and innovation.

Financial Institutions Division

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.

In the midst of the challenging interest rate environment in 2023, FID concentrated on accounts exhibiting favorable return to the Bank and was able to provide notable contribution to the Bank's strategy of expanding its loan portfolio. The department also executed significant trade transactions related to infrastructure development that will ensure a consistent stream of fee-based income for the next few years.

For 2024, FID will continue to expand its customer base, increase its deposit generation, and grow its loan book by extending financial services through credit, digital partnership, and trade services to its target clients.

Institutional Banking

Emerging from consecutive years of international turmoil, the Institutional Banking Sector (IBS) paves the way for growth and step-by-step recovery and remains as a reliable source of financial support by harnessing digital innovation, ensuring compliance with regulatory requirements, and cultivating relationships with clientele in priority industries.

In 2023, the Sector continued to thrust towards equipping the Bank and its clients with access to advanced online banking platforms. IBS spearheaded the acquisition of a corporate loan origination system called the Loan Evaluation and Decision System (LEADS). LEADS aims to streamline end-to-end processes while providing clients with more efficient access to bank documents through PNB's secure online platform. The system – a result of continuous refinement and application of cutting-edge technology – shall be a collection of best practices across leading banks localized for the Philippines' regulatory corporate landscape.

Cognizant of sustainable financing goals and resurfacing growth opportunities, the Sector's key departments continue to make headways in various fields. The Structuring and Execution Division (SED) laid the foundation for holistic integration of the LEADS system with the Bank's Environmental, Social, and Governance (ESG) framework, clientele growth strategies, and process improvement initiatives. Crafted as an agile and flexible division, SED remains the backbone of IBS – cascading pertinent information and directives while supporting business units with a depth of analytics.

Institutional Transaction Banking Group (ITBG) captured massive value chains by instituting key initiatives to improve customer experience. ITBG supports clients' entire ecosystems by offering a network of calibrated end-to-end financial solutions including cash management and credit programs. The group also fortified PNB's position as one of the market leaders in issuance of trade-related guarantees.

As the country recovers from the impacts of a protracted pandemic and supply chain crises, the Corporate Banking Group (CBG) and Commercial Banking Group (COMMBG) remain partners to nation-building by successfully delivering on landmark deals and timely financing solutions through a comprehensive suite of products. Amid this transitory period, both CBG and COMMBG structured finely tuned solutions rendered to meet complex requirements of clients in various industries. Moving forward, the Sector shall actively build presence in the commercial banking sphere through aggressive acquisition of deals with middle market borrowers and credit product programs.

Decked with an array of tools and platforms intricately designed to enhance client experience, IBS strides into 2024 ready to meet the demands of the constantly evolving Philippine financing landscape.

Digital Innovations

GRI 3-3

The vision of Digital Innovations Group (DIG) for PNB Digital in 2023 was to be everyone's partner – committed to providing an easy, reliable, and secure digital banking experience. The group focused on elevating client experience through innovation and convenient banking, with a strong emphasis on system reliability and security.

DIG worked on improving the bank's digital posture in 2023 by launching the UITF online product, giving PNB clients digital means for investment suitability assessment, booking of new investments, and fund redemption. New credit card functions were also made available so clients can easily view their PNB credit card PIN or monitor their incoming (pending) transactions. Other app enhancements were the inclusion of over 700 new billers for bills payment and receiving funds via mobile/email thru InstaPay.

Apart from these new functions, infrastructure capacity and efficiency were improved to further strengthen the reliability and performance of the mobile app. DIG also continued to strengthen its collaboration with other business units of the bank and capitalized on the bank's relationship with companies under the Lucio Tan Group to promote awareness, enrollment, and usage of the PNB Digital app.

The result of DIG's efforts can been seen in the increased digital adoption and app usage of PNB customers as well as the upward trend in new enrollments. By end-December 2023, the number of PNB Digital app users has surpassed one million - a 42% year-on-year growth.

The rise in activity has also translated to steady growth in financial transaction count and volume, increasing by 46% and 40%, respectively. In terms of revenue, the group also achieved a steady growth rate of over 47%.

Furthermore, with DIG rolling out more innovative and customer-centric features and services, PNB was recognized as the 'Philippines Digital Experience of the Year – Banking' by the Asian Experience Awards 2023. The awards program honors the ingenious initiatives of creative companies to deliver meaningful brand experiences to stakeholders.

For 2024, key initiatives include strengthening the security posture of the Bank's digital channels with the integration of a Fraud Management System. The bank will also embark on a Mobile Account Opening facility to allow seamless and secure onboarding of deposit accounts. The remittance services of PNB will also be enhanced with the introduction of mobile remittance applications across major international corridors.

OPERATIONAL HIGHLIGHTS

Trust Banking

The Trust Banking Group (TBG) ended 2023 with Php168.04 billion in total assets under management – a 10% increase over the Php152.75 billion reported the previous year. This was driven by the significant increase in the volume of Investment Management Accounts (IMA) and Corporate Fiduciary Accounts.

TBG's fees brought in Php373.72 million to the Bank's earnings. This represents an 18% improvement over the team's 2022 income of Php317.86 million.

The Group also provided its clients reliable sources of investment outlets through its participation in several bond and equity issuances totaling Php10.13 billion.

In May 2023, the group introduced the PNB UITF Online on PNB Digital to support the Bank's innovation strategy and to provide clients with a more seamless, convenient, and secure banking experience. This eliminates the need for clients to go to a PNB branch to open a UITF account and fill-out paper forms as the PNB UITF Online facility is fully automated from enrollment to participation, and even all the way to redemption. Through the PNB UITF Online, PNB hopes to empower Filipinos by promoting prudent saving and investing practices.

In 2023, TBG made considerable progress in the automation of its major client reports. In addition to the electronic Confirmation of Transaction (e-COT) which it launched in 2022, the group successfully introduced the electronic UITF Statement of Account (e-UITF SOA) and the electronic UITF Confirmation of Transaction (e-UITF COT) last year. These projects, mainly undertaken for the benefit of trust customers, significantly reduced turn-around time for customers to receive their respective financial reports. Additionally, by using less paper, this initiative promotes sustainability as it helps lessen the Bank's carbon footprint.

As part of its effort to improve UITF customer experience and satisfaction, TBG shortened the redemption settlement date for its multi-asset fund and local equity funds from three to just two banking days. In addition, for redemptions processed through the branches, clients will no longer be required to surrender the original UITF Confirmation of Participation/ Transaction.

TBG provides a broad selection of investment funds, including money market funds, fixed income funds, multi-asset funds, local equity funds, and global feeder funds. These funds are tailor-fit to meet every customer's financial standing, investment goal, risk appetite, and investment horizon. These are managed by a team of professional fund managers who have a wealth of training and experience under their belts.

One of TBG's local equity funds, the PNB High Dividend Fund (HDF), was recognized as one of the Best Managed Funds for 2023 under the Peso Equity Fund category by the Chartered Financial Analyst (CFA) Society of the Philippines, an association of local investment professionals that annually recognizes funds that stand out among peers. The HDF has consistently been among the best-performing funds in the country for the last three years.

As one of the pioneers in the trust banking business, PNB serves a broad spectrum of retail, corporate, and institutional clients with its wide array of trust banking products and services, large distribution network, professional expertise, and sound investment strategies. It is regarded as one of the strongest trust entities in the industry for Fiduciary services such as Escrow, Facility Agency, Trust Under Indenture, and Transfer Agency. Its personal trust products and services include Personal Management Trust and Investment Management Account. Corporate trust products and services include Corporate Fund Management and Employee Benefit Trust.

For 2024, the Trust Banking Group will continue to focus on growing its UITF business and expanding its electronic distribution channels. The team will also prioritize the completion of its electronic statement initiatives.

Plans for 2024

GRI 2-22

PNB will remain steadfast in carrying out strategic initiatives aimed at attaining safe, profitable, and sustainable growth in 2024. Its brand promise, "Every Step Together", will be the anchor for all customer-centric endeavors as the Bank actively helps its customers reach their aspirations.

With the commitment to ensure a fulfilling banking experience for its customers, anytime and anywhere, PNB will further enhance its products and services across multiple channels. In particular, the Bank's digital technology capability will be further strengthened to make end-to-end banking seamless. Along this line, the Bank will persist in accelerating client-onboarding to mobile platform to facilitate online transactions and payments for purchases of goods and services from merchants. PNB will also leverage on the adoption of appropriate technologies to improve service delivery and provide top-of-its-class digital products that would not only complement but also extend the Bank's reach beyond the physical boundaries of its branch network. In tandem with its digitization initiatives, the Bank will ensure that baseline security standards are in place to address cybersecurity threats as it upholds as paramount the safety of its customers and the trust of the public.

The country's sustained economic growth will provide the Bank with more opportunities to increase its profitability. In this regard, the Bank will undertake tactical action plans to tap new business prospects as well as deepen its market penetration in the SME and consumer space. Specifically, PNB plans to develop an overarching automated supply chain ecosystem and synergy for its anchor clients. Likewise, the Bank will endeavor to forge and maintain strategic partnerships that foster strong collaboration.

To maintain competitiveness, accelerate growth, and develop an agile and dynamic organization, PNB will fortify its operational efficiency and resilience by speeding up the adoption of automated and technology-driven processes, re-engineering, and streamlining back-office processes and support functions. Furthermore, PNB will continue to upskill its manpower and reinforce internal collaboration as it moves forward to achieve business objectives.

In pursuit of shared prosperity, the Bank will remain keen on participating in the building of a competitive, inclusive, and sustainable economy. Through its sustainable financing framework, PNB empowers its community of clients and investors to finance projects that generate positive environmental and social impact. The Bank will also continue to incorporate sustainability principles – including environmental and social risk aspects – into the corporate governance framework, risk management systems, and strategic objectives, consistent with the size, risk profile, and complexity of its operations.

AWARDS AND RECOGNITION

Chartered Financial Analyst Society of the Philippines
- Best Managed Fund 2023 - PNB High Dividend Fund *(Peso Equity Fund category)*

Asia Responsible Enterprise Awards 2023
- Strengthening Corporate Governance Towards PNB's Sustainability *(Corporate Governance category)*
- 2022 PNB Sustainability Report: Our Sustainability Journey Continues *(Corporate Sustainability Reporting category)*

PDS Annual Awards
- Top 2 Fixed-Income Brokering Participant
- Top 5 Fixed-Income Cash Settlement Bank

SSS Balikat ng Bayan Awards 2023
- Best Disbursement Partner *(Universal Bank category)*
- Best Collection Partner *(Overseas Bank category)*

The Asset Triple A Country Awards for Sustainable Finance 2022
PNB Capital and Investment Corporation
- Best IPO for Citicore Energy REIT Corp.'s Php6.4-billion IPO
- Best Transition Bond for SMC Global Power Holdings Corp.'s Php40.0-billion Fixed Rate Bond
- Best New Bond for the Cebu Landmasters, Inc.'s Php5.0-billion Fixed Rate Bond

LinkedIn Talent Awards
Finalist as Learning Champion

Gawad Maestro Awards
Learning and Development Organization of the Year for Private Sector

MESSAGE FROM THE

Board Audit and Compliance Committee Chairperson

As we usher in a new year, this message serves to reaffirm the Board Audit and Compliance Committee's (BACC) dedication in assisting the Board in fulfilling its governance and oversight responsibility towards transparency, accountability, and the highest standards of corporate governance within Philippine National Bank (PNB).

The BACC of PNB, serving as a crucial oversight committee of the Board of Directors, is composed of five qualified business professionals (increased from three to five members in September 2023), four of whom are Independent Directors. Collectively, the Committee members have diverse expertise in accounting, auditing, financial management, and related banking practices. Our committee plays a vital role in strengthening internal controls, risk management and compliance processes, and upholding good governance within the bank.

Throughout the year, the Committee conducted a total of 23 meetings, consisting of 12 regular and 11 special meetings (two of which were conducted exclusively with the Independent and Non-Executive Directors of the bank). These sessions were dedicated to ensure the fulfillment of our duties and responsibilities, encompassing various crucial areas such as overseeing the financial reporting framework; evaluating internal control systems; monitoring compliance and audit functions; addressing issues identified by regulators, auditors, and control functions; investigating concerns raised; and establishing a robust whistleblowing mechanism.

Our close interaction with the external auditor, as mandated by BSP Memorandum 2014-11 and BSP Circular No. 969 series of 2017, further contributes to the comprehensive oversight we provide. The Internal Audit Group (IAG), led by the Chief Audit Executive (CAE), adheres strictly to the International Standards for the Professional Practice of Internal Auditing (ISPPIA). Their efforts focus on delivering independent, objective assurance, and consulting services to enhance risk management, control, and governance processes.

Importantly, both Internal Audit Group (IAG) and Global Compliance Group (GCG) functions actively contribute in sustaining the Environmental and Social Responsibility (ESR) of PNB. By ensuring adherence to relevant standards and regulations, our teams play a crucial role in promoting ESR.

The BACC Chairperson may issue directives to Senior Management based on audit reports, ensuring timely corrective actions.

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 of 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.

As we move forward into the new year, our commitment to robust corporate governance remains unwavering. We are confident that the internal control environment and risk management system of PNB will continue to effectively respond to risks within various organizational facets.

Thank you for your continued trust and collaboration.

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

MESSAGE FROM THE

Board IT Governance Committee Chairperson

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

BITGC has remained committed to its mission by exercising effective IT governance framework that addresses strategic alignment, performance measurement, risk management, value delivery, and resource management. The Committee continued to monitor the performance of the Bank's IT Group (ITG) based on key responsibility area (KRA) and key performance indicator (KPI) to support the Bank's line of businesses.

In 2023, BITGC members, composed of seven directors and two board advisors, conducted 12 sessions via Microsoft Teams, while most of the Bank's ITG workforce continued to work on a flexible hybrid work schedule.

Major Technology Initiatives for 2023

Strategic IT Initiatives. The Bank's three-year strategic business plans, starting with 2023, were formulated and anchored on economic recovery from the global impact of the COVID-19 pandemic. Projects were prioritized based on growing the Bank's business and on strengthening IT systems through digital transformation focused on customer experience, operational efficiency, and user productivity.

For first quarter 2023, the Board approved (1) Retail Banking Sector's (RBS) Unified Contact Center Solution that will unify all contact channels (e.g., email, chat, SMS, social media) to a single platform and (2) ITG's two-year plan of upgrading the 2012 z/VSE version of Systematics Core Banking System to the latest Systematics version running on IBM z/OS and z16 mainframe that offers more advanced features and flexible functionalities.

For second quarter 2023, the Board approved RBS' recommendation to replace the 2010 Connex ATM switch system with a modern system. In June, Risk Management Group started Phase 1 of 4 project activities for implementing an enterprise fraud management system in compliance with BSP Circular 1140.

Projects completed during the first half of 2023 were: (1) Global Banking and Market Sector's cloud-based FX Web Application that will support the Bank's foreign exchange franchise business; (2) International Banking and Remittance Group's e-wallet feature for PNB Singapore Mobile Remittance App that will support funding options through eNETS online payment gateway, PayNow Transfer, and over-the-counter transaction at PNB Singapore branches; (3) Global Compliance Group's customer watchlist screening solution using Refinitiv that will enhance and strengthen the Know-Your-Customer (KYC) process; and the (4) new Collection System based on workflow management system and low-code application development. For the digital banking app, ITG developed and added new features such as the integration of QR Ph to facilitate customers' request for digital person-to-person (P2P) or person-to-business (P2B) fund transfers and person-to-merchant (P2M) payments. Likewise, ITG assisted in enhancing the Trust Banking Group's mobile UITF (unit investment trust fund) features.

For third quarter 2023, the Board approved: (1) Institutional Banking Sector's (IBS) project called IBS LEADS, which is an online loan evaluation and decision system that will automate end-to-end processing of business loan applications for small- and medium-sized enterprises, commercial, and corporate customers; (2) Operations Group's new collateral and limits management system that will effectively manage credit exposures of borrowers; and (3) Financial Management, Strategy, and Sustainability Sector's financial consolidation, enterprise resource planning (ERP) system, and real and other properties acquired (ROPA) management system.

As for the last quarter of 2023, the Board approved the replacement of 4,500 computers units for branch banking which were acquired from 2015 to 2016 during the Core Banking Integration Project. This project will be rolled out in phases as part of the Systematics z/OS Core Banking Upgrade Project. Likewise, the Board approved ITG's budget requests for the Systematics z/OS implementation, and the IBM z16 mainframe and z/VSE to z/OS migration services. In addition, the Board approved Operations Group's request for an enterprise document management system.

Projects completed during the third and fourth quarters of 2023 were: (1) Trust Banking Group's Stock Transfer Agency System for its corporate securities administration; (2) the Enterprise Data Warehouse Modernization Project, which reduced data mining processing and analysis from two hours to five minutes; (3) LEADS Project for the then Retail Lending Group - an automated loan application system used to facilitate various processes for motor vehicle and housing loans from solicitation to release of loan proceeds; (4) Project CODE (Cards Origination and Decision Engine) for the then Cards and Payments Solutions Group for its credit and debit card application management system; and (5) Wealth Management Group's Phase 2B of the MFund Plus Project that will facilitate financial advisory services for high-net-worth customers. Other projects developed in-house based on low-code development and workflow management platform were the Branch Leasing Management System (in September) and Pangarap Loan System (in December).

Infrastructure and Cybersecurity Investments. PNB continued to invest in its IT infrastructure and cybersecurity systems to support, sustain, and strengthen the Bank's operations. Guided by the Bank's programs on cost management, capacity planning and system reliability through technology refresh / upgrade, ITG's Infrastructure Management Division (IMD) leveraged on the benefits of the HPE GreenLake service offering, which is a self-service, scalable and resilient on-premise compute and storage management systems based on used-based costing and capacity-on-demand service model. With GreenLake, IMD was able to provide additional servers and storage in less than a week. In September, the Board approved the 220 Terabyte HPE GreenLake StoreEasy Network Attached Storage (NAS) for file repository and shared storage for the different business units. In November, another approval was secured for the HPE GreenLake Synergy, which replaced the HPE C7000 Blade system for computing resources using hardware virtualization technology that hosts all production systems (e.g., mobile banking app, branch banking system).

With the rapid adoption of mobile applications and digitalization of various businesses due to the impact of the COVID-19 pandemic, IT security became a top priority. In line with the Bank's information security program, ITG implemented various information security solutions such as network access control (NAC), enhanced endpoint detection and response, and a solution to streamline and automate the Bank's security and regulatory compliance in a single platform.

Investing in People. Already in its third year, our LinkedIn Learning platform subscription continued to provide curated skills training and professional development programs for the Bank's employees. ITG posted 100% employee engagement with the e-learning platform that provided most of the IT training courses and the required training manhours. These courses were complemented by hands-on training, workshops, and certifications provided by third-party IT training centers and not available on LinkedIn. Twenty officers and staff passed the IT Infrastructure Library (ITIL) certification exam after completing the IT service management training from a local certification authority. This affirmed ITG's strong commitment to embrace a global IT service standard by investing in the Bank's human resources and transforming PNB's ITG into a goal-driven, service-oriented team.

The Bank continued to leverage on Microsoft's Modern Workplace to support team collaboration and communications for employees availing the hybrid work arrangement as part of the "new normal".

System Availability and Enhancements. Overall availability of the different banking systems supporting critical business processes were sustained throughout the year with minimal disruptions. ITG attained a 95% incident resolution rate, while service request fulfillment reached more than 85% within service level agreement. In minimizing business disruptions to the Bank's customers and users, ITG collaborated with business units by reviewing system implementation through regular checkpoint meetings, assessing and mitigating potential implementation risks, and adopting "green zones" whereby system changes can only be implemented during lean hours of the day. These operational improvements are complemented by regular service quality reviews to improve IT service delivery.

ITG was able to prioritize and close 69% of the 1,926 change requests and system enhancement requests from the different lines of business. A total of 89 change requests were cancelled that were not in accordance with the Bank's strategic plans.

Continuous Service Improvement (CSI) Programs. Throughout the year, ITG embarked on various improvement initiatives anchored on industry standards and best practices to support the Bank's strategic goals. ITG established a contract lifecycle management portal in January to streamline IT-related contract processes and alert expiring contracts. A Knowledge Center was launched in December to facilitate the creation, organization, sharing, and utilization of a centralized repository for ITG personnel to improve its IT service incident turnaround time and problem management capability by leveraging on historical incidents, their root cause analyses, and problem resolutions.

Corporate Social Responsibility and Sustainability. On December 1, 2023, ten useable desktop computers and two laptops were repurposed and donated to Cavite State University. ITG has been donating computers since 2019 to help public schools reduce environmental footprint and extend the economic usefulness of technology assets.

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

MESSAGE FROM THE

Board Oversight RPT Committee Chairman

GRI 2-15

Striking a good balance between business and compliance with Related Party Transactions (RPT) regulations is the hallmark of the work of the Board Oversight RPT Committee (BORC). Guided by law, and the rules and regulations on RPT issued by the Bangko Sentral ng Pilipinas (BSP) and the Securities and Exchange Commission (SEC), the BORC is firmly committed to its primary mandate of assisting the Board in performing its oversight functions for avoiding potential conflicts of interest of shareholders, board members, management, and other stakeholders of the PNB Group. The Committee makes certain that transactions of the Bank with related entities are entered into in a manner that is conducted within the arm's length principle, and free from any conflict of interest.

We are extremely grateful for the able guidance, wisdom and the time shared to us by PNB Chairman Edgar "Ed" A. Cua and Director Federico "Ding" C. Pascual during their tenure in this Committee. This year, the BORC gladly welcomes the appointment of Director Maria Almasara Cyd N. Tuaño-Amador as Committee Vice Chairman. She brings to us her wisdom and experience gained from her years in the BSP as its most senior woman economist and policy maker, culminating in her appointment as Deputy Governor for the Corporate Services Sector and Head of the BSP Research Academy when she rejoined BSP in 2017 until her retirement in 2022. Director Yap, as the former BORC Chairman, rounds up the discussions with his strong business acumen and decades of solid experience as head of various companies. To add further depth to the discussions, other directors and Board Advisers are invited. Their presence and diverse backgrounds bring thoughtful insights to Committee discussions.

The core focus of the Committee remains: ensuring that transactions with the Bank's related parties are conducted in the regular course of business, not undertaken on more favorable economic terms to such related parties than similar transactions with non-related parties under similar circumstances; no corporate or business resources of PNB are misappropriated or misapplied due to related party transactions; and any potential reputational risk issue that may arise because of these transactions is averted.

For CY 2023, the Committee actively deliberated and acted upon nearly eighty (80) proposals from various Bank units. The proposals dealt with a variety of concerns ranging from lease arrangements, equity investment accreditations, and grant and review of loans, to name a few.

Further, in keeping with its mandate to review and approve the policy guidelines and implementing procedures for handling relevant RPTs by ensuring effective compliance with existing laws, rules and regulations, as well as global best practices, the Committee reviewed and approved the amendments to the Revised RPT Framework and Policy Guidelines in December 2023. The revised document now incorporates a provision for close and regular coordination with the Human Resource Group for the updating of the related parties database through the monthly issuance of the list of Bank Officers.

The BORC is well-aware that PNB is part of a dynamic conglomerate. For this reason, the Committee likewise aims to guarantee timely, complete and accurate reporting of related parties, and monitoring of outstanding balances of all the RPT classifications as against the respective aggregate ceilings. The BORC is cognizant that this information is vital in coming up with sound and informed management decisions. The Committee tightly monitors the continuing improvement and enhancement of the Related Party Framework, including the database, towards the enterprise-wide automation of the system.

For the year 2024, we are looking forward to the envisioned enhancements on the Bank's Related Party Framework, including the planned automation of certain processes in report generation. These will all be done while ensuring and maintaining that the Bank's related party transactions are handled in a cautious and prudent manner, with integrity, and strictly adhering to the established principles and tenets of good governance.

(Original Signed)
WILFRIDO E. SANCHEZ
Board Oversight RPT Committee Chairman

MESSAGE FROM THE

Board Strategy and Policy Committee Chairman

The Board Strategy and Policy Committee (BSPC) was created to assist the Bank's Board of Directors in performing its oversight duties concerning the crafting and implementation of the Bank's strategic business plan as well as addressing and mitigating any risk associated with the plan. The Committee is also tasked to ensure that the Bank's operations, procedures, policies, risk appetite, capital program, and investments in human resources and technology are all integrated in achieving the Bank's strategic objectives.

As part of its oversight on strategic planning, the BSPC conducted sectoral strategic planning sessions in 2023 to review and discuss the key strategies and tactical moves of the business and support sectors/groups aimed at improving the Bank's profitability, capital position, asset quality, and liquidity. The Committee likewise considered the Bank's sustainability financing principles and policies during the planning sessions to reinforce compliance with the policies of the regulatory bodies. The BSPC played an important role in driving Management to take a proactive stance in boosting the Bank's financial performance through various initiatives such as rationalization of business models, expanding market reach by forging strategic partnership and focused marketing, adoption of new and emerging digital solutions, and continuous systems upgrade to enhance customer service. Monthly reports on the Bank's financial performance were taken up in the BSPC meetings to assess the financial impact of the Bank's strategic initiatives.

The BSPC also conducted performance reviews with the Bank's business and support groups in 2023, including its subsidiaries, to ensure that the execution of the Board-approved strategies and initiatives is on track. By doing this, the BSPC was able to identify and harness specific and measurable improvement in multiple areas that enabled the Bank to stay in its safe, profitable, and sustainable growth path. Decisions to continue or change certain strategies as well as implement new projects and programs were done in a timely and effective way. Along this line, the Committee evaluated, approved, and endorsed for Board approval new products and services. Moreover, operation manuals were meticulously scrutinized and updated to incorporate new policies, procedures, and other regulatory issuances to maintain operational efficiency and comply consistently with prescribed regulations. These included the Bank's policies involving domestic and overseas operations, customer protection policy, consumer and business loans, and asset disposal, among others.

In carrying out its oversight responsibility in capital planning, the BSPC reviewed, evaluated, approved, and endorsed for Board approval the Bank's 2023 documents on Internal Capital Adequacy Assessment Process (ICAAP) and Recovery Plan that contained discussions on risk assessment, stress test scenarios, and capital planning to come up with appropriate remedial measures to improve the Bank's capital adequacy, among others. The BSPC made sure that the capital planning exercise fully supported the Bank's growth objectives with adequate capital for its business-as-usual operations as well as sufficient capital buffer to withstand severe but plausible downside risks when these occur.

The BSPC continued to incorporate economic updates in its meetings to keep abreast of the latest global and domestic developments and trends. These updates served as a guide for the Committee in directing the Bank's business groups to modify their strategic plans and undertake countermeasures, if needed, to adapt to the ever-changing operating environment.

As the changing financial landscape gives rise to new business opportunities and, at the same time, introduces new challenges and risks, the BSPC will continue to uphold its responsibilities as the overseer of PNB's strategies and policies.

(Original Signed)
FELIX ENRICO R. ALFILER
Board Strategy and Policy Committee Chairman

CAPITAL STRUCTURE AND ADEQUACY

The Group's consolidated capital adequacy ratio were 17.70%, 15.38% and 13.66% as of December 31, 2023, 2022, and 2021 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, 2023, 2022, and 2021 (amounts in millions):

	Consolidated			Solo		
	2023	2022	2021	2023	2022	2021
Common Equity Tier 1 (CET1) Capital	**182,490**	**158,834**	**152,857**	**178,004**	**154,537**	**149,117**
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	86,524	67,161	57,595	86,964	67,850	58,323
Other comprehensive income	(241)	(4,584)	(819)	(2,096)	(6,451)	(2,344)
Undivided profits	-	-	-	-	-	-
Minority interest in subsidiary financial allied undertakings which are less than wholly-owned (for consolidated basis)	3,070	3,120	2,944	-	-	-
Regulatory Adjustments to CET1 Capital	**47,253**	**48,221**	**48,541**	**64,326**	**61,587**	**61,982**
Total outstanding unsecured credit accommodations, both direct and indirect, to directors, officers, stockholders and their related interests (DOSRI)	1	1	1	-	1	1
Total outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiaries	61	1,209	1,464	61	1,209	1,464
Deferred tax assets	7,257	6,790	6,834	7,032	6,574	6,268
Goodwill	10,362	11,362	11,362	10,362	11,362	11,362
Other intangible assets	1,302	1,864	2,429	1,215	1,754	2,329
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)	24,567	23,199	22,990	41,756	36,686	36,860
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)	-	-	-	198	204	237
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)	3,704	3,797	3,461	3,704	3,797	3,461
Other equity investments in non-financial allied undertakings and non-allied undertakings	-	-	-	-	-	-
TOTAL COMMON EQUITY TIER 1 CAPITAL	**135,237**	**110,613**	**104,316**	**113,678**	**92,950**	**87,135**

	Consolidated			Solo		
	2023	2022	2021	2023	2022	2021
Additional Tier 1 Capital (AT1)	-	-	-	-	-	-

	Consolidated			Solo		
	2023	2022	2021	2023	2022	2021
TOTAL TIER 1 CAPITAL	**135,237**	**110,613**	**104,316**	**113,678**	**92,950**	**87,135**
Tier 2 (T2) Capital	**6,822**	**6,109**	**5,634**	**6,601**	**5,878**	**5,442**
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	6,822	6,109	5,634	6,601	5,878	5,442
Regulatory Adjustments to Tier 2 capital	-	-	-	-	-	-
Total Tier 2 Capital	**6,822**	**6,109**	**5,634**	**6,601**	**5,878**	**5,442**
TOTAL QUALIFYING CAPITAL	**142,059**	**116,722**	**109,950**	**120,280**	**98,828**	**92,577**

Risk Weighted Assets

The risk-weighted assets of the Group and Parent as of December 31, 2023, 2022 and 2021 are as follows:

	Consolidated			Solo		
	2023	2022	2021	2023	2022	2021
Total Risk Weighted On-Balance Sheet Assets	628,212	609,554	646,099	606,350	591,918	641,061
Total Risk-Weighted Off-Balance Sheet Assets	51,907	34,949	29,088	51,785	34,727	28,924
Total Counterparty Risk-Weighted Assets in the Banking Book (Derivatives and Repo-style Transactions)	378	434	447	378	434	447
Total Counterparty Risk-Weighted Assets in the Trading Book (Derivatives and Repo-style Transactions)	1,654	1,961	2,071	1,627	1,938	1,920
Total Risk-Weighted Amount of Credit Linked Notes in the Banking Book	-	-	-	-	-	-
Total Risk-Weighted Securitization Exposures	-	-	-	-	-	-
General loan loss provision [in excess of the amount permitted to be included in Upper Tier 2]	4,036	-	-	4,033	-	-
Total Credit Risk Weighted Assets	678,114	648,898	677,705	656,109	629,018	672,350
Market Risk Weighted Assets	42,037	32,854	53,792	41,630	32,342	53,394
Operational Risk-Weighted Assets	82,355	78,977	73,407	77,400	72,196	65,604
Total Risk Weighted Assets	**802,506**	**758,730**	**804,903**	**775,138**	**733,556**	**791,349**

CAPITAL STRUCTURE AND ADEQUACY

Capital Adequacy Ratios

Capital Ratios	Consolidated 2023	Consolidated 2022	Consolidated 2021	Solo 2023	Solo 2022	Solo 2021
CET1 Capital (BASEL III)	16.85%	14.58%	12.96%	14.67%	12.67%	11.01%
Capital Conservation Buffer	10.85%	8.58%	6.96%	8.67%	6.67%	5.01%
Tier 1 capital ratio	16.85%	14.58%	12.96%	14.67%	12.67%	11.01%
Capital Adequacy Ratio	**17.70%**	**15.38%**	**13.66%**	**15.52%**	**13.47%**	**11.70%**

ICAAP and Capital Adequacy Ratio Report

The Group's consolidated Qualifying Capital (QC) as of December 31, 2023 stands at Php142,059 million with a corresponding Capital Adequacy Ratio (CAR) of 17.70%. The current consolidated QC still provides a good and sufficient margin above the minimum regulatory capital requirement of Php80,251 million, 10% of the Group's Php802,506 million Risk Weighted Assets (RWA).

PNB - Consolidated (in Php Million)	As of date indicated Mar-23	Jun-23	Sep-23	Dec-23
Total Qualifying Capital	123,529	129,635	133,568	142,059
CAR	16.41%	16.79%	16.56%	17.70%
CET 1/Tier 1 Ratio	15.60%	15.98%	15.70%	16.85%
Total RWA - Pillar 1	752,599	772,325	806,531	802,506

Figure 1: PNB Consolidated CAR 2023

Under Solo basis, current QC of Php120,280 million and CAR of 15.52% still has 552 bps leeway above the regulatory capital requirement of Php77,514 million to cover the Php775,138 million RWA as of December 31, 2023.

PNB - Solo (in Php Million)	As of date indicated Mar-23	Jun-23	Sep-23	Dec-23
Total Qualifying Capital	102,713	107,672	111,028	120,280
CAR	14.12%	14.41%	14.27%	15.52%
CET 1/Tier 1 Ratio	13.31%	13.62%	13.41%	14.67%
Total RWA - Pillar 1	727,353	746,979	778,077	775,138

Figure 2: PNB Solo CAR 2023

MARIA ALMASARA CYD N. TUAÑO-AMADOR
Independent Director

MESSAGE FROM THE

Risk Oversight Committee Chairperson

At PNB, our risk management framework is seen not merely as a tool to conform with regulatory requirements. It is considered as an integral instrument that keeps the Bank attuned to its strategic imperatives and helps pave the way for the Bank to be future-ready. It encompasses the entire spectrum of activities in the Bank aimed at better serving and meeting the expectations of our customers, stockholders, and other stakeholders. More broadly, our risk management processes help us chart our course to meaningfully contribute to the stability of the Philippine financial system and the country's development aspirations for a stronger, sustainable, and more inclusive economy.

Across the corporate world, the management of risk has gone a long way. There has been a perceptible shift in the way that professional risk managers are perceived. From being seen as internal corporate watchdogs, they are now considered valuable partners in ensuring a corporation's long-term viability. At PNB, this sea change has occurred as we have endeavoured to inculcate the risk management mindset across all levels of the organization. The identification, monitoring, assessment, and mitigation of risk have become the responsibility of all bank staff, and not only within the remit of the Bank's risk and control officers. And rightly so.

Embedding the risk culture across the Bank will always be a work in progress. The operating landscape is in a continued state of flux, given the evolving economic and financial environment and the expanding array and growing complexity of the products and services offered by the Bank.

The idea is not to avoid risk. The idea is to manage the risk. A wise man once said: *Progress always involves risk; you can't steal second base and keep your foot on first*[1] As we aim to continue to be among the leading universal banks in the country, we are mindful that there are opportunities that we can exploit and challenges that we can use as springboards to meet our goals and objectives. Toward this end, our risk managers, as a second line-of-defence, have worked closely and harmoniously with the business units and the other lines of oversight so that there is a holistic view of all attendant risks faced by our Bank. Viewing the workings of our organization through the risk lens has enabled us to anticipate pressure points and identify areas of opportunities and re-engineering. Our risk management staff has a seat at the table as strategic business partners and advisers.

The various risk dimensions—traditional and emerging, posed by both local and global conditions—often co-exist and their impact can be magnified unless these are identified, appropriately priced and controlled or mitigated promptly and decisively. We have professionals who understand operations at a granular level and who are alert to the whole spectrum of risks: credit, liquidity, market, and operations, with the latter significantly evolving and growing in complexity over time to encompass, among other things, cybersecurity, fraud, and manpower risks. As well, we are ever mindful that material risks to the Bank can be exogenous in nature, coming from a non-financial force such as the pandemic brought about by COVID-19. In managing risk, we also recognize that we should not only focus on the perimeters of our organization, but we should also pay careful attention to the risks faced by third parties such as our vendors and outsourced service providers. We operate within an ecosystem, and we need to understand the challenges faced by all its elements to avoid surprises and shocks.

[1] Quote attributed to Frederick Wilcox

It is our responsibility to pose the difficult questions, to provoke discussions, and to do deep dives on current and potential disruptors as well as distil lessons from the past. Doing so helps us find vulnerabilities and gaps before—hopefully well before—the emergence of threats and difficult challenges to our business operations.

To stay nimble and agile, we pay serious attention to the risk trainings of our staff not only for our professional risk managers but for all in the PNB community. This way, our staff is empowered with the needed expertise and subject matter depth in dealing with the various risks concerns that they could encounter.

PNB's Board of Directors and management continue to closely and regularly review the Bank's risk management framework in order to appropriately determine the Bank's risk appetite, assess its risk profile, monitor potential and realized risks against risk thresholds, and provide the watchful oversight to ensure that all business units effectively manage and control the risks. We also have a Risk Oversight Committee, comprised of nine directors (five of whom are independent directors), who meet regularly to examine in depth and comprehensively the Bank's identified material and emerging risks. This set-up has helped ensure the consistency and coherence in the formulation and implementation of the Bank's risk management policies and processes, and importantly, has helped provide risk management with a dynamic perspective, anticipatory of potential challenges and opportunities.

Developing our enterprise-wide risk management framework is an ongoing commitment. Some of the elements of our roadmap that we continue to work at include the further automation of our processes to keep manual intervention at the minimum, the sharpening of our analytical models to help underpin our decision-making processes, and closer collaboration with business units for enhanced risk identification, reporting, and control so that we can deliver superior customer and stakeholder experience.

Banking is in the business of trust. It is incumbent upon us to protect this trust, this fiduciary responsibility. Effective risk management is a key pillar in the performance of this fiduciary obligation. The year 2023 has been a year of strength for PNB and we intend to continue to build on this strength over the long haul. Effective risk management and a robust risk culture will continue to help provide that fillip. We will continue to PUT risk management at the Bank's front burners so that we can help RAISE the Bank's profitability and, more broadly, optimize the Bank's financial strength with greater confidence, remaining true to our mission, our vision, our goals, and our responsibilities to the Filipino public that we serve.

(Original Signed)
MARIA ALMASARA CYD N. TUAÑO-AMADOR
Risk Oversight Committee Chairperson

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 through not only within the Bank, but also across the Group subsidiaries and affiliates.

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

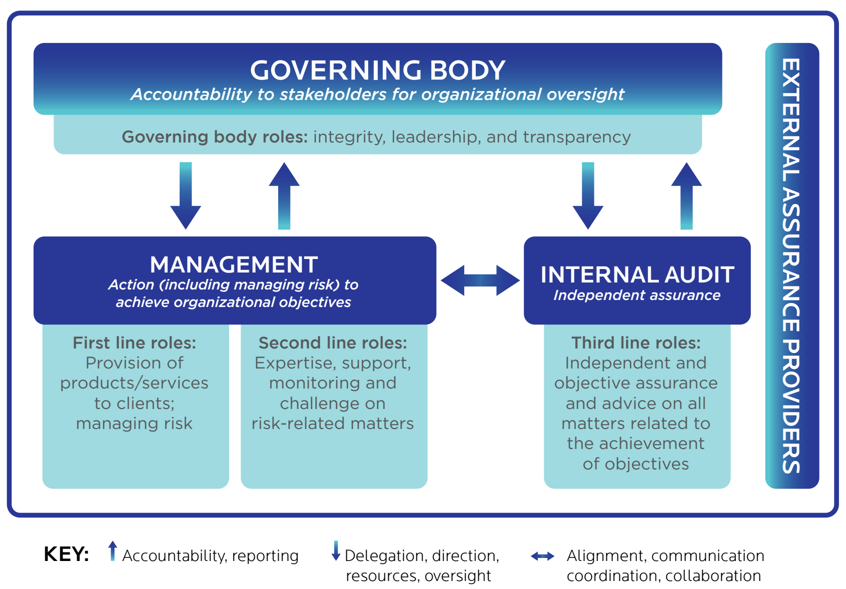
Mainly composed of the Bank's Sector and Group Heads, the MRC is responsible for reviewing and monitoring enterprise level risks and assessing risk responses proposed or taken by the relevant risk owner, and for providing inputs to the ERMF process. The Committee shall periodically assess that the Bank's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



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 the 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.

The "three lines model" for risk management is accepted as global best practice. At PNB, this model is embedded in the Enterprise Risk Management Framework and is duly enforced by the board.

1. The *first line roles* are 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. Within the business lines, a culture of open communication is key to sustainable risk-return thinking. Discussions about new products, existing and new positions, and other issues must be broad and not just limited to meeting financial targets. Data and information availability are a must to ensure that front office and top management undertake relevant and timely decisions with respect to risk taking. Finally, limits and other basic controls must be respected. For example, limit setting and limit monitoring shall be done within prescribed policies and procedures, front-liners who managed clients and handle cash shall be subject to mandatory leaves, and segregation of duties should be clear and enforced.

2. The *second line roles* are the support units who provide expertise and insight to the first line in managing risks. For the Bank, second line roles include the Risk Management Group (RMG), Enterprise Information & Cyber Security Group (EICSG) and Global Compliance Group (GCG):RMG implements the risk management framework and assists risk owners in reporting adequate risk-related information to the ROC. EICSG manages the overall information security, cyber security and data privacy risks of the Bank in terms of confidentiality, integrity and availability of information of its customers as well as other stakeholders. EICSG also manages risks to Information Technology and Project Management. GCG ensures that a strong compliance program is in place, effectively monitored, and aligned with the risks of the Bank's individual business processes. The second line roles may also recommend implementation of action plans, corrective actions or service recovery in managing the risk impact and prevent recurrence. *Note: RMG and EICSG report to the ROC, while GCG reports to the BACC.*

3. The *third line role* is the internal audit function which provides independent and objective assurance and advise on the adequacy and effectiveness of Bank's control, governance and risk management processes. It reports its findings to Management and the Board Audit & Compliance Committee to promote and facilitate continuous improvement. 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.

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.

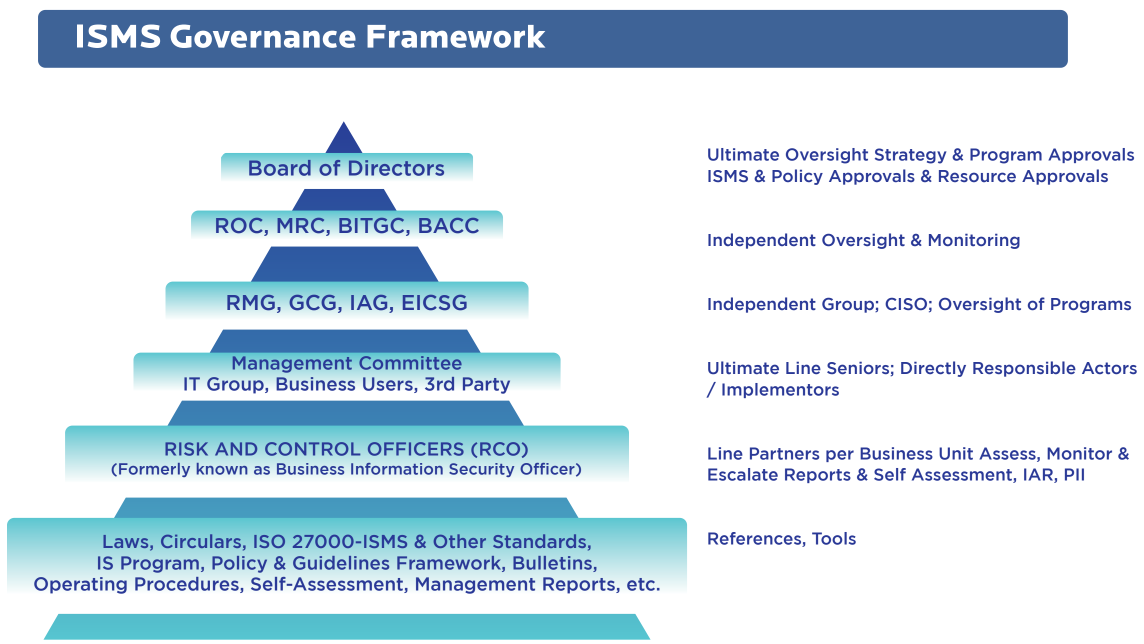
Each Division is tasked to monitor the implementation of the processes and procedures that support the policies for risk management applicable to PNB. These policies clearly establish the types of risks to be managed, define the risk organizational structure, and provide appropriate training necessary 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
FN-CB-230a.2

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 data 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 incidents, including data 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, enhances, updates 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 data 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 & 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 to 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 data 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 on 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 & data breaches and ensure root causes of such breaches are understood and addressed.
- Conduct research on threats and subscribes to threat intelligence sharing platforms for wider visibility on the threat landscape and as means to monitor and mitigate emerging threats.
- 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 2023

NUMBER	DATE ISSUED	SUBJECT
BSP Cir. 1164	2023-01-05	Amendments to the Regulations on Credit Exposure Limits to a Single Borrower and Definition of Capital
BSP Cir. 1165	2023-01-19	Amendments to the Ceiling on Interest or Finance Charges for Credit Card Receivables
BSP Cir. 1169	2023-03-24	Rules of Procedure for the Consumer Assistance Mechanism, Mediation and Adjudication of Cases in the Bangko Sentral ng Pilipinas
BSP Cir. 1171	2023-03-29	Amendments to foreign exchange regulations
BSP Cir. 1172	2023-04-18	Amendments to the Currency Rate Risk Protection Program (CRPP) Facility and its Implementing Guidelines
BSP Cir. 1173	2023-04-19	Modified Minimum Capitalization of Conventional Banks with Islamic Banking Unit
BSP Cir. 1174	2023-06-09	Amendments to the IRR, and Prudential Reports Relative to the Mandatory Agriculture, Fisheries and Rural Development (AFRD) Financing under Republic Act (R.A.) No. 11901 or "The Agriculture, Fisheries and Rural Development Financing Enhancement Act of 2022
BSP Cir. 1175	2023-06-23	Reduction in Reserve Requirements
BSP Cir. 1176	2023-06-29	Amendments to the Rules and Regulations on the Reserves Against Deposits and Deposit Substitute Liabilities of Banks
BSP Cir. 1181	2023-11-10	Amendments to the Regulations on Intraday Liquidity Facility
BSP Cir. 1184	2023-12-15	The Enhanced Comprehensive Credit and Equity Exposures Report (COCREE) of 2023
BSP Cir. 1185	2023-12-13	Grant of Additional Single Borrower's Limit for Financing Eligible Projects and Zero Percent Reserve Requirement Rate Against Sustainable Bonds
BSP Cir. 1186	2023-12-21	Amendments to the Guidelines on Disclosures to the Public
BSP Memo 2023-012	2023-04-05	Guidelines on the Submission of the Revised Basel 1.5 Capital Adequacy Ratio (CAR) Report through the BSP Financial Institution Portal (FI Portal)
BSP Memo 2023-015	2023-04-24	Guidelines Covering Verification of Authenticity of Bangko Sentral ng Pilipinas (BSP) Documents Issued in Electronic Form under the Manual of Regulations on Foreign Exchange Transactions (FX Manual), as amended
BSP Memo 2023-021	2023-06-29	Advisory on Reimposition of Monetary Penalties for Delays Incurred in the Submission of Reports to the Bangko Sentral ng Pilipinas (BSP) - International Operations Department (IOD)
BSP Memo 2023-023	2023-08-18	Implementation of the International Transaction Reporting System (ITRS)
BSP Memo 2023-028	2023-09-28	Guidelines on the Submission of the Report on Compliance with Mandatory Agriculture, Fisheries and Rural Development (AFRD) Financing
BSP Memo 2023-029	2023-10-10	Reminder on Appropriate Customer Due Diligence on Politically Exposed Persons
BSP Memo 2023-038	2023-12-18	Guidelines on the Submission of the Enhanced Comprehensive Credit and Equity Exposures Report (COCREE) of 2023
CL-2023-026	2023-04-18	Availability of the Currency Rate Risk Protection Program (CRRP) Facility
BSP Cir. 1186	2023-02-07	Amendments to the regulation on Electronic Money and the operations of electronic money issuers in the Philippines
NPC Circular No. 2023-01	2023-05-17	Schedule of Fees and Charges of the National Privacy Commission
NPC Circular 2023-02	2023-09-26	Data Privacy Competency Program - FAQ Data Privacy Competency Program
NPC Circular No. 2023-03	2023-11-07	Guidelines on Identification Cards
NPC Circular No. 2023-04	2023-11-07	Guidelines on Consent
NPC Circular No. 2023-07	2023-12-13	Guidelines on Legitimate Interest - FAQ Guidelines on Legitimate Interest
NPC Advisory No. 2023-01	2023-11-07	Guidelines on Deceptive Design Patterns

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 risks, 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 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 of the Bank's Code of Conduct.

On Regulatory / Statutory Compliance:
- The Bank remains compliant with Philippine laws and Regulatory Bodies and its public mandate.
- The Bank remains compliant with the laws, regulations and guidelines as prescribed by the host countries where it is present.
- The Bank remains compliant with generally accepted account principles and standards.

On Reputational Risk:

- The bank maintains LOW appetite for reputational risk issues. 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 to attain a safe, profitable, and sustainable growth that maximize shareholder's value.

On Operational Risk:

- 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.

On Information and Cyber Security/ Data Privacy Risks:

- The Bank has LOW appetite 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 mature security centric culture.
- The Bank has LOW appetite 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 to personnel and the development and continuous improvement of robust information security and data privacy controls.

On Technology Risk:

- 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, or poor change management practices.

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 aims at keeping the overall risk profile within acceptable risk thresholds.

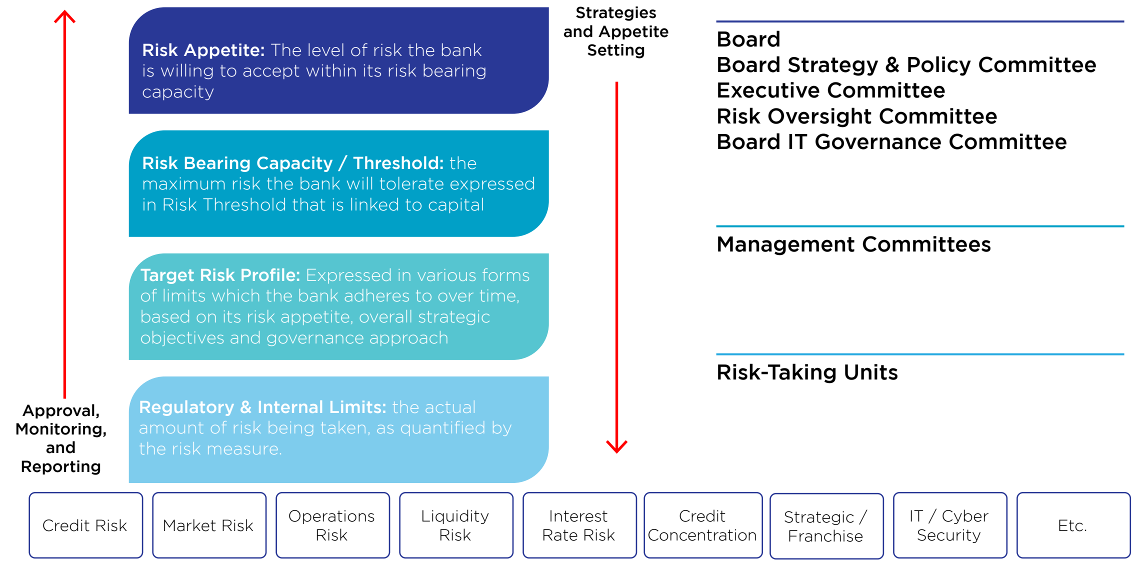
Risk tolerance is the outer constraint defined by the Bank via metrics and limits. This is expressed in quantitative terms that can be monitored and aggregated, relating to a specific business unit or according to a specific risk category. Risk Threshold / Limits are outlined below with corresponding 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.

Both the Bank's risk appetite (tolerance) and risk threshold (for Pillar 1 and Pillar 2 risks) are approved by the Board upon recommendation of the Management Risk Committee, Risk Oversight Committee and endorsement of the Board Strategy and Policy Committee.

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 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 translate into 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 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 2023 to year 2025, 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. Information Security/ Cyber Security / Data Privacy Risk;
10. Information Technology Risk; and
11. Human Resource Risk

2023 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 2023 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;
- Ensured the implementation of the enhanced back testing framework for all trading instruments;
- Submission of the Market Risk Template (FX Risk) under the BSP Uniform Stress Testing requirement;
- Reviewed and performed risk analysis of new and existing treasury investments on its impact to CAR;
- Provided guidance and consultation to GMG, overseas branches, and subsidiaries in the review of their policy and / or procedures manuals; and
- Further enhanced the existing automated risk reports and expanded automation of various risk reports by contributing inputs to the Data Modeler during the development and conducted various user acceptance testing sessions for these reports.

Structural Market Risk – Interest Rate Risk in the Banking Books

- 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;
- Preparation of quarterly stress testing of the banking book portfolio for reporting to the ROC – stress testing now is conducted monthly in the second half of the year;
- Improved IRRBB Stress Testing by including linkage to liquidity risks such as the withdrawal of all Large Fund Provider (LFP) deposits and withdrawal of 20% of total deposits (CASA and term deposits) in line with ICAAP
- Incorporated forward-looking rates into rate shocks used in the computation of Earnings-at-Risk (EAR) by forecasting future PHP BVAL and USD SOFR rates using statistical regression with forecasted PHP O/N RRP and USD Fed Funds rates
- Submitted and sent for approval the Manual on Behavioral Models covering the initial three models (Non-Maturing Deposits or NMDs, Term Deposit Redemption Rate (TDRR) and Loan Prepayment Rate (LPR) as well as a fourth model for Term Deposit Rollover Rate (TDROR) developed in-house; three of the four models (TDRR, LPR and TDROR) underwent the validation process of the

RMG Model Validation Division (MVD) and are in the process of being refined in line with the recommendations of MVD; simulations of EAR computations incorporating TDROR and updated LPR are done on a monthly basis as to assess the impact of application of said rates to IRRBB results

- Updated the Interest Rate Risk in the Banking Book (IRRBB) management manual to reflect assumptions and processes currently in use in the manual computation of EAR and IRRBB
- Delta Economic Value of Equity (EVE) - Refined the Delta EVE computations with projected loan releases by 1) computing Delta EVE with combined committed and non-committed loan releases and with only committed releases and 2) computing Delta EVE separately for each of the three succeeding years (2023, 2024 and 2025) using only cumulative loans scheduled up to each year-end to align with year-end projected Capital Adequacy Ratio (CAR) figures (particularly for Tier 1 capital which serves as the basis for the Delta EVE Medium to Long-Term trigger)
- Provided updated Delta Economic Value of Equity (EVE) computations to the IBS incorporating big-ticket loan proposals/releases
- Satisfactorily conducted and uploaded the 1H2023 Uniform Stress Testing for Market Risk (Trading Book and Banking Book) required by the BSP using the recently implemented Reports Application Programming Interface (API)
- Preparation of IRRBB reports twice a month for Asset Liability Committee (ALCO) meetings
- 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;
- Conducted extensive technical training and support to the overseas branches and subsidiaries with respect to preparation and monitoring of interest rate risk in the banking book reports.

Liquidity Risk

- 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 (GMG), twice a week;
- 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;
- Automation of NMD and TDRR Backtesting using Tableau in coordination with BIDWD personnel including meetings / discussion of business rules, preparation of RFC, validations and consultation from the vendor;
- Preparation and monitoring of compliance to limits of the Interbook Lending and Borrowing Report (Lending from FCDU Book to RBU Book) on a daily basis.
- Submission of the Maximum Cumulative Outflow (MCO) and Liquidity Stresstesting (LST) documentations/ requirements for model validation of the Model Validation Division;
- Preparation of the Liquidity Package documents specifically the LST document, in coordination with GMG;
- Review and updating of policies, assumptions, and limits for liquidity risk management, in time with the Liquidity Package documents;
- Conducted risk awareness lectures on liquidity risk management to various training programs of the Bank; and
- Review and performance of risk analysis of new and existing treasury investments on its impact to the Bank's liquidity.

Other risk areas assigned to the Division:

- Presentation of the risk dashboard to PNB Securities, Inc. on a regular basis;
- Provided guidance to domestic subsidiaries in formulating / review of their risk management framework (set up of limits and processes as well as review of risk manuals);
- Conducted risk awareness lectures on market and liquidity risk management to various Overseas Branches and Subsidiaries (i.e PNB New York, Los Angeles, among others) including Overseas Accounting Department;
- Successful implementation of the new approved MCO Assumptions for Overseas Branches and Subsidiaries;
- Involvement on the annual review of the Bank's ICAAP document and Recovery Plan;
- Monitoring of the compliance of the FVOCI portfolio with the approved Cumulative Loss Limits and Management Action Triggers (MATs);
- Calculation of the Effective Cost of Funds for reporting to ALCO on a regular basis; and
- Participated 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 P678,114 Million (as of December 31, 2023) of the Group's consolidated RWA of Php802,506 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 2023 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. Monitor the resolution of top credit risks under Red and Amber status and the actions taken to bring them to Green status.
3. Identified emerging risks, to include, among others: new regulations, adverse economic events that can have an impact to a particular industry or group of borrowers and the possible risk faced by the Bank.
4. Performed scenario analysis through stress testing on the impact of DOH and FDA's ban on foods with high trans-fatty acids, strong typhoons and earthquakes to borrowers and industries to assess the impact to the bank's NPL ratio and Capital Adequacy Ratio.
5. Stringent monitoring of industries and borrowers affected by the impact of COVID-19.
6. Performed independent credit review on the Bank's large exposures and interdependent accounts, restructured loans, accounts showing significant increase in credit risk as well as validated the computation of the Expected Credit Loss for each of the accounts reviewed.
7. Continued participation in the formulation, review of new / revised credit policies and procedures within the Bank and subsidiaries.
8. Continued stringent monitoring of Expanded Real Estate and Real Estate Stress Test as well as other regulatory limits (i.e., Agricultural Fisheries and Rural Development).
9. Assisted the business units in identifying the risk inherent on their proposed products or process.
10. Updated the credit risk policies and procedures manual to improve the risk management framework for the group.

11. Assisted the subsidiaries in their compliance to regulations, formulation of policies and procedures and process improvement.
12. Participated in the steps undertaken by the Bank in its compliance to the Environmental and Social (E & S) risk requirements and standards
13. Developed automated system in line with the full implementation of BSP Cir. 1150 re: Large Exposures reporting requirements starting January 2024.
14. Part of the working group for the end-to-end Loan Origination system purchased by the Bank.

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 2023 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. Conduct of on-site review on identified high-risk branches and discussion of findings with Branch Officers and designated Risk & Control Officer;
3. RCSA roll-out to identified Business Units via GRC and via manual templates;
4. Review of PNBE's ICAAP in compliance with host regulatory requirements;
5. Provided consultations to PNB New York's identity theft program and risk assessment in compliance with host regulatory requirements;
6. Filling-up of Fraud Risk Management Department to lead the EFMS project and for central monitoring of fraud incidences and standardization of fraud risk management process for the Bank;
7. Leads the Enterprise Fraud Management Solution Project activities, in coordination with business units and vendors, with the following accomplishments:
    a. Initiation Stage - Channel workshop, GBG dimensioning and assessment
    b. Planning stage - Data Field Identification, Field Mapping, Data Flow Diagram, Case Mgmt and Endorsement form, Identification of adverse lists, Functional Spec Definitions, Technical Specs Definition and Third-Party host requirements
8. Crafted the Bank's Enterprise Fraud Management Division for centralized fraud detection;
9. Started the Fraud Awareness sessions with Visayas and Mindanao regions;
10. 2023 ICAAP Document and Recovery Plan submission to BSP to cover review of risk assessments for the material risks identified by the Bank and the respective Subsidiaries, including update on the Risk Appetite Statements;
11. Enhanced CAR monitoring and reporting to incorporate simulations and projections from other units;
12. Coordinates and monitor sustainability initiatives of RMG and deliverables in relation to ESG Roadmap;
13. Provides inputs to PNB and LTG requirements (i.e. 2023 Sustainability Report, BSP Exposure Draft, Sustainability Materiality Online Survey, PNB Sustainability Plan 2023-2025, gap assessment, audit responses);
14. Participates in ESG TWG meetings and provides recommendations;
15. Participates in ESG prospective vendors/consultant meetings and other ESG-related trainings;
16. Handles monitoring of Reputational Risk Management Framework in compliance to BSP Cir. 1114;
    a. Update of the Operational Risk Management Manual to incorporate enhancements to the Review and Challenge process of the RCSA, use of Issue Management in the monitoring of RCSA rating inconsistencies and workflow turn-around-time (TAT)
17. Review and discussion of accomplished RCSAs and reporting of results to MRC and ROC, including mitigating controls and action plans. This included the approval of the RCSAs of overseas US Offices in compliance to host regulatory requirements;
18. 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;
19. Continuous review of new product proposals, as well as process and procedures manual review of the Bank's processes, including those of the subsidiaries;
20. Identification of High-Risk Areas for efficient monitoring of critical risks across the organization and continuous monitoring and reporting of top loss events;
21. Continuous monitoring and reporting on COVID-related risks;
22. Continuous monitoring and reporting of digital platform-related and phishing incidences;
23. Secured approval and provided consultations on BU KRI thresholds for monitoring and escalation
24. Secured approval for the Bank's Consumer Protection Risk Management Framework in compliance with BSP Circular 1160;
25. Conduct of GRC and RCO Trainings on RCSA, LER and KRI implementation;
26. Continuous Risk Appetite awareness and risk education performed through e-mail blasts and HR-initiated trainings.

Model Validation Division

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:

<u>Quantitative Validation:</u>

- ✓ **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.

<u>Qualitative Validation:</u>

- ✓ **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 2023 under Model Validation Division are as follows:

- ✓ Established the Over-all Model Risk Rating Methodology
- ✓ Enhancements of Model Inventory, Model Health Scorecard and Model Exception Database
- ✓ Validation of Market and Liquidity Risk Models:
    - Maximum Cumulative Outflow (MCO)
    - Liquidity Stress-testing (LST)
    - Behavioral Modelling Analysis for Term Deposit Redemption Rates (TDRR)

- Behavioral Modelling Analysis for Term Deposit Roll-over Rates (TDRoR)
- Behavioral Modelling Analysis for Loan Prepayment Rates (LPR)

✓ Validation of Corporate and Retail Credit Risk Models
- Borrower Risk Rating (BRR) Model for Non-Retail Segments -Large Corporations
- Borrower Risk Rating (BRR) Model for Non-Retail Segments -Middle Market
- Borrower Risk Rating (BRR) Model for Non-Retail Segments -Commercial SME & RE
- Borrower Risk Rating (BRR) Model for Non-Retail Segments -Project Finance
- Expected Credit Loss (ECL)* Model for Business Cards – General Simpler Approach
- Expected Credit Loss (ECL)* Model for Contract to Sell – General Simpler Approach
- Expected Credit Loss (ECL)* Model for Fringe Benefits – General Simpler Approach
- Expected Credit Loss (ECL)* Model for Multi-Purpose Loans – General Simpler Approach
**Comprised of ECL, PD, LGD, EAD and Macro Economic Overlay component models*

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

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

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

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

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

   These risks will be mitigated by the following:

   - Ensuring timely implementation and monitoring of third-party service providers' documents, programs, and exercises as stated in the Outsourcing and Vendor Risk Management Policy/ Manual;
   - Ensuring periodic review on performance evaluation 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 to Vendor Relationship Managers on their roles and responsibilities for due diligence and periodic oversight/review requirements;
   - Availability of third-party documentation and implementation on Business Continuity to support the Bank's requirements during disruptions;
   - Ensuring third-party service providers and business units' compliance to due diligence and periodic oversight/review requirements stipulated in the Enterprise Vendor Outsourcing Policy; and
   - Adhering to BSP Cir. No. 899 and 1137 on regulations for Outsourcing and IT Risk Management

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

Highlights of risk management activities for IT (including BCP) for 2023:

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

Data Privacy
GRI 3-3
FN-CB-230a.2

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 PNB 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 PNB's vision and objectives, the PNB'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.

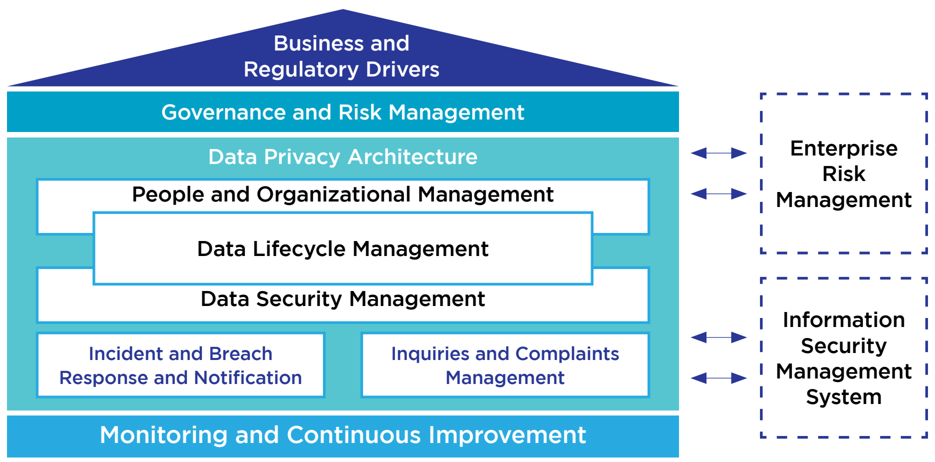
Our Data Privacy Management System is managed through the continuous review, evaluation, and agreement between the Board of Directors and Senior Management. The authority to oversee the implementation of the system is vested upon the ROC as delegated by the Board of Directors. We review the performance and ensure that safe and sound management practices are always adhered to in all of the PNB'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 PNB and be heard through appropriate channels concerning their feedback, inquiries, requests and / or complaints.

Highlights of the risk management activities for 2023 under the Data Privacy are as follows:

- Streamline of the Privacy Impact Assessment process;
- Implementation of the Data Sharing Agreement and Data Protection Agreement with relevant partners and vendors, respectively;
- Provision of continuous Data Privacy Education and Awareness to PNB including integration of basic data privacy awareness to Human Resources Group training namely: New Employees Orientation, Management Training Program, Junior Executive Development Institute, and Branch Operations Training Program;

Figure 5: PNB Data Privacy Management System



- Review of the business units' manuals, forms, and contracts to incorporate Data Privacy requirements;
- Conduct of the incident monitoring and reporting to the NPC;
- Provision of 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
FN-CB-230a.2

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 for 2023 include:

Information Security

- Continuous implementation of ISO27001 Information Security Management System
- Strengthened oversight and monitoring on the performance of third parties via the conduct of risk assessments
- Closer management over teleworking employees in protecting the confidentiality of confidential information
- Continuous 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) classroom training(virtual and face to face); (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 on user compliance to policies, standards and guidelines and other acceptable use policies

Cyber Security

- Continuous engagement with 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
- Strengthened Data Loss Prevention solution in protecting confidential and sensitive information from falling into the hands of unauthorized persons
- Continuous improvement and 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
- 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 twelve years, continuous enhancements are being done to provide more relevant reports and analytics to the various business units. To date, there are over 800 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; the PFRS9 compliance project; and the BSP Cir. 1150 Large Exposure Report.
- 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 2023 ICAAP activities is taking off from the June 2022 submission taking into account the lower economic output due to more persistent pandemic scarring and supply side shocks and inflationary pressure which may come from commodity price spikes (like what happened in 2022) and this may outweigh the impact of weaker consumer demand. The uncertainties brought by the pandemic and inflationary pressure 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.

And as the Bank continuously seeks improvement in its process, it has embarked on a new system – the Governance, Risk and Compliance (GRC) Solution which aims to integrate risk, audit and compliance management and monitoring, including information security and data privacy. In terms of risk management, there will be changes in the RCSA process to attain a more focused identification and quantification of risks. Further, the system will be able to store all relevant data and information which can be used prospectively for internal modelling necessary for capital computations.

The high-level milestones are presented in a chart below:

Figure 5: 2022-2023 ICAAP Milestones and List of Activities

KEY DATES	MILESTONES & ACTIVITIES
September 2022 – January 2023	• 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 persistent pandemic, inflationary pressure and projections for the next three years
February – March 2023	• 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 Materials Risks as identified by each of the Domestic and Foreign Subsidiaries • Capital assessments based on the quantified material risks on a BAU and Stress Scenario • Presentation of the ICAAP Document and Recovery Plan to Capital Management Subcom of ALCO, MRC, BSPC, and Board for the necessary approvals • ICAAP Document 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 climate related risks are included in the Bank's Risk Universe/Taxonomy and are being used by the business/support units during risk assessment and for capture in the loss event reporting if there are incidences.
- The Hazard Hunter data in relation to the vulnerabilities of the branches were simulated as part of scenario analysis in the Bank's 2023 ICAAP.
- 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, 2023 stood at 17.7% on a consolidated basis while the Risk Weighted Assets (RWA) as of the end of 2023 amounted to ₱802.506 billion composed of ₱678.114 billion (Credit Risk Weighted Assets – CRWA), ₱42.037 billion (Market Risk Weighted Assets – MRWA) and ₱82.355 billion (Operations Risk Weighted Assets – ORWA).

Capital Adequacy Ratio

The Bank's total regulatory requirements for the four quarters for 2023 are as follows:

Consolidated	Weighted Exposures (As of End of Every Quarter of 2023)			
(Amounts in P millions)	**Mar 31**	**June 30**	**Sept 30**	**Dec 31**
CRWA	642,591	651,275	686,231	678,114
MRWA	27,649	38,695	37,945	42,037
ORWA	82,355	82,355	82,355	82,355
Total Risk-Weighted Asset	**752,596**	**772,325**	**806,531**	**802,506**
Common Equity Tier 1 Ratio	15.60%	15.98%	15.70%	16.85%
Capital Conservation Buffer	9.60%	9.98%	9.70%	10.85%
Total Capital Adequacy Ratio	**16.41%**	**16.79%**	**16.56%**	**17.70%**

Presented below is the full reconciliation of all regulatory capital elements back to the balance sheet in the audited financial statements of the Bank as at December 31, 2023 (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	4,648,865	29,065	4,677,930
Surplus	86,227,821	5,946,348	92,174,169
Net unrealized loss on available-for-sale investments	(1,910,046)	187,393	(1,722,653)
Remeasurement losses on retirement plan	(2,603,355)	(125,187)	(2,728,542)
Accumulated translation adjustment	2,002,510	(2,842)	1,999,668
Other equity reserves	390,517	–	390,517
Share in aggregate reserves on life insurance policies	24,246	–	24,246
TOTAL	**₱181,917,712**	**₱6,034,777**	**₱187,952,489**

Credit Risk-Weighted Assets as of December 31, 2023

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	21,099	-	21,099	21,098	1	-	-	-	-
Due from BSP	95,420	-	95,420	95,420	-	-	-	-	-
Due from Other Banks	23,226	-	23,226	-	10,954	10,060	-	2,212	-
Financial Asset at FVPL	-	-	-	-	-	-	-	-	-
Available for Sale	1,411	-	1,411	-	-	-	-	1,411	-
Held to Maturity (HTM)	125,231	8,593	116,639	86,452	4,451	17,361	-	8,375	-
Unquoted Debt Securities	-	-	-	-	-	-	-	-	-
Loans & Receivables	652,055	4,904	647,152	6	101,641	43,114	8,326	478,742	15,323
Loans and Receivables Arising from Repurchase Agreements, Securities Lending and Borrowing Transactions	69,906	63,695	6,212	5,994	17	201	-	-	-
Sales Contracts Receivable	2,510	-	2,510	-	-	-	-	2,206	303
Real & Other Properties Acquired	9,466	-	9,466	-	-	-	-	-	9,466
Other Assets	22,260	-	22,260	1,995	-	-	-	20,265	-
Total On-Balance Sheet Asset	1,022,585	77,191	945,394	210,965	117,063	70,735	8,326	513,212	25,092
Total Risk Weighted Asset - On-Balance Sheet	-	-	-	-	23,413	47,704	6,245	513,212	37,638
Total Risk Weighted Asset - Off-Balance Sheet Asset	-	-	-	-	-	-	422	51,485	-
Counterparty Risk Weighted Asset in Banking Book	-	-	-	-	-	378	-	-	-
Counterparty Risk Weighted Asset in Trading Book	-	-	-	-	-	1,321	-	332	-

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

Market Risk-Weighted Assets as of December 31, 2023

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 2023)			
(Amounts in Php millions)	**Mar-31**	**Jun-30**	**Sep-30**	**Dec-31**
Interest Rate Exposures	27,244	25,589	23,592	25,336
Equity Exposures	6	6	6	6
Foreign Exchange Exposures	399	13,100	14,348	16,695
Options	-	-	-	-
Total MRWA	**27,649**	**38,695**	**37,945**	**42,037**

MESSAGE FROM THE

Corporate Governance and Sustainability Committee Chairman

GRI 2-11

Philippine National Bank (PNB) continues to uphold its commitment to help customers build their financial strength, health, and security. PNB's corporate governance framework is anchored on accountability, prudence, ethics, and responsible business practices cutting across all levels of the enterprise. This framework is designed to provide a solid foundation and strong impetus for the consistent conduct of our affairs; to withstand the demands of strict and rigorous supervision, examination, disclosure; and to contribute to building best practices.

The Bank's Corporate Governance Manual serves as the blueprint on how the organization and its directors, officers, and employees are expected to perform. This manual and other relevant policies are continuously strengthened, disseminated, and reinforced in communication and training programs until these are embedded and institutionalized as part of the practices and culture of the Bank.

Across these accomplishments, we are devoted to the highest principles of good corporate governance. We are deeply honored that our efforts are continuously being recognized by regulators, industry observers, and external organizations. In recognition of its good corporate governance practices, PNB received an award from the Asia Responsible Enterprise Awards (AREA) for Corporate Governance on 30 June 2023. Also, the Bank was awarded the prestigious Four Golden Arrow award during the 2023 ASEAN Corporate Governance Scorecard (ACGS) Golden Arrow Awards on 28 September 2023 in Pasay City, Metro Manila. Jointly developed by the Asian Development Bank and the ASEAN Capital Markets Forum, the ACGS is a set of questions developed in accordance with corporate governance principles of the Organization for Economic Co-operation and Development (OECD) as well as the best corporate governance practices of major publicly listed companies in the ASEAN.

As staunch believers of good governance, we are pushing ourselves to raise our governance framework towards the adoption of prevailing best practices both at the local and international levels. The following key governance initiatives were undertaken in 2023:

- Review of key governance policies such as the Manual on Corporate Governance to address regulatory expectations and to be consistent with existing laws, rules and regulations, and global best practices on corporate governance.
- Review of the 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.
- Active participation of the Bank's directors and senior management as speakers, panelists, and contributors for webinars and consultation meetings.
- Participation of a relationship manager in the Green Energy Financing scholarship program of the International Finance Cooperation (IFC) in Germany in support of the sustainability program of the Bank.

In 2023, we also continued to make solid progress on our sustainability agenda. We marked the third year of implementation of our Sustainability Transition Plan. Among the significant accomplishments of the Bank are the formulation of our new vision and mission statements which include sustainability elements. We started to put together our Environmental and Social Risk Management System (ESRMS) with the guidance of our partner foundation's subject matter experts from the academe. Internally, we formally established the Sustainable Finance Working Group to focus solely on loans and investment matters related to Environmental, Social, and Governance (ESG) aspects. Among others, our key sustainability milestones include: the introduction of the PNB Sustainability Training and E-Learning Program; hazard-mapping and assessment of the Bank's branches and infrastructures; integration of ESG elements in the screening of customers and service providers; recalibration of the existing ESG scorecard and integration of Environmental and Social (E&S) risk factors in the financial risk rating of loan accounts; and the development of an end-to-end loan originating process which includes E&S risk factors.

For aligning its corporate citizenship initiatives with its sustainability agenda, the Bank was awarded by the International Business Magazine as 'Best Bank for Corporate Social Responsibility in the Philippines'.

Moving forward, we will continue with our sustainability journey beyond our Three-Year Sustainability Transition Plan. We will continue to embed sustainability and ESG elements in our business and operations. We will also endeavor to improve the different components of our ESRMS, leverage more on technological advancements to enhance our products and service delivery, and ensure alignment of our business and operations with global standards and best practices.

Lastly, I am delighted to welcome Maria Almasara Cyd N. Tuaño-Amador, Eusebio V. Tan, and Chester Y. Luy to the PNB Board. Their respective backgrounds in corporate governance, fiscal policy, banking, mergers and acquisitions, investments, business law, finance, and wealth management represent a welcome addition to the diversity of the Board and will aid them as they capably perform their duties. My sincerest gratitude and appreciation also go to Federico C. Pascual who stepped down as the Chairman of the Board during the Annual Stockholders' Meeting on April 25, 2023. I have every confidence that the Board will continue to benefit greatly from his leadership, guidance, and commitment to good governance as he assumes his new role as board advisor.

I would also like to express my heartfelt thanks to all our frontliners, employees, and members of the management team for their work ethic and sustained commitment that has allowed PNB to achieve greater levels of success and growth; to the Board of Directors for the guidance and leadership; and to our customers and other stakeholders for their confidence in PNB.

(Original Signed)
EDGAR A. CUA
Corporate Governance and Sustainability Committee Chairman

CORPORATE GOVERNANCE

The Bank continues to subscribe to the highest standards of corporate governance amid an evolving and dynamic economic, environmental, social, and regulatory landscape. It is committed to uphold the public's trust by ensuring that the Bank conducts itself lawfully and ethically and thereby bring its corporate governance practices to levels at par with global standards as it ultimately advances the long-term interests of its stakeholders. At the forefront of all these is the Bank's Board of Directors who continue to inform and shape the Bank's business and operations through adopted policies and displayed practices.

In recognition of its good corporate governance practices, PNB received an award from the Asia Responsible Enterprise Awards (AREA) for Corporate Governance on June 30, 2023. In addition, the Bank received the prestigious Four Golden Arrow award during the 2023 ASEAN Corporate Governance Scorecard (ACGS) Golden Arrow Awards on September 28, 2023 in Pasay City, Metro Manila covering the Bank's 2022 operations.

This report provides an account of the Bank's corporate governance framework and its implementation across all levels of the organization. This report has also been prepared in accordance with the BSP's Manual of Regulations for Banks (MORB), the SEC's 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 the shareholders to exercise the corporate powers of the Bank and to 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 also approves and oversees the implementation of the Bank's governance framework.

Board Committees

The Board of Directors has created nine committees to increase its efficiency and allow deeper focus in specific areas of the Bank's 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 the President and CEO

The positions of the Chairman of the Board and of the President and Chief Executive Officer are held by separate individuals to achieve an appropriate balance of power and to 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 independent director Edgar A. Cua, who has held the position since April 25, 2023. He ensures the effective functioning of the Board, including maintaining a good working relationship with all the directors. He makes certain that the meeting agenda focuses on strategic matters, including discussions on risk appetite, and key governance concerns. He is also Chairman of the Corporate Governance and Sustainability Committee and the Vice Chairman of the Board Audit and Compliance Committee and the Board Strategy and Policy Committee.

The Vice Chairman is Leonilo G. Coronel. He has served as Vice Chairman since 2021. He acts as the Chairman of the Board in the absence of the Chairman. Mr. Coronel is the Chairman of the Executive Committee and the Vice Chairman of the Trust Committee.

Our Governance Structure

GRI 2-9, 2-11

CHAIRMAN EMERITUS
LUCIO C. TAN

CHAIRPERSON
EDGAR A. CUA

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[1]	
Chairperson	**Vice Chairperson**
Edgar A. Cua *Chairman and Independent Director*	Wilfrido E. Sanchez
Members	
Maria Almasara Cyd N. Tuaño-Amador Domingo H. Yap Isabelita M. Papa	

BOARD AUDIT AND COMPLIANCE COMMITTEE[1]	
Chairperson	**Vice Chairperson**
Isabelita M. Papa *Independent Director*	Edgar A. Cua
Members	
Michael G. Tan Eusebio V. Tan	Domingo H. Yap

RISK OVERSIGHT COMMITTEE[1]	
Chairperson	**Vice Chairperson**
Maria Almasara Cyd N. Tuaño-Amador *Independent Director*	Domingo H. Yap
Members	
Felix Enrico R. Alfiler Leonilo G. Coronel Edgar A. Cua Chester Y. Luy	Isabelita M. Papa Wilfrido E. Sanchez Vivienne K. Tan

BOARD OVERSIGHT RPT COMMITTEE[1]	
Chairperson	**Vice Chairperson**
Wilfrido E. Sanchez *Independent Director*	Maria Almasara Cyd N. Tuaño-Amador
Member	
Domingo H. Yap	

BOARD STRATEGY AND POLICY COMMITTEE[1]	
Chairperson	**Vice Chairperson**
Felix Enrico R. Alfiler *Non-Executive Director*	Edgar A. Cua
Members	
Florido P. Casuela Leonilo G. Coronel Chester Y. Luy Isabelita M. Papa Sheila T. Pascual Wilfrido E. Sanchez Eusebio V. Tan	Lucio C. Tan III Michael G. Tan Vivienne K. Tan Maria Almasara Cyd N. Tuaño-Amador Domingo H. Yap

BOARD IT GOVERNANCE COMMITTEE[1]	
Chairperson	**Vice Chairperson**
Vivienne K. Tan *Non-Executive Director*	Lucio C. Tan III
Members	
Felix Enrico R. Alfiler Florido P. Casuela	Chester Y. Luy Isabelita M. Papa

EXECUTIVE COMMITTEE[1]	
Chairperson	**Vice Chairperson**
Leonilo G. Coronel *Non-Executive Director*	Felix Enrico R. Alfiler
Members	
Florido P. Casuela Chester Y. Luy Sheila T. Pascual Eusebio V. Tan Lucio C. Tan III	Michael G. Tan Vivienne K. Tan Edgar A. Cua Maria Almasara Cyd N. Tuaño-Amador

TRUST COMMITTEE[1]	
Chairperson	**Vice Chairperson**
Sheila T. Pascual *Non-Executive Director*	Leonilo G. Coronel
Members	
Felix Enrico R. Alfiler Chester Y. Luy Vivienne K. Tan	Wilfrido E. Sanchez Florido P. Casuela

BOARD OVERSEAS OFFICES OVERSIGHT COMMITTEE[1]	
Chairperson	
Felix Enrico R. Alfiler *Non-Executive Director*	
Members	
Isabelita M. Papa Maria Almasara Cyd N. Tuaño- Amador	

MANAGEMENT COMMITTEE[2]	
Chairperson	
Florido P. Casuela *President and Executive Director*	
Members	
Cenon C. Audencial, Jr.[3] Roberto D. Baltazar Francis B. Albalate 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	Celeste Marie V. Lim Michael M. Morallos Jennifer Y. Ng 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 Joseph Kumar Gross Zacarias E. Gallardo, Jr.

[1] As of October 27, 2023
[2] As of January 30, 2024
[3] Retired effective January 31, 2024

The President and Chief Executive Officer (CEO) is Florido P. Casuela. He first assumed the position in an acting capacity on July 5, 2022, until his formal election on April 25, 2023. As President and CEO, he is the overall-in-charge of 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 the Bank's vision, mission, values, and overall strategy.

The complete profile of the Chairman, the Vice Chairman, and the President and CEO can be found on the profiles of the Board of Directors in this annual report.

Board Composition

GRI 3-3, 405-1

The Bank has fifteen Board members with a broad range of work experience, diverse education and professional backgrounds 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. PNB's directors, prior to their election during the stockholders' meeting, are thoroughly screened to ensure that they possess all the qualifications and none of the disqualifications under existing laws and BSP regulations.

The President is the only member of the Board who has executive responsibility over day-to-day operations while the remaining Board 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 who 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 review the composition and membership of the Board and Board committees and identify the quality, existing competencies, and skillsets of directors aligned with the Bank's strategic direction.

During the Bank's Annual Stockholders' Meeting (ASM) held on April 25, 2023, the following changes in the Board composition were approved by the stockholders:

- Mr. Federico C. Pascual stepped down as Director and Chairman of the Board in compliance with the nine-year term limit for independent directors prescribed under the MORB; and
- Ms. Maria Almasara Cyd. N. Tuaño-Amador was elected as an Independent Director of the Bank.

A few months after the ASM, Dr. Lucio C. Tan and Mrs. Carmen K. Tan resigned as Directors of the Bank effective September 22, 2023. Dr. Tan and Mrs. Tan have been directors of the Bank since December 8, 1999, and May 31, 2016, respectively. Subsequently, the Board approved the appointment of Dr. Tan as Chairman Emeritus of the Bank and of Mrs. Tan as a Board Advisor of the Bank. The relinquishment by Dr. Tan and Mrs. Tan of their directorships in PNB is part of succession planning and exemplifies their commitment to good governance and the promotion of diversity in the board composition.

To serve the unexpired terms of Dr. Tan and Mrs. Tan, Atty. Eusebio V. Tan and Mr. Chester Y. Luy were elected as Directors of the Bank effective September 22, 2023. Prior to his election as Director, Atty. Tan served as Managing Partner at ACCRALAW. Among his areas of expertise are banking, mergers and acquisitions, investments, and business law. On the other hand, Mr. Luy has been a Board Advisor of the Bank since 2020. Mr. Luy previously served as PNB's Chief Strategy Officer and Head of the Wealth Management Group.

Following the April 2023 ASM, the Board conducted a series of organizational reviews of the chairmanship, membership, and overall composition of the Board-level Committees. On October 27, 2023, the Board approved the creation of the Board Overseas Offices Oversight Committee (BOOOC) to provide closer operational, legal, and regulatory risk oversight over the Bank's overseas offices. This is to ensure that their long-term viability is consistent with the Bank's strategic goals.

The composition of the nine Board-level committees has remained compliant with the applicable regulations issued by the *Bangko Sentral ng Pilipinas* (BSP) and the Securities and Exchange Commission (SEC) and adheres to the standards set under the ASEAN Corporate Governance Scorecard. The latest composition can be found under the Board Committees section of this report.

Board Advisors

As provided for under the Bank's Corporate Governance Manual, the Bank may appoint Board Advisors with qualities that complement the existing competencies and skillsets of the Board, thereby enabling them to provide advisory support. PNB has six Board Advisors, namely, Mrs. Carmen K. Tan, Ms. Florencia G. Tarriela, Mr. Christopher J. Nelson, Mr. William T. Lim, and Ms. Lourdes A. Salazar with Dr. Lucio C. Tan as Chairman Emeritus.

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 nine Board committees.

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

Corporate Secretary

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 corporate secretariat practices.

The Corporate Secretary assists the Board of Directors and the Board-level committees in the conduct of their meetings in recording the proceedings and in keeping a complete and true record of the proceedings of these meetings. Thus, 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 in providing regulators with required periodic reports as well as necessary and relevant information on material transactions.

Board members are always given separate and independent access to the Corporate Secretary.

Chief Compliance Officer

The Chief Compliance Officer (CCO) implements and manages the enterprise-wide compliance program covering the Bank's domestic and foreign branches, offices, subsidiaries, and affiliates. The Bank's 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 who is tasked to assist the Board of Directors in performing its corporate governance oversight functions. The CCO reports directly to the Board Audit and Compliance Committee (BACC).

Chief Risk Officer

The Chief Risk Officer (CRO), who directly reports to the Risk Oversight Committee (ROC), is primarily responsible in designing and overseeing the Bank's risk management program. This includes, but is not limited to, risk policies/analysis/methodologies, risk management infrastructure and governance to fully support the Bank's strategic objectives and risk-taking activities. The CRO identifies and quantifies the amount of risk that the Bank should be taking as its risk appetite. The CRO and Head of the Risk Management Group is Juliet S. Dytoc who assumed the position in 2022.

Chief Audit Executive

The Chief Audit Executive (CAE) is responsible for developing and managing a broad and comprehensive program of internal auditing covering the Bank, its subsidiaries, and overseas businesses. This ensures that the Board is provided with an independent assessment on the adequacy, effectiveness and compliance to regulatory standards of key organizational and procedural controls and risk management systems. The Bank's CAE 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 President, supported by the Chief of Staff and is composed of:

Management Committee

Florido P. Casuela
Director / President

Francis B. Albalate
Executive Vice President & Chief Financial Officer
Head, Financial Management, Strategy, and Sustainability Sector

Cenon C. Audencial, Jr.
(retired as of January 31, 2024)
Executive Vice President
Head, Institutional Banking Sector

Roberto D. Baltazar
Executive Vice President
Head, Global Banking and Markets Sector

Isagani A. Cortes
Executive Vice President & Chief Compliance Officer
Head, Global Compliance Group

Aida M. Padilla
Executive Vice President
Head, Enterprise Services Sector

Manuel C. Bahena Jr.
First Senior Vice President & Chief Legal Counsel
Head, Legal Group

Reynaldo C. Burgos
First Senior Vice President
Head, Operations Group

Ma. Adelia A. Joson
First Senior Vice President
Head, Retail Banking Sector

Jose German M. Licup
First Senior Vice President
Chief of Staff to the President & CEO
concurrent positions:
Head, International Banking and Remittance Group
Officer-in-Charge
PNB-Mizuho Leasing and Finance Corporation

Celeste Marie V. Lim
First Senior Vice President
Head, Consumer Finance Sector

Maria Paz D. Lim
First Senior Vice President
Corporate Treasurer

Noel C. Malabag
First Senior Vice President
Head, Global Markets Group

Michael M. Morallos
First Senior Vice President
Head, Information Technology Group

Roland V. Oscuro
First Senior Vice President & Chief Information Security Officer
Head, Enterprise Information & Cybersecurity Group

Nanette O. Vergara
First Senior Vice President & Chief Credit Officer
Head, Credit Management Group

Damasen Paul C. Cid
Senior Vice President
Head, Digital Innovations Group

Jennifer Y. Ng
Senior Vice President
Head, Marketing Group

Joy Jasmin R. Santos
Senior Vice President & Chief Trust Officer
Head, Trust Banking Group

Juliet S. Dytoc
First Vice President & Chief Risk Officer
Head, Risk Management Group

Analisa I. San Pedro
First Vice President & Chief Audit Executive
Head, Internal Audit Group

Socorro D. Corpus
Officer-in-Charge
Human Resources Group

Yolanda M. Albano
President
Allied Integrated Holdings, Inc

Manuel Antonio G. Lisbona
President & CEO
PNB Securities, Inc.

Gerry B. Valenciano
President & CEO
PNB Capital and Investment Corp.

Joseph Kumar Gross
President & CEO
Allianz PNB Life Insurance, Inc.

Zacarias E. Gallardo, Jr.
Secretariat
Assistant to the President & CEO

Legal Vehicles, Business, and Support Groups

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

Within the Bank, different business and support groups work in unison to achieve the shared mission of promoting financial prosperity for all Filipinos and their businesses, locally and internationally, empowering them to build a competitive, inclusive, and sustainable economy.

Each of the major groups is led by a Sector or Group Head who reports directly to the President and CEO, while certain group heads report to board committees. The CCO and the CAE report directly to the Board Audit and Compliance Committee (BACC), and the Chief Risk Officer (CRO) directly reports to the Risk Oversight Committee (ROC).

Skills, Competency, and Diversity

GRI 3-3, 405-1

The Bank is 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 the Board reflects diversity in gender, age, knowledge, and skills.

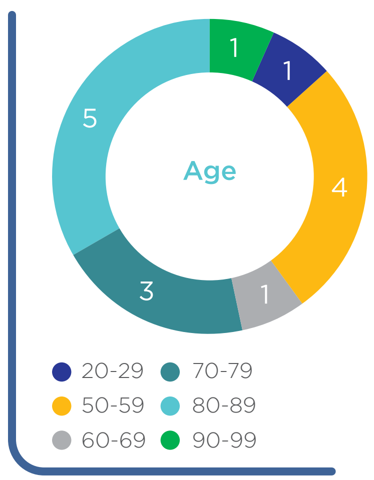
In designing the Board's composition, diversity shall be considered from various aspects including, but not limited to, age, gender, ethnicity, cultural and educational background, skills, competence, and knowledge. The Board also ensures that there is appropriate representation of women in the Board.

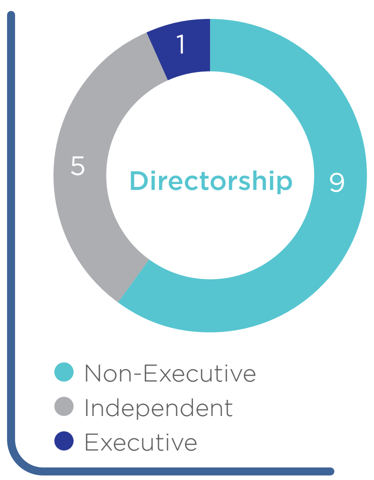
Such diversity will allow the Board to raise challenging questions, contribute to problem-solving, avoid groupthink and ensure that optimal decision-making is achieved.

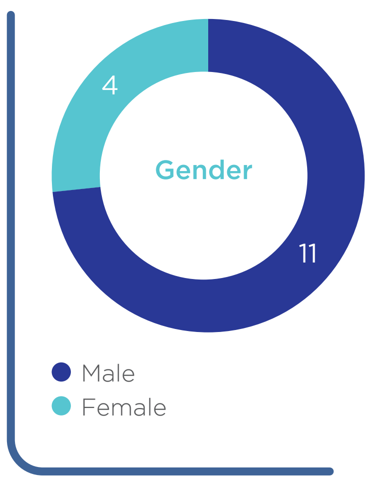
Consistent with PNB's implementation of the ASEAN Corporate Governance Scorecard, the Bank continuously strives to meet the following:

- 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.

4 out of 9 Board Committees are chaired by women.







Consistent with previous years, the Bank has met the above–mentioned diversity targets. As of December 31, 2023, PNB had four (4) female directors in the Board, two (2) of whom are independent directors. 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

PNB's Board members are nominated and elected based on the following criteria: 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. An independent director is a person who is independent of management and the controlling shareholder and is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director.

All shareholders are invited to recommend nominees for election as a director of the Bank. External sources such as the Institute of Corporate Directors are also consulted in sourcing potential and qualified independent directors.

The Corporate Secretary presents all nominations for screening and evaluation to the Corporate Governance and Sustainability Committee, together with the profiles of each nominee that includes their qualifications and experiences, academic and professional backgrounds, and expertise relevant and beneficial to the business of the Bank. In accordance with PNB's Corporate Governance Manual, the Committee pre-screens the qualifications of the nominees, conducts the nomination procedure, and prepares the final list of all qualified candidates. The Final List of nominees as endorsed by the Committee is thereafter deliberated and approved by the Board.

Meetings and Attendance

The Board of Directors meetings are held on a monthly basis. Special meetings may be convened, as necessary. 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 (5) business days prior to the scheduled meeting. She likewise ensures that the members possess accurate information that would enable them to make sound decisions on matters that require their approval. The Chairman encourages openness, clarity, and debate at Board meetings; directors participate actively in Board discussions and share their insights on issues and matters tabled.

The presence of 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 2023, the Board held a total of nineteen (19) meetings: twelve (12) regular meetings, six (6) special meetings, and one (1) organizational meeting. Each Board member complied with the SEC's 50% minimum attendance requirement.

Name	No. of Meetings Attended	% Present
Edgar A. Cua	18	94.74
Leonilo G. Coronel	18	94.74
Florido P. Casuela	19	100.00
Estelito P. Mendoza	13	68.42
Isabelita M. Papa	19	100.00
Wilfrido E. Sanchez	19	100.00
Carmen K. Tan	13 [1]	81.25
Lucio C. Tan	13 [2]	81.25
Lucio C. Tan III	17	89.47
Michael G. Tan	19	100.00
Sheila T. Pascual	19	100.00
Vivienne K. Tan	19	100.00
Domingo H. Yap	19	100.00
Felix Enrico R. Alfiler	16	84.21
Eusebio V. Tan	3 [3]	100.00
Chester Y. Luy	3 [4]	100.00
Maria Almasara Cyd N. Tuaño-Amador	11 [5]	100.00
Federico C. Pascual	8 [6]	100.00

1 Member of the Board of Directors until September 22, 2023.
2 Member of the Board of Directors until September 22, 2023. Appointed as Chairman Emeritus effective September 22, 2023.
3 Elected as a Member of the Board of Directors on September 22, 2023.
4 Elected as a Member of the Board of Directors on September 22, 2023.
5 Elected as a Member of the Board of Directors on April 25, 2023.
6 Member of the Board of Directors until April 24, 2023.

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' meetings, with the independent directors, were held on March 6, 2023, and on June 6, 2023, with the external auditors (SGV) when the latter presented the results of the audit of the 2022 Financial Statements of PNB and its Subsidiaries and the 2022 Management Letter, respectively.

The foregoing information addresses the requirement of Section 49 of the Revised Corporation Code to present to the stockholders the directors' attendance at each Board meeting.

Remuneration
GRI 2-19

The remuneration and fringe benefits of members of the Board of Directors consist of (i) per diem for every Board and Board committee meeting attended and (ii) 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 of the four (4) most highly compensated executive officers were disclosed in the Information Statement sent to all shareholders. No proposal on the remuneration of Directors was presented to the shareholders for approval during the 2023 Annual Stockholders' Meeting (ASM) of PNB.

The Bank is in the process of amending Section 5.8 of its Amended By-Laws, on the compensation of Directors, along with other provisions thereof, to align with the provisions of the Revised Corporation Code of the Philippines and other applicable laws and regulations and to enhance the Bank's overall corporate governance practices. The proposed amendments shall be submitted for the approval of the stockholders during PNB's ASM on April 30, 2024, and of the Bangko Sentral ng Pilipinas and the Securities and Exchange Commission.

Retirement and Term Limit
GRI 201-3

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.

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 that a director no longer has the required fitness to perform his or her functions and responsibilities, he shall inform the Board of his intent to retire or to refrain from seeking re-election.

An independent director of the Bank may only serve as such for a maximum cumulative term of nine (9) years. Upon reaching the term limit, 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 nine (9)-year maximum cumulative term for independent directors shall be reckoned from 2012. As of December 31, 2023, the Bank has no independent director who has served for more than nine (9) 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 members of the Board of Directors participate 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 and each 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 Corporate Governance Division (CGD) of the Global Compliance Group. The CGD 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 Board of Directors shall then ensure that the results of the Board performance evaluation are shared, and 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 an external entity every three (3) years to assess the structure, processes, dynamics, roles, and overall performance of the Board and to further align PNB's governance framework with best practices. The last engagement with a third-party assessor was with the Institute of Corporate Directors (ICD) in 2020.

Orientation and Continuing Education

GRI 2-17

The Bank and the members of the Board of Directors value on-going professional development and actively participate 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 the provision of 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, 2023, all directors were compliant with the annual four (4)-hour continuing training requirement. Certificates of attendance have been submitted to SEC and disclosed to PSE.

Name	Program	Date	Host / Training Institution
Leonilo G. Coronel	Corporate Governance Seminar	October 24, 2023	SGV & Co.
Florido P. Casuela	Corporate Governance Seminar	October 24, 2023	SGV & Co.
Edgar A. Cua	Corporate Governance Seminar	October 24, 2023	SGV & Co.
Estelito P. Mendoza	Corporate Governance Seminar	March 30, 2023 December 1, 2023	ICD SGV & Co.
Isabelita M. Papa	Corporate Governance Seminar	October 24, 2023	SGV & Co.
Wilfrido E. Sanchez	Corporate Governance Seminar	October 24, 2023	SGV & Co.
Lucio C. Tan III	Corporate Governance Seminar	October 24, 2023	SGV & Co.
Michael G. Tan	Corporate Governance Seminar	October 24, 2023	SGV & Co.
Sheila T. Pascual	Corporate Governance Seminar	October 24, 2023	SGV & Co.
Vivienne K. Tan	Corporate Governance Seminar	October 24, 2023	SGV & Co.
Felix Enrico R. Alfiler	Corporate Governance Seminar	October 24, 2023	SGV &Co.
Domingo H. Yap	Corporate Governance Seminar	October 24, 2023	SGV & Co.
Maria Almasara Cyd N. Tuaño-Amador	Corporate Governance Seminar	October 24, 2023	SGV & Co.
Eusebio V. Tan	Corporate Governance Seminar	October 24, 2023 November 14, 2023	SGV & Co. BAIPHIL
Chester Y. Luy	Corporate Governance Seminar	October 24, 2023 November 14, 2023	SGV & Co. BAIPHIL
Ruth Pamela E. Tanghal	Corporate Governance Seminar	October 24, 2023	SGV & Co.

The Bank's new directors complied with the required eight (8)-hour seminar on corporate governance for first-time bank directors conducted by BAIPHIL. They also attended an in-house orientation on board matters like rights of shareholders, PSE disclosure rules, the Bank's vision and mission, core values and code of conduct, whistleblower policy, corporate governance, related party transactions, macroeconomic environment, sustainability, the Bank's risk management framework, enterprise risk heat map, branch banking operations, customer relations, and internal audit and control system.

Shareholdings

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

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

Name	No. of Direct PNB Shares	No. of Indirect PNB Shares	Total Direct and Indirect PNB Shares
1. Felix Enrico R. Alfiler	0	5	5
2. Florido P. Casuela	0	162	162
3. Leonilo G. Coronel	0	1	1
4. Edgar A. Cua	100	0	100
5. Chester Y. Luy	0	10	10
6. Estelito P. Mendoza	0	1,150	1,150
7. Isabelita M. Papa	0	1	1
8. Sheila T. Pascual	100	10	110
9. Wilfrido E. Sanchez	0	1	1
10. Eusebio V. Tan	0	10	10
11. Lucio C. Tan III	300	0	300
12. Michael G. Tan	250	62,000	62,250
13. Vivienne K. Tan	0	10	10
14. Maria Almasara Cyd N. Tuaño-Amador	0	1	1
15. Domingo H. Yap	0	1	1

Concurrent and Interlocking Directorships

The Bank recognizes that effective sharing of managerial and technical expertise between the Bank and other entities promotes economies of scale and organizational synergies, as well as broadens perspectives in strategy formulation and risk management. In this regard, PNB has adopted regulations and procedures governing interlocking directors and/or officers in compliance with BSP Circular No. 1129, Series of 2021 on the Amendments to Corporate Governance Guidelines for BSP-Supervised Financial Institutions (BSFIs).

As a general rule, a director of the Bank may concurrently serve as a director of another BSFI except in cases involving banks belonging to the same category. In this respect, interlocking directorships in banks belonging to the same category shall only be allowed if the banks: (i) are part of the same banking group; or (ii) have different business models and are serving different markets or clients.

A director of the Bank may concurrently serve as a director or an officer of another entity which is not a BSFI provided that the positions do not pose conflict of interests and that the interlocking position will not affect the director's ability to devote sufficient time and attention necessary to effectively carry out his duties and responsibilities as a director of the Bank.

A non-executive director may concurrently serve as director of a maximum of five (5) 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, 2023, all fifteen (15) directors have complied with the prescribed limit on concurrent and interlocking directorships.

All recommendations for interlocking positions of directors are subject to evaluation and determination as to whether the interlocking positions will pose a potential conflict of interest and to ensure compliance with the stipulated guidelines and limitations prior to endorsement for approval.

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

A director with approved interlocking position outside the PNB Group shall, upon cessation of such interlocking position, notify the Corporate Secretary's Office.

BOARD COMMITTEES

The Board of Directors has delegated certain functions to its nine (9) 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), Trust Committee and the Board Overseas Offices Oversight Committee (BOOOC).

As of December 31, 2023, the membership of each director in the Bank's various Board Committees are as follows:

Name	Board Audit and Compliance	Board IT Governance	Board Oversight RPT	Board Strategy and Policy	Corporate Governance and Sustainability	Executive	Risk Oversight	BOOOC	Trust
Edgar A. Cua	VC			VC	C	M (Non-voting)	M		
Leonilo G. Coronel				M		C	M		VC
Florido P. Casuela		M		M		M			M Ex-Officio
Estelito P. Mendoza									
Isabelita M. Papa	C	M		M	M		M	M	
Wilfrido E. Sanchez			C	M	VC		M (Non-voting)		M (Non-voting)
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		M		C		VC	M	C	M
Domingo H. Yap	M		M	M	M		VC		
Maria Almasara Cyd N. Tuaño-Amador			VC	M	M	M (Non-voting)	C	M	
Eusebio V. Tan	M			M		M			
Chester Y. Luy		M		M		M	M		M

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

Board Audit and Compliance Committee (BACC)

Mandate:

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

Structure and membership:

- Chaired by an independent director.
- Composed of three independent directors and two non-executive directors
- 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 2023, the BACC held a total of twenty two (22) meetings: twelve (12) regular meetings, eight (8) special and two (2) joint meetings.
- The committee charter stipulates that meetings shall be held at least four (4) 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 (2) 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 her vote to break the tie.

Name	Role	No. of meetings attended	% Present
Isabelita M. Papa	Chairman, Independent Director	22	100.00
Edgar A. Cua	Vice Chairman, Independent Director	22	100.00
Michael G. Tan	Member, Non-Executive Director	21	95.45
Domingo H. Yap	Member, Independent Director	4 [1]	80.00
Eusebio V. Tan	Member, Non-Executive Director	5 [2]	100.00

[1] Elected as a Member of the Board Audit and Compliance Committee on September 22, 2023.

[2] Elected as a Member of the Board Audit and Compliance Committee on September 22, 2023.

Board IT Governance Committee (BITGC)

Mandate:

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

Structure and membership:

- BITGC consists of six (6) members: three (3) non-executive directors, two (2) independent directors, and one (1) executive director.

Meetings and Attendance:

- In 2023, the BITGC held a total of thirteen (13) meetings: twelve (12) regular meetings and one (1) special meeting.
- 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 (1) member; but the vote of the majority of the quorum which in no case is less than two (2) 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	13	100.00
Lucio C. Tan III	Vice Chairman, Non-Executive Director	13	100.00
Edgar A. Cua	Member, Independent Director	4 [1]	100.00
Isabelita M. Papa	Member, Independent Director	13	100.00
Florido P. Casuela	Member, Executive Director	13	100.00
Felix Enrico R. Alfiler	Member, Non-Executive Director	12	92.31
Chester Y. Luy	Member, Non-Executive Director	2 [2]	100.00
Maria Almasara Cyd N. Tuaño-Amador	Member, Independent Director	1 [3]	100.00

[1] Member of the BITGC until April 24, 2023.
[2] Elected as a Member of the BITGC on October 27, 2023
[3] Elected as a Member of the BITGC on April 25, 2023. Resigned as a member of the BITGC on May 26, 2023.

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 2023, the BORC held a total of eleven (11) regular meetings.
- The committee charter stipulates that BORC shall conduct monthly meetings or as may be 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 (2) 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
Wilfrido E. Sanchez	Chairman, Independent Director	9	81.82
Maria Almasara Cyd N. Tuaño-Amador	Vice Chairman, Independent Director	7 [1]	100.00
Domingo H. Yap	Member, Independent Director	11	100.00
Federico C. Pascual	Member, Independent Director	4 [2]	100.00
Edgar A. Cua	Member, Independent Director	4 [3]	100.00
Leonilo G. Coronel	Member, Non-Executive Director	0 [4]	–
Isagani A. Cortes	Non-voting Member	10	86.00
Analisa I. San Pedro	Non-voting Member	9	100.00

[1] Elected as a Member of the BORC on April 25, 2023.
[2] Member of the BORC until April 24, 2023.
[3] Member of the BORC until April 24, 2023.
[4] Elected as a Member of the BORC on April 25, 2023. Resigned as a Member of the Committee on May 26, 2023.

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:
- The BSPC consists of fourteen (14) members: five (5) independent directors, eight (8) non-executive directors and one (1) executive director.

Meetings and Attendance:
- In 2023, the BSPC held a total of forty (40) meetings: twenty three (23) regular meetings, three (3) special and fourteen (14) 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	38	95.00
Edgar A. Cua	Vice Chairman, Independent Director	40	100.00
Florido P. Casuela	Member, Executive Director	40	100.00
Maria Almasara Cyd N. Tuaño-Amador	Member, Independent Director	27 [1]	100.00
Isabelita M. Papa	Member, Independent Director	40	100.00
Sheila T. Pascual	Member, Non-Executive Director	36	90.00
Wilfrido E. Sanchez	Member, Independent Director	40	100.00
Lucio C. Tan III	Member, Non-Executive Director	32	80.00
Michael G. Tan	Member, Non-Executive Director	37	92.50
Vivienne K. Tan	Member, Non-Executive Director	39	97.50
Domingo H. Yap	Member, Independent Director	37	92.50
Leonilo G. Coronel	Member, Non-Executive Director	40	100.00
Eusebio V. Tan	Member, Non-Executive Director	11 [2]	91.67
Chester Y. Luy	Member, Non-Executive Director	12 [3]	100.00
Federico C. Pascual	Member, Independent Director	13 [4]	100.00

[1] Elected as a Member of the BSPC on April 25, 2023.
[2] Elected as a Member of the BSPC on September 22, 2023.
[3] Elected as a Member of the BSPC on September 22, 2023.
[4] Member of the BSPC until April 24, 2023.

Corporate Governance and Sustainability Committee

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

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

Meetings and Attendance:
- In 2023, the committee held a total of thirteen (13) meetings: twelve (12) regular meetings and one (1) special meeting.
- 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 (2) 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
Edgar A. Cua	Chairman, Independent Director	13	100.00
Wilfrido E. Sanchez	Vice Chairman, Independent Director	13	100.00
Domingo H. Yap	Member, Independent Director	13	100.00
Isabelita M. Papa	Member, Independent Director	13	100.00
Maria Almasara Cyd N. Tuaño-Amador	Member, Independent Director	8 [1]	100.00
Federico C. Pascual	Member, Independent Director	5 [2]	100.00

[1] Elected as a Member of the Corporate Governance and Sustainability Committee on April 25, 2023.
[2] Member of the Corporate Governance and Sustainability Committee until April 24, 2023.

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 (9) members: six (6) non-executive directors, two (2) independent directors, and one (1) 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 2023, the Executive Committee held a total of fifty (50) 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	50	100.00
Felix Enrico R. Alfiler	Vice Chairman, Non-Executive Director	47	94.00
Sheila T. Pascual	Member, Non-Executive Director	44	88.00
Lucio C. Tan III	Member, Non-Executive Director	44	88.00
Michael G. Tan	Member, Non-Executive Director	49	98.00
Vivienne K. Tan	Member, Non-Executive Director	49	98.00
Florido P. Casuela	Member, Executive Director	50	100.00
Maria Almasara Cyd N. Tuaño-Amador	Member, Independent Director	29 [1]	100.00
Edgar A. Cua	Non-voting Member, Independent Director	34 [2]	100.00
Eusebio V. Tan	Member, Non-Executive Director	12 [3]	100.00
Chester Y. Luy	Member, Non-Executive Director	12 [4]	100.00
Federico C. Pascual	Member, Independent Director	15 [5]	93.75
Wilfrido E. Sanchez	Member, Independent Director	16 [6]	100.00

[1] Elected as a Member of the Executive Committee on May 26, 2023.
[2] Elected as a Member of the Executive Committee on April 25, 2023.
[3] Elected as a Member of the Executive Committee on September 22, 2023.
[4] Elected as a Member of the Executive Committee on September 22, 2023.
[5] Member of the Executive Committee until April 24, 2023.
[6] Member of the Executive Committee until April 24, 2023.

Risk Oversight Committee (ROC)

Mandate:

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

Structure and membership:

- Consists of nine (9) members: five (5) independent and four (4) non-executive directors
- Chaired by an independent director.
- Chairman of ROC is not the Chairperson of the Board or of any other Board committee.

Meetings and Attendance:

- In 2023, the ROC held a total of thirty two (32) meetings: twenty three (23) regular meetings and nine (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
Maria Almasara Cyd N. Tuaño-Amador	Chairman, Independent Director	23 [1]	100.00
Domingo H. Yap	Vice Chairman, Independent Director	30	93.75
Edgar A. Cua	Member, Independent Director	28 [2]	100.00
Isabelita M. Papa	Member, Independent Director	32	100.00
Wilfrido E. Sanchez	Member, Independent Director	9 [3]	81.82
Vivienne K. Tan	Member, Non-Executive Director	31	96.88
Leonilo G. Coronel	Member, Non-Executive Director	28 [4]	100.00
Felix Enrico R. Alfiler	Member, Non-Executive Director	22 [5]	95.65
Chester Y. Luy	Member, Non-Executive Director	3 [6]	100.00
Florido P. Casuela	Member, Executive Director	8 [7]	100.00

[1] Elected as a Member of the ROC on April 25, 2023.
[2] Member of the ROC until April 24, 2023; Re-elected as a Member of the ROC on May 26, 2023.
[3] Member of the ROC until April 24, 2023. Re-elected as a Member of the ROC on October 27, 2023.
[4] Member of the ROC until April 24, 2023; Re-elected as a Member of the ROC on May 26, 2023.
[5] Elected as a Member of the ROC on April 25, 2023.
[6] Elected as a Member of the ROC on October 27, 2023.
[7] Member of the ROC until April 24, 2023.

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 (8) members: one (1) independent director, five (5) non-executive directors, one (1) 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 2023, the Trust Committee held a total of sixteen (16) meetings: eleven (11) regular meetings, three (3) special and two (2) joint 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 (1) member shall constitute a quorum; but the vote of the majority of the quorum, which in no case is less than two (2) 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	12	75.00
Leonilo G. Coronel	Vice Chairman, Non-Executive Director	16	100.00
Vivienne K. Tan	Member, Non-Executive Director	16	100.00
Chester Y. Luy	Member, Non-Executive Director	3 [1]	100.00
Felix Enrico R. Alfiler	Member, Non-Executive Director	16	100.00
Wilfrido E. Sanchez	Non-voting Member, Independent Director	15	93.75
Federico C. Pascual	Non-voting Member, Independent Director	7 [2]	100.00
Florido P. Casuela	Ex-officio, Executive Director	16	100.00
Joy Jasmin R. Santos	Ex-officio, Chief Trust Officer	16	100.00

[1] Elected as a Member of the Trust Committee on September 22, 2023.

[2] Member of the Trust Committee until April 24, 2023

Board Overseas Offices Oversight Committee (BOOOC)

Mandate:

- Created on October 7, 2023
- Assists the Board of Directors in overseeing the overseas offices in relation to operational, legal, and regulatory risks to ensure their long-term viability consistent with the Bank's strategic goals and risk profile
- Reviews the formulation of policy guidelines and procedures to ensure the quality of compliance and risk management of the different business legal vehicles by focusing on key risk areas that require closer supervision by the Board and implementation of timely effective corrective actions and/or plans by Senior Management
- Reviews actions taken in relation to regulators' recommendations, changes in laws and regulatory environment for each of the overseas business legal vehicle, in coordination with the respective entity Board of Directors, other Board Committees and Senior Management Sector/Group Heads that provide oversight support to the overseas offices
- Reviews the implementation of the continuing education of key officers in overseas offices, their assignment to management committees and the succession planning for the overseas offices Senior Management

Structure and membership:

- Consists of three (3) members of the Board, two (2) of whom are independent directors.

Meetings and Attendance:

- In 2023, the Committee held two (2) meetings.
- The Committee holds regular meetings at least once every quarter. 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	2	100.00
Isabelita M. Papa	Member, Independent Director	2	100.00
Maria Almasara Cyd N. Tuaño-Amador	Member, Independent Director	2	100.00

The foregoing information address the requirement of Section 49 of the Revised Corporation Code to present to the stockholders the attendance of each director at each Board Committee meeting.

MANAGEMENT COMMITTEES

As the highest-ranking officer in the organization, the 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 President in the implementation of the overall strategy and oversees the management and affairs of the Bank. MANCOM ensures that the activities and operations are consistent with the defined strategic objectives, risk strategy, and policies as approved by the Board.

The Chief Legal Counsel handles all legal matters and cases filed by 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 frameworks and procedures 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 pages 35 to 38 of the Information Statement.

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

BANK COMMITTEES

As of October 13, 2023

1. Acquired Assets Disposal Committee (AADC)
2. Annual Institutional Top Performance Awards Committee
3. Asset and Liability Committee (AlCo)
4. Asset Disposal Committee (Head Office)
5. Capital Management Sub-Committee
6. Committee on Accreditation of Overseas Remittance Agent – Selection of Expatriates and Branch Site (CAORASEBS) – Overseas
7. Committee on Decorum and Investigation (CoDi)
8. Domestic Branch Site Selection Committee (DBSSC)
9. Ethical Standards Committee (ESC)
10. Financial Crime Risk Review Committee (FCRRC)
11. Institutional Banking Sector Credit Committee (IBSCC)
12. Institutional Transaction Banking Group Steering Committee
13. IT Evaluation Committee (ITEC)
14. IT Project Prioritization Committee
15. Management Committee (ManCom)
16. Management Risk Committee (MRC)
17. Metro Manila Commercial Credit Committee
18. Occupational Safety, Health, and Family Welfare Committee
19. Operations Committee (OpCom)
20. Philippine Financial Reporting Standard (PFRS) 9 Committee
21. PNB Retirement Fund Board

22. PNB Service Excellence and Professional Development Awards Selection Committee
23. PNB Succession Management Program – Talent Board
24. Procurement Committee
25. Promotion Committee A
26. Promotion Committee B
27. Promotion Committee C
28. Provincial Commercial Credit Committee (PCCC) for Luzon Accounts
29. Provincial Commercial Credit Committee (PCCC) for Visayas and Mindanao Accounts
30. Retail Banking Sector Credit Committee (RBSCC)
31. Retail Lending Group Credit Committee (RLGCC)
32. Senior Management Credit Committee (SMCC)
33. Technology Committee (TechCom)
34. Transformation Group Steering Committee
35. Transformation Working Group

COMPLIANCE

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A sound and effective compliance regime is the cornerstone of PNB's strength and market presence. The Bank adheres to the values of integrity, ethics, and good governance in the conduct of its business and affairs, exercising prudence in arriving at decisions, enforcing internal discipline and a system of checks and balances in its operating processes, and upholding transparency and accountability to its 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 PNB's culture; under the risk governance framework, risk management is 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 (5) 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 Bank 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 (5) 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 FCRD ensures an end-to-end robust control framework is in place and is embedded enterprise wide. The FCRD 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.

The FCRD provides advisory support to the Bank's business and other support units.

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. The Division provides advisory support to the Bank's business and other support units.

Compliance Assurance

The 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 compliance risks by identification of root causes on areas of non-compliance and providing recommendations to avoid recurrence. 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 the RCRD and FCRD and Risk Management Group. Special reviews may be conducted as instructed by the Chief Compliance Officer, Senior Management, the Board Audit and Compliance Committee and/or the Board of Directors.

Compliance Operations

The Compliance Operations Division (COD) is responsible for managing GCG's administrative requirements, systems, management information, data analysis, and risk assessment in order to allow the rest of the five (5) divisions to focus on their primary tasks.

INTERNAL AND EXTERNAL AUDIT

The Internal Audit Group (IAG), headed by the Chief Audit Executive (CAE), performs the internal audit functions 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 advisory services to evaluate and improve the effectiveness of risk management, control, and governance processes including the evaluation on the effectiveness of the Fraud Risk Management Framework of the Bank. 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. The IAG's independence from the responsibilities of Management is critical to the objectivity, authority, and credibility of the IAG. 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.

The IAG 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: (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 PNB's Corporate Governance Manual and By-Laws, which are both accessible through PNB's website.

A dividend policy is reflected in the economic performance section of the Bank's 2023 Sustainability Report.

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 may be necessary, in accordance with the procedure provided in the Bank's 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.

To safeguard the health and ensure the safety of the stockholders and stakeholders of the Bank, the ASM for 2023 was held on April 25, 2023 by way of remote communication.

Before the ASM

On January 27, 2023, the Board of Directors approved the holding of the ASM on April 25, 2023, 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, 2023, to March 30, 2023 in The Philippine Star and in the Business World, and from April 9, 2023 to April 15, 2023 in The Manila Bulletin, The Philippine Star, and the Business World.

During the ASM

The Bank conducted its 2023 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 in accordance 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 Officer-in-Charge of 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 2023 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 items in the 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) ratification of all legal acts, resolutions and proceedings of the Board, including approvals on Related Party Transactions (RPTs) endorsed by the Board Oversight RPT Committee (BORC), (d) election of directors; and (e) appointment of the External Auditor.

Shareholders were allowed to elect directors individually. Each resolution dealt with only one item; there was 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 on the PSE Edge and posted on the Bank's website on April 25, 2023. The Minutes of the ASM were uploaded to the Bank's website on April 27, 2023. 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 Bank's Articles of Incorporation and By-laws. These contents are uploaded on the website in coordination with resource units.

Annual and Quarterly Reports

The Bank provides complete and accurate information on its 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 Bank's financial statements and the fair and truthful preparation thereof is included in the Bank's Annual Report. The reports are also disclosed in accordance with the reportorial requirements of the SEC and PSE. The contents of these reports are generated through coordination with resource units.

Press Releases and Media Briefings

Relevant information and updates that need to be communicated to the general public are disseminated through press releases or press statements. To release these materials, PNB makes use of both mainstream and online channels. Mainstream or traditional channels include print (major publications and marketing collaterals) and broadcast media (TV and radio). Apart from the Bank's website, and when appropriate, the Bank also utilizes official social media accounts. All these communication channels are used because of their extensive reach and accessibility.

In 2023, the Bank came out with twenty one (21) press releases. The Bank holds press briefings and interviews with journalists, as may be necessary. Further, PNB regularly shares economic views and insights from the Bank Economist to banking and finance beat reporters, as part of the Bank's contribution to their economic reports.

Investor Relations

Investor relations is the Bank's strategic responsibility to keep the communication and information open with investors and help to maintain the Bank's foothold in the financial market. During the year, the Bank continued its efforts in deepening its engagement with shareholders, investors, analysts, and the media through virtual conferences and briefings sponsored by investment bank and financial services companies. The 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. Aside from these, PNB also met with institutional investors to respond to specific concerns of said investors and informed them of latest developments on the Bank, particularly the strategic initiatives to sustain growth and profitability post-pandemic.

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 the period of uncertainties brought about by the global pandemic.

The Investor Relations Program is anchored on three main principles:

- Accuracy and Timeliness: PNB is committed to provide analysts, credit rating agencies, investors, and shareholders with correct and up-to-date information on developments in the Bank;
- Transparency: PNB is committed to disclose relevant information to investors and shareholders in accordance with the prescribed standard of disclosure by regulatory agencies; and
- Consistency and Impartiality: PNB is 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.

The following were the quarterly briefings held jointly by LT Group, Inc. (LTG) and PNB for the analysts and investors:

Date of Analysts' and Investors' Briefing Hosted by LTG and PNB	Key Discussion Points / Subject
March 17, 2023	Virtual Analysts' Briefing on the LTG Companies' 2022 Full-Year Financial Results
May 12, 2023	Virtual Analysts' Briefing on the LTG Companies' 2023 Three-Month Financial Results
August 11, 2023	Virtual Analysts' Briefing on the LTG Companies' 2023 Six-Month Financial Results
November 10, 2023	Virtual Analysts' Briefing on the LTG Companies' 2023 Nine-Month Financial Results

GOVERNANCE POLICIES AND PRACTICES

Corporate Governance Manual

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

The CorGov Manual clearly defines the roles, responsibilities, and accountabilities of the Board of Directors, together with the types of decisions requiring its approval. The CorGov 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 its CorGov 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 CorGov 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. The same is being re-issued annually to all employees.

Failure to abide with any of 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.

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 Ethical Standards Committee (ESC) Secretariat. Fraud cases involving monetary loss shall be reported directly to the President/CEO, CCO, CAE or CLC 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's 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

In line with BSP Circular No. 1160 Series of 2022 covering Regulations on Financial Consumer Protection implementing Republic Act No. 11765 otherwise known as the "Financial Products and Service Consumer Protection Act", the Bank continues to embed consumer protection practices across the organization. It 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. Aligned with the Bank's Enterprise Risk Management Framework (ERMF), the CPRMS includes governance structure, policies, processes, measurement, and control procedures and mechanisms to protect the rights and interest of consumers.

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) equitable and fair treatment (b) disclosure and transparency of financial products and services, (c) protection of consumer assets against fraud and misuse (d) data privacy and protection, and (e) timely handling and redress of complaints.

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 is given to complex complaints. This complaint management process is established, a cross-functional activity involving multiple offices, which provide priority assistance in resolving customer concerns. As part of this process, monitoring of complaints resolution and validation of implemented resolution has been incorporated to ensure customer satisfaction and retention is achieved. The process also extends to periodic root cause assessment, formulation, implementation and monitoring of long-term mitigation initiatives to limit the recurrence of system or process exceptions, and thereby improve customer experience and concerns.

A monthly summary is reported to the Management Risk Committee (MRC) and to the Risk Oversight Committee (ROC) for transparency and evaluation. This report also includes key risk indicators with Red-Amber-Green (RAG) Rating to establish a measure of success of concerned offices handling customer concerns based on standard parameters. Moreover, consumer risk related incidences are also captured in the Bank's loss event database and the same are reported and escalated to the MRC and ROC for escalation, resolution, and monitoring.

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 the Bank's main creditors. The Bank recognizes that creditors have the right to safeguard their transactions with the Bank and be heard though appropriate channels when they escalate feedback and concerns.

The Bank provides its depositors with ready access to information that accurately represents the fundamental benefits and risks, as well as the terms and conditions of a financial product or service. Moreover, PNB is one with the Philippine Deposit Insurance Corporation (PDIC) in promoting public confidence and stability in the economy. As such, the Bank advertises PDIC's deposit insurance protection in appropriate and accurate manner by including the official PDIC Insurance Statement (Deposits are insured by PDIC up to ₱500,000.00 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

It has always been the objective of PNB to maintain an efficient and a harmonious relationship with its suppliers, vendors, and/or third-party service providers. This is being done thru the collaborative efforts of the Accreditation and Vendor Management Department (AVMD) of the Corporate Services Division (CSD) and Vendor Risk Monitoring Department (VRMD) of the Risk Management Group (RMG).

While continuously improving the processes of AVMD to streamline operations, heighten control procedures and comply with recent BSP requirements, the Bank also started to incorporate its general policy on Sustainability with the guidance of the Corporate Sustainability Unit (CSU) of the Bank in compliance with the government's mandate on the matter.

With these recent developments, AVMD and VRMD continuously provide guidance to maintain the efficiency of monitoring and oversight activities of Outsourcing and Vendor Management. Among others, AVMD is currently using the Governance, Risk and Compliance (GRC) system of RMG in PNB's automation efforts for the Bank's third-party risk management.

Selection Process for Senior Management

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 are 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 and to include other factors to be considered in the selection. Once a candidate is selected, submission of all requirements will be completed and faithful adherence to all the conditions of regulatory bodies. Thereafter, the approval of the Board of Directors, as endorsed by the President and the Corporate Governance and Sustainability Committee will be sought. Once hiring of the senior officer is approved by the Board, submission of all requirements will be completed and faithful adherence to all the conditions of regulatory bodies.

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

The Bank has continued to put learning and development at the forefront of its people strategy in 2023. The PNB Institute for Banking Excellence (IBE) facilitated 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 both its technical and soft skills development as it continued to provide upskilling and reskilling opportunities for employees. 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 its 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. Moreover, a specially curated Learning Path encompassing the Bank's 10 Core Competencies has been established, catering to development of the core competencies of the Bank's leaders.

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

Cultivating a mentoring culture through our mentor certification program, PNB B.L.O.O.M. (Building Leaders by Offering Opportunities through Mentoring) continued, 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 sustainability thrust.

The PNB Institute for Banking Excellence's learning and development programs have been duly recognized here and abroad. PNB IBE was one of three finalists of the 2022 LinkedIn Talent Awards for the category of Learning Champions and was conferred the Gawad Maestro Award as the 2023 Learning and Development Organization of the Year for the Private Sector by the Philippine Society for Talent Development (PSTD).

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

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 qualified primary dependents, group life insurance, group accident insurance, leave privileges, telecommuting work arrangement for eligible officers, car plan, and loan facilities such as general-purpose loan, motor vehicle loan, and housing loan.

Performance-Based Remuneration

GRI 2-20

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

Retirement

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 three (3) modes of retirement, to wit:

- Normal Retirement: an employee shall be compulsorily retired from service and shall be entitled to receive the benefits under the Plan upon reaching sixty (60) years of age or upon completing thirty five (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) fifty five (55) years of age and rendering at least ten (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 sixty five (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.

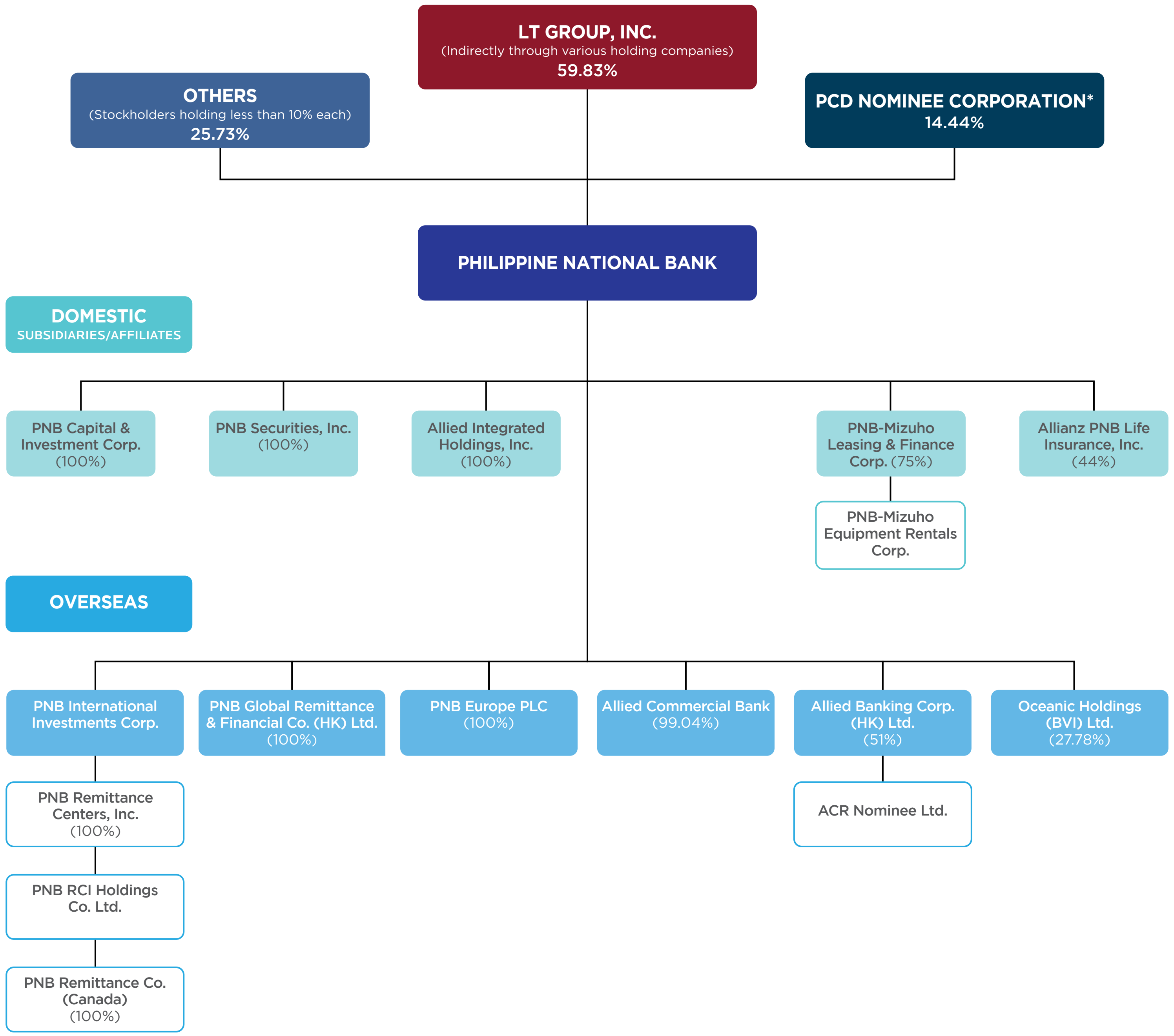
PNB Shareholdings of Holding Companies Under LT Group, Inc.

As of December 2023

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

CONGLOMERATE MAP

As of December 31, 2023



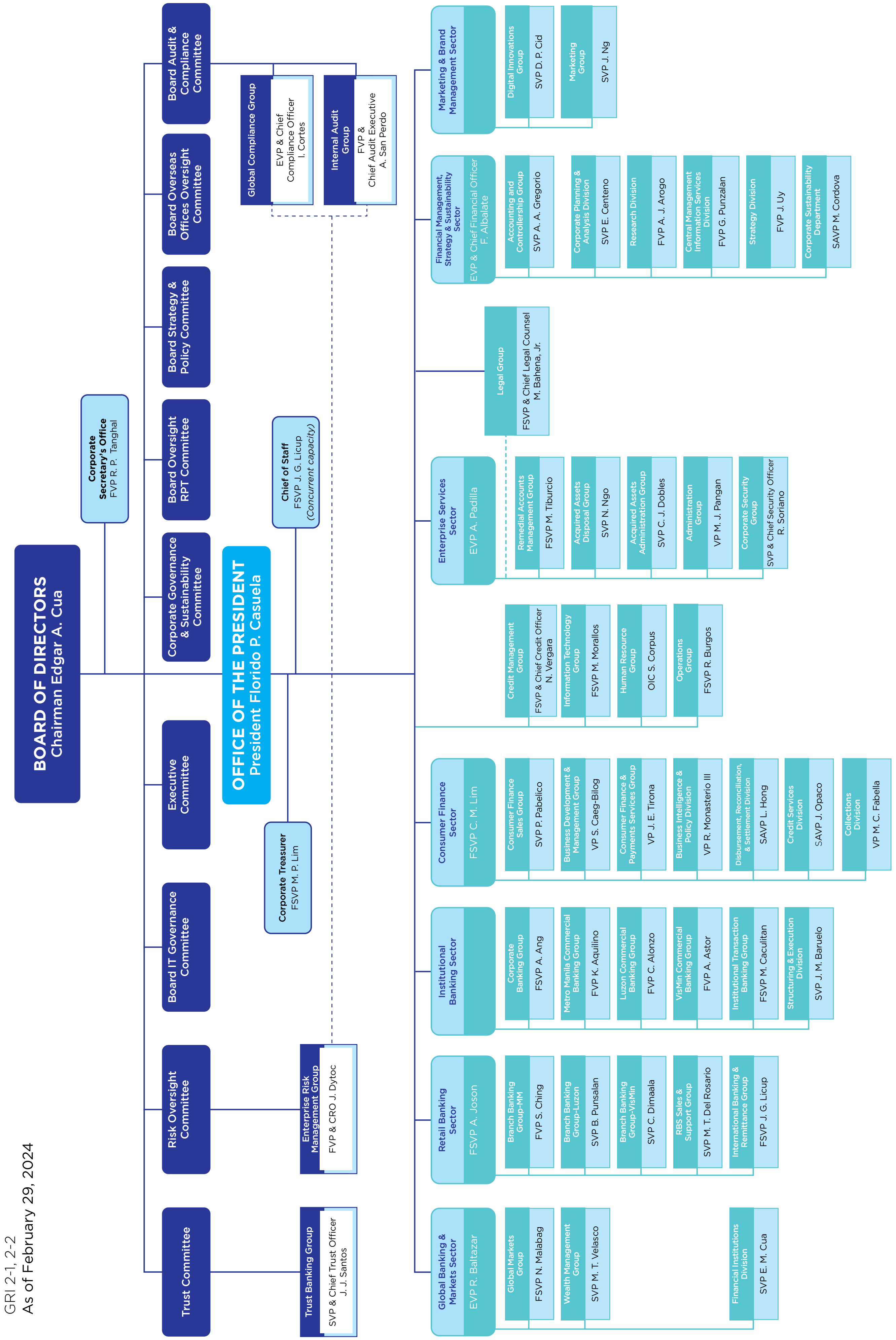
* PCD Nominee Corporation (PCDNC) acts as a trustee-nominee for all PNB shares lodged under the PCD System.

Note:

Dormant Overseas Subsidiary
1. PNB Corp. Guam

TABLE OF ORGANIZATION

GRI 2-1, 2-2
As of February 29, 2024



Sustainability Report

At PNB, we remain committed to creating and sustaining growth and prosperity with our customers while contributing significantly to the economy, society, and the environment through our business and operations. Our goal is to continue to improve our products and services, promote good governance, strengthen our risk management system, integrate sustainability principles into our business and various aspects of operations, and comply with regulatory requirements.

SUSTAINABILITY REPORT

Our Sustainability Performance

SDG	Year 2022	Year 2023
Economic and Governance		
1, 2	PhP62.1 Bn or 12.3% of total loan portfolio supports agricultural production, food manufacturing, wholesale/ retail food selling, and food-related activities.	PhP71.2 Bn of total loan portfolio support agricultural production, food manufacturing, wholesale/retail food-selling, and food-related activities.
3	PhP1.28 Bn of the total loan portfolio supports medical facilities and health programs	PhP1.62 Bn of the total loan portfolio support medical facilities and programs.
5	• 59.13% of employees at management level are female • 26% of Board Members and Board Advisors are female • 4 out of 9 Board Committees are chaired by women	• 57.77% of employees at management level are female • 33% of Board Members and Board Advisors are female • 4 our of 9 board committees are chaired by women
6	PhP4.6 Bn of the total loan portfolio supports water collection and supply, and wastewater treatment and disposal	PhP3.9 Bn of the total loan portfolio support water collection and supply, and wastewater treatment and disposal.
7	PhP73.4 Bn 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)	PhP79.9 Bn of total loan portfolio support power transmission, generation, and distribution (of which Clean Energy is PhP9.3B which is 1.8% of the total loan portfolio.)
8	• PhP19,676 Mn direct economic value generated • PhP9,763 Mn spent in employee wages and benefits	• PhP73,628 Mn direct economic value generated • PhP10,464 Mn spent in employee wages and benefits
9	PhP128.7 Bn of total loan portfolio supports operation of toll roads and bridges, telecommunications, logistics, and construction companies and construction-related activities.	PhP129.9 Bn of total loan portfolio support operation of toll roads and bridges, telecommunications, logistics, construction companies, and construction-related activities.
11	PhP19.6 Bn of the total loan portfolio supports green buildings, transportation, and projects of LGUs	PhP25.9 Bn of the total loan portfolio support green buildings, transportation, and LGUs.
12	1,399 accredited vendors / suppliers and third-party service providers	929 accredited vendors / suppliers and third-party service providers
16	Received Four Golden Arrows at the 2022 ACGS Golden Arrow Award	Received Four Golden Arrows at the 2023 ACGS Golden Arrow Awards
Environment		
6	• 263.55 megaliters of water consumed • 263.55 megalitres total of water withdrawn	• 241.11 megalitres of total water consumed • 241.11 megalitres total of water withdrawn
7	20,471,843.39 KWH of energy consumed	23, 820,154.86KWH of energy consumed
11	3,946.26 metric tons of non-hazardous wastes generated by domestic and overseas offices and branches	668.32 metric tons of non-hazardous wastes generated by domestic and overseas offices and branches
12	• 220.97 metric tons of paper used / consumed • 137,403.34 liters of fuel used in the operations	• 208.68 metric tons of paper used / consumed • 145, 836.92 liters of fuel used in the operations
13	14,580.06 tCO2e of GHG emissions by PNB domestic and overseas branches and offices	16,699.25 tCO2e of GHG emissions by PNB domestic and overseas branches and offices

SDG	Year 2022	Year 2023
Customers		
9	• 651 domestic branches nationwide and 71 overseas branches and offices in 17 jurisdictions • 1,575 ATMs, 174 CAMs, 29 Corporate CAMs and 8,367 POS Terminals • 125,351 enrollments on the PNB Cashnet mobile app • 1,508,741 enrolled users in the PNB Digital and Account Access Portal (mobile and internet)	• 631 domestic branches nationwide and 73 overseas branches and offices in 17 jurisdictions • 1,535 ATMs, 145 CAMs, 29 Corporate CAMs and 7,876 POS Terminals • 23,186 enrollments on the PNB Cashnet mobile app • 1,105,231 enrolled users on PNB Digital App (mobile only) • Increased investments in IT-related projects (PhP145.1Mn for PNB Digital App; PhP137.6Mn for PNB C@shNet Plus; PhP389.3Mn for IBS LEADS Project, PhP147Mn for the Loans Origination System of Consumer Finance Sector, etc.) and continuing improvements in cyber security and digital app.
12	• 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.	• 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		
3	• 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	• 100% of employees covered by the Bank's Occupational Health and Safety (OSH) management system • 16,720,616 safe manhours of employees • No reported incidents of work-related injuries, fatalities, or death • 22% or 1,862 employees adopted the alternative work arrangement (AWA), promoting work-life balance and helping to reduce the Bank's environmental footprint
4	• 8,283 employees underwent 404,506.00 total of training hours • Total average of training hours per employee is 48.83	• 8,244 employees underwent 396,274 total of training hours • Total average of training hours per employee is 48.07
5	• 66% of employees are female • No incidence of reported complaints related to discrimination based on gender	• 66% of employees are female • No incidence of reported complaints related to discrimination based on gender
8	• 8,318 full-time employees • 100% of employees receive regular performance and career development review • 1,041 employees promoted	• 8,327 full-time employees • 94.51% received regular performance and career development review • 1,832 employees (22%) promoted
Society		
3	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	185 emergency runs conducted and 80 individuals needing medical attention were serviced in Misamis Oriental and Bohol through the two ambulances donated to PNB by the Philippine Red Cross.
4	• 30 decommissioned desktop computers and one laptop donated to Dr. Pablito V. Mendoza Senior HS in Bustos, Bulacan • 14,593 participants attended Financial Literacy / Wellness sessions	• 10 decommissioned desktop computers and 2 laptops were donated to Cavite State University in Silang, Cavite. • 10,815 participants attended Financial Literacy / Wellness sessions of the Bank • 1,240 teachers and five teacher-trainers trained on subjects such as math, science, and English in 314 public schools. • 81 private and public schools provided with teacher support materials on math, science, and English. • 1,000 students benefitted from the constructed school building for Chiang Kai Shek College Integrated School
9	100 communities served by Bank on Wheels	32 communities in 5 provinces were served by the PNB Bank on Wheels
15	• 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	• 1,200 seedlings of falcata tree (paraserianthes falcataria) were planted by Philnabankers in Barangay Mamuyao, Tanay, Rizal. • 1,425 forest and fruit-bearing tree seedlings/saplings were planted in the backyards and communities of Philnabankers through the PNB CommuniTree Program.
17	• Partnership and synergy with Tan Yan Kee Foundation and Lucio Tan Group of Companies for various sustainability and CSR activities and initiatives of the Bank and the conglomerate	• Continued partnership and synergy with Tan Yan Kee Foundation and Lucio Tan Group of Companies for various sustainability and CSR activities and initiatives of the Bank and the conglomerate • Collaboration / partnership with national and multi-lateral agencies and organizations for sustainability and ESG-related programs and initiatives of the Bank

SUSTAINABILITY REPORT

EVERY STEP TOGETHER TOWARDS A SUSTAINABLE TOMORROW: A look at the past three years

GRI 2-6
FN-CB-410a.2

The year 2023 was marked with significant milestones for the Bank. As part of our commitment to make sustainability part of our "business as usual", we continued to integrate and further improve the embedding of sustainability principles and environmental and social (E&S) risk criteria into the key areas of the Bank's operations.

Below are the salient activities and initiatives conducted by the Bank in 2023:

- We strengthened our foundation by integrating sustainability principles in the Bank's new vision and mission statements, as well as in the core values and strategic initiatives.
- Our business and support groups integrated ESG (environmental, social, and governance) elements in their strategic business planning last September 2023.
- The Bank's sustainability policy was cascaded to both internal and external stakeholders through different communication channels such as e-mail and SMS.
- The Sustainable Finance Working Group (SFWG) was created – a sub-set of the Sustainability Technical Working Group – to focus on and manage ESG-related loans and investment accounts and matters for the Bank.
- The PNB Sustainability Training and E-Learning Program (PNB S.T.E.P.) was launched through the Bank's LinkedIn Learning platform last August 2023, with the introduction of the PNB Sustainability Policy learning module. The PNB S.T.E.P. is a curated learning program developed for Philnabankers to help them learn about the Bank's sustainability thrusts and relevant ESG topics or themes.
- Baseline data was established to set limits for medium to high E&S risk accounts and to set targets for green and social eligible loans. We continued to use the ESG screening checklists and forms as part of our enhanced due diligence for high and medium E&S risk corporate banking accounts, publicly listed companies, project finance accounts, and commercial banking borrowers. In November 2023, we embarked on a task to revise our ESG Scorecard and questionnaire to make it more applicable for both loan and investment accounts of the Bank.
- We continued to automate our bank forms, shift our customers to e-SOA, and migrate our existing customers to the Bank's digital channels. We also continued to roll out the use of Adobe Sign to automate the capture of e-signatures through workflow process to simplify our processes and reduce paper consumption.
- As part of our commitment to digitalize processes for ease and efficiency of operations and servicing of clients, we are developing an online platform where housing and auto loan applications are uploaded, processed, and evaluated for approval.
- In addition, we are developing the IBS LEADS Project which aims to obtain a loan origination system that will automate the end-to-end process of business loan transactions.
- We assessed the locations of our domestic branches and offices, our clients' loan collaterals, and suppliers' business operations for susceptibility to acute physical and chronic risks.
- With the help of subject matter experts from the academe, we assessed our loan portfolio to determine their vulnerability to transition risks.
- Lending groups integrated sustainability principles and E&S risk criteria in the screening of customers and amended existing policies and manuals to reflect these.
- A mechanism enabling clients to raise issues and concerns on E&S risks related to the Bank's operations and services was incorporated in the PNB Consumer Protection Framework.
- We have reviewed the Facility Risk Rating (FRR) component of the Bank's Credit Risk Rating Models, which is an assessment of the borrower's collateral arrangement with the Bank, to determine how we can integrate the impact of environmental and social risk criteria on the value of the collateral. Based on the review, the Bank's existing FRR methodology already considers E&S risk criteria, thus, no changes were made.
- We continued to present a range of sustainability-focused investment opportunities, catering to clients who are keen ESG investors, by offering Green Bonds and other investment tools in close coordination with PNB Capital, Inc.
- We continued to offer the PNB US Equity Sustainability Leaders Feeder Fund, a UITF which allows Filipino clients to invest in US companies with superior ESG characteristics through its target fund, the FTGF ClearBridge US Equity Sustainability Leaders Fund. 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.
- We integrated the use of the Enhanced Centralized Watchlist System (ECWS) of the Bank, in lieu of a separate ESG Negative Screening, and the E&S Scorecard for Vendors/Suppliers and Third-Party Service Providers in the Bank's outsourcing/procurement and vendor management guidelines/policies.
- We started to assess the GHG emissions of our domestic and overseas branches and offices to establish baseline data. This is to help us determine and set emission reduction targets and plan which we hope to implement in 2025.
- We used the acute physical and hazard risk assessment data on our branches and business and loan centers in conducting stress tests on the Bank's capital adequacy requirements.
- Our Sustainable Finance Framework, Sustainability Transition Plan, and ESRMS were subjected to audit review and compliance review against BSP Circulars 1085 on Sustainable Finance Framework, 1128 on Environmental and Social Risk Management System (ESRMS), and 1149 on Guidelines in the Integration

of Sustainability Principles in Investment Activities of Banks.

- A high point for the Bank was the recognition we received from the Asia Responsible Enterprise Awards (AREA) for our Sustainability Reporting and Corporate Governance. We were also recognized by the International Business Magazine Awards as 2023 Best Bank for Corporate Social Responsibility in the Philippines for our corporate citizenship initiatives aligned with our sustainability agenda.
- We recalibrated our Three-Year Sustainability Transition Plan. The Board-approved Recalibrated Sustainability Transition Plan was submitted to BSP last August 30, 2023. As of December 2023, we have attained 83% completion or progress rate. We came up with guidelines in assessing the compliance status of our business and support groups with the recalibrated plan and the sustainability objectives/activities of the Bank, and in monitoring, reporting, and escalating sustainability/ESG activities and initiatives.

What is most remarkable is our employees' increased awareness on our sustainability policy and thrusts, openness to learn how sustainability principles and ESG elements can become part of their work, and care for the environment. We also saw strong collaboration and unity at work as we put together various workstreams composed of different units to work on various activities for our ESRMS Project and Sustainability Transition Plan.

Three years into our transition, we recognize that more work needs to be done. We aim to make sustainability principles part of our "business as usual" – a way of life for us. The mission ahead is a challenging one, but we are confident that we can reach our goals because we will be working closely with our employees, customers, suppliers, communities, and other external stakeholders.

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 are 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 United Nations' Sustainable Development Goals (SDGs).

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

On the other hand, the Bank will subject to enhanced due diligence and close monitoring high-risk businesses and activities that are considered to have harmful effects or negative 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.

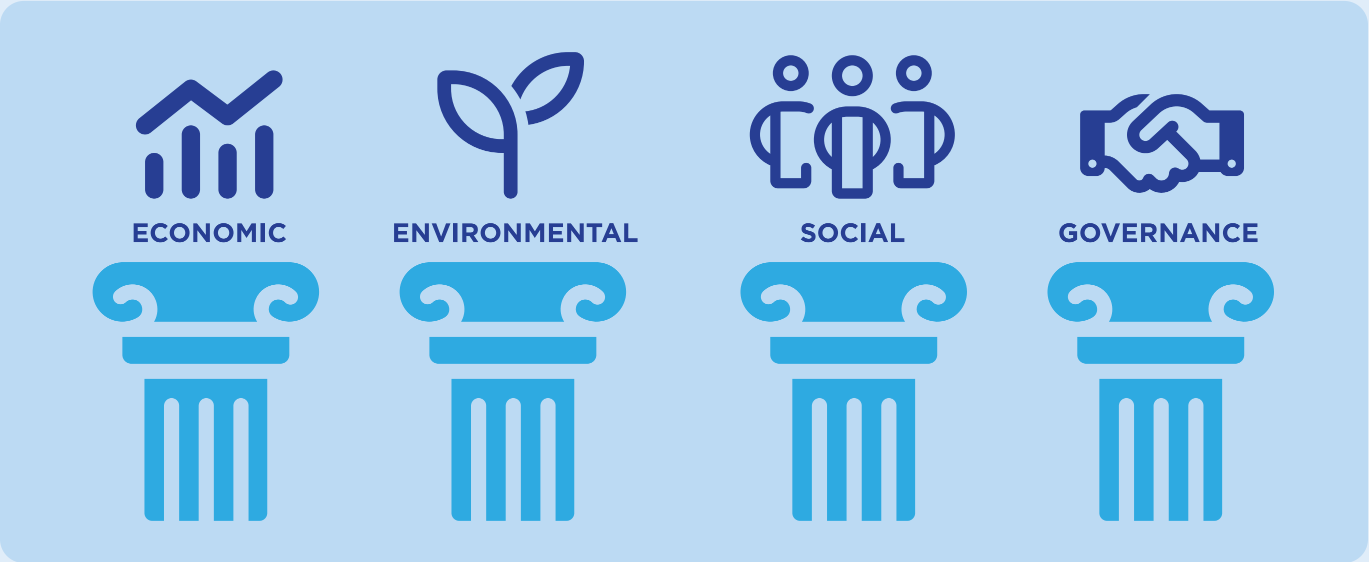
In addition, the Bank expects its customers, vendors/suppliers, and third-party service providers to improve their business practices by identifying and managing their own environmental and social risks and impacts, adopting good industry standards and practices, and contributing positively to the environment 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 and gender lens in financing businesses; financing or refinancing projects that aim to improve social inclusion and gender equality; and by supporting CSR initiatives and activities that promote and improve social inclusion and gender equality.

Our economic, social, and environmental responsibility includes complying with all legal requirements.

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 activities of PNB, including 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 businesses and activities with positive impact to the environment.
  - Support for customers to manage their environmental risks and impacts.

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

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

Our Sustainability Commitment to our Stakeholders

- For our **employees**, we will:
  - Provide a safe, respectful, and collaborative work environment that cultivates personal and professional growth.
  - Provide education on our Sustainability Policy and encourage and inspire them to contribute positively to their respective communities.
  - Provide 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 based on their skills and competencies, without biases.
  - Provide equal opportunities for employees to be promoted based on performance, potentials, and aspirations, regardless of gender and background.
  - Eliminate biases, whether conscious or unconscious, towards certain groups or individuals and ensure that decisions are rendered objectively and fairly.
  - Promote diversity, inclusion, and gender equality in the employment experience and in the workplace.

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

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

- For our **vendors/suppliers, outsourced personnel, and third-party service providers**, we will:
  - Educate and ensure adherence to the Bank's sustainability policy and standards.

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

SUSTAINABILITY REPORT

PNB'S SUSTAINABILITY JOURNEY AND MILESTONES

GRI 2-6

2018

Corporate Social Responsibility (CSR) Unit was formed and established

ESG-Cognizant Lending implemented by Institutional Banking Sector

PNB prepared its first Sustainability Report using GRI Reporting Standards (Global Compliance Group)

2019

CSR was renamed Corporate Sustainability Unit (CSU) and placed under Public Affairs Group

CSU launched Project Protect, Love and Nurture Environment Together P.L.A.N.E.T.

Became a member of Philippine Business Council for Women Empowerment (PBCWE) and underwent EDGE Certification

SEC Memorandum Circular No. 4, Series of 2019 (Sustainability Reporting Guidelines for PLCs)

2020

Sustainability TWG and SteerComm formally established

Received 1st level of EDGE Certification

Submitted the Board-approved Sustainability Policy, 3-Year Sustainability Transition Plan and Sustainable Financing Framework to BSP

Best CSR in the Philippines and recognized as Women Leader in Business by Asiamoney

BSP Circular 1085: Sustainable Finance Framework

2021

Roundtable Discussions for PNB Lending Clients on Sustainable Finance Framework and Green Finance

Updated Charter of the Bank's Corporate Governance and Sustainability (CorGov) Committee to align with the requirements of BSP Circular 1085 (Sustainable Finance Framework)

PNB CommuniTree Launched

Membership in Business for Sustainability Development (BSD)

First local universal bank to sign the UN Women Empowerment Principles (WEPs) in the Philippines

Champion for Transparency and Reporting, UN Women 2021 Philippines Women's Empowerment Principles (WEPs) Awards

A.R.E.A 2021 Green Leadership Awardee

Recognized as a Leader for Women by Asiamoney

Best Company for Professionals to grow their careers by LinkedIn's 2021 Philippine Top Companies

BSP Circular 1128: Environmental and Social Risk Management Framework

2022

Development of Environmental and Social Risk Management System or ESRMS started (Dec 2022 to Jul 2023)

Revisited its VM statements, core values, and strategic objectives

Revisited PNB's material sustainability topics / issues

Adopted SASB and TCFD reporting standards for the PNB Sustainability Report (aside from GRI 2021)

Updated charter of the Bank's Corporate Governance and Sustainability (CorGov) Committee to align with BSP Circulars 1128 and 1149.

Institutional Baking Sector (IBS) developed and launched the Green Ribbon Awards

First Runner-Up for Transparency and Reporting, UN Women 2022 Philippines Women's Empowerment Principles (WEPs) Awards

Asia's Most Influential Companies by 2022 2022 Asia Corporate Excellence and Sustainability Awards (ACES)

BSP Circular 1149: Guidelines on the Integration of Sustainability Principles in Investment Activities of Banks dated August 23, 2022

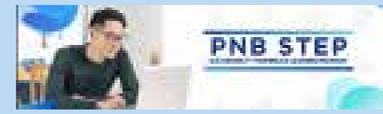
BSP Memorandum No. M-2022-042: Guidance on the Implementation of the Environmental and Social Risk Management (ESRM) System dated September 29, 2022

2023

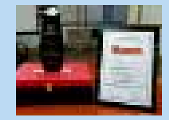
Updated the charter of its Sustainability TWG and SteerComm

Formally established the Sustainable Finance Working Group (SFWG)

Submitted the Recalibrated Sustainability Transition Plan to BSP (May 2023 to Dec 2024)



PNB Sustainability and E-Learning Program (STEP) was officially launched internally



International Business Magazine's 2023 Best Bank for CSR in the Philippines

2023 Asian Responsible Enterprise Awards Winner for Corporate Sustainability Reporting and Corporate Governance

Deadline of compliance of banks to BSP Circular 1085

ALIGNING WITH SUSTAINABILITY GLOBAL STANDARDS AND BEST PRACTICES

SDG 17

We are committed to improve the way we conduct our business and operate in our communities by aligning ourselves 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), United Nations' Sustainable Development Goals (SDGs), and UN Women Empowerment Principles (WEPs), to name a few.

OUR SUSTAINABILITY LEADERSHIP STRUCTURE

GRI 2-9, 2-11, 2-12, 2-13, 2-14, 2-24

Our Chairperson and our President continue to be at the forefront of the Bank's Sustainability Leadership and Governance.

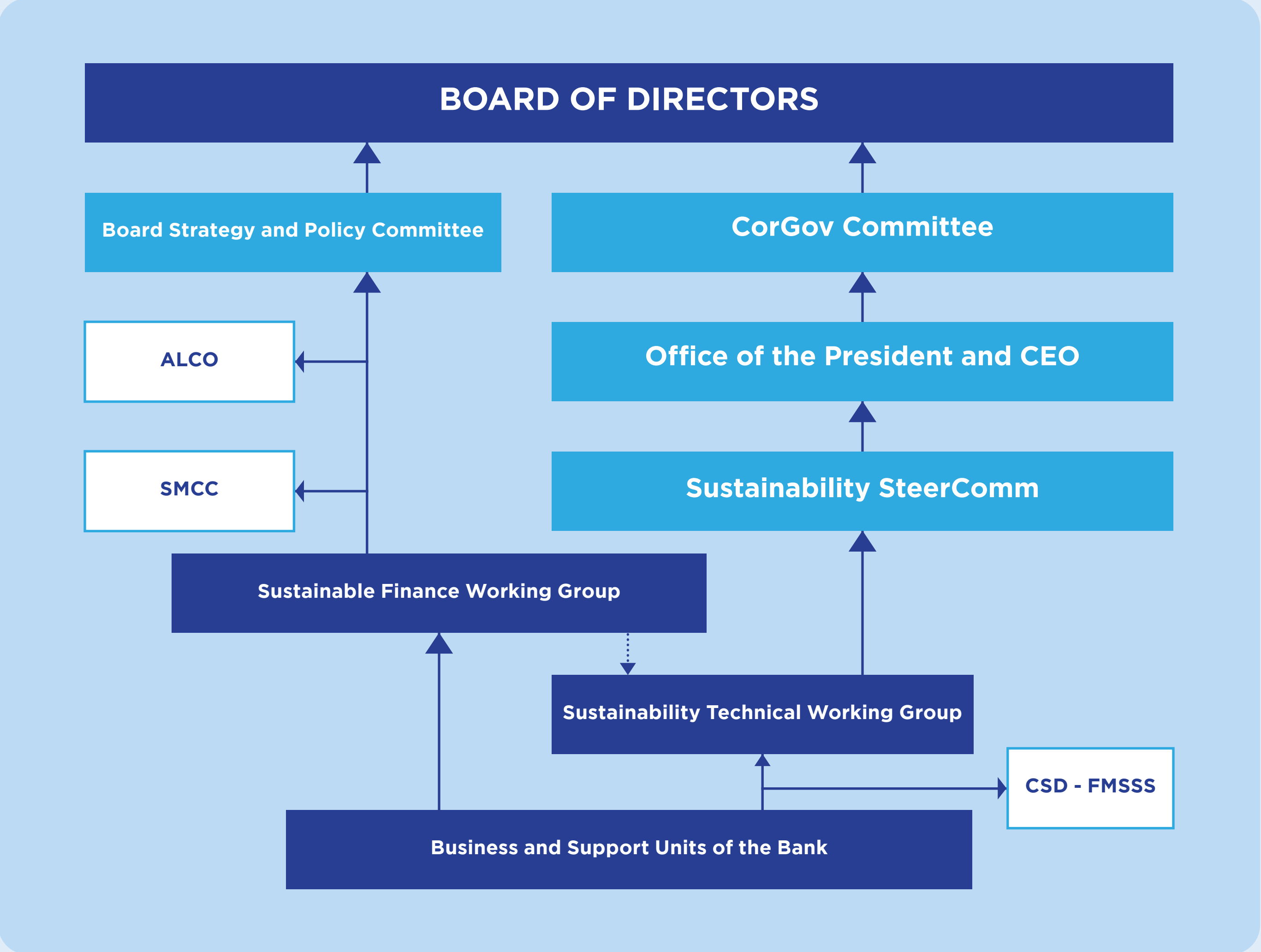
We have formally established committees and groups at the Board and management levels to ensure that sustainability and ESG matters are discussed, considered, and implemented throughout the organization.

At the Board level, the Bank's Corporate Governance and Sustainability 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, we have the Sustainability Steering Committee which provides guidance and direction to the Sustainability Technical Working Group (TWG) in implementing the Bank's sustainability strategy, activities, and initiatives. This committee 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 Committee, and the Board of Directors for approval or action.

The Bank's Sustainability Technical Working Group (TWG), on the other hand, is composed of the one-downs or assigned representatives from various business and support units, which goes over sustainability-related issues or concerns of the Bank before presenting or escalating them to the Steering Committee for guidance, notation, or to request recommending approval from the Corporate Governance and Sustainability Committee. This group is also known as the sustainability and ESG workhorse of the Bank, implementing the sustainability and ESG mandates and directives of the Board and the Senior Management Team. Its role also includes ensuring the implementation and monitoring of the Bank's Board-approved Sustainability Transition Plan.

In February 2023, the Sustainability TWG formally established the Sustainable Finance Working Group (SFWG) to focus more on sustainability and ESG-related loan and investment accounts and matters of the Bank. Considered a sub-set of the Sustainability TWG, the SFWG, which is mainly composed of lending and investment groups as well as other considered support groups, deliberates and provides guidance/opinion on sustainability and ESG-related topics/matters concerning the Bank's lending and investment activities, helps review ESG-related loan and investment accounts – particularly high-risk E&S accounts – and safeguards the Bank against any form of greenwashing. Aside from aligning with and reporting to the Sustainability TWG, the SFWG will also be presenting and reporting



on relevant matters to the Asset/Liability Committee (ALCO), Senior Management Credit Committee (SMCC), and Board Strategy and Policy Committee (BSPC). Lastly, the Corporate Sustainability Unit, which is the central point for all sustainability and ESG matters that concern the Bank as well as for all Corporate Social Responsibility (CSR) and employee volunteerism-related activities, was formally transferred in October 2023 to the Financial Management, Strategy, and Sustainability Sector (FMSSS) and renamed as Corporate Sustainability Department.

The Corporate Sustainability Department continues to work closely with the various business and support units of the Bank to define, develop, and execute PNB's sustainability framework and roadmap under the guidance of the Chief Financial Officer, Sustainability Steering Committee, Office of the President, and the Corporate Governance and Sustainability Committee.

Below is the summary table of the Bank's board and management committees and groups with sustainability and ESG-related oversight functions. The Terms of Reference (TOR) or charters of these board and management committees and groups are revisited and amended to align with the current work situation.

CORPORATE GOVERNANCE & SUSTAINABILITY COMMITTEE

Chairperson: Edgar A. Cua (Independent Director)

Vice Chairperson: Wilfredo E. Sanchez (Independent Director)

Frequency of Meetings: Quarterly

Members (Independent Directors):
1. Domingo H. Yap
2. Isabelita M. Papa
3. Maria Almasara Cyd N. Tuaño-Amador

STEERING COMMITTEE

Composed of Sector/Group Heads

Chairperson: Risk Management Group Head

Vice Chairperson: Credit Management Group Head

Frequency of Meetings: Monthly

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, Strategy, and Sustainability Sector Head
7. Trust Banking Group Head
8. Wealth Management Group Head
9. Information Technology Group Head
10. Retail Lending Group/Consumer Finance Group[1]
11. Operations Group Head
12. International Banking and Remittance Group Head
13. Internal Audit Group Head
14. Administration Group Head
15. Human Resource Group Head

TECHNICAL WORKING GROUP

Composed of one-downs or assigned representatives of the Group / Sector Heads

Chairperson: Corporate Sustainability Department-FMSSS

Vice Chairperson: Risk Management Group

Frequency of Meetings: Monthly

Members:
1. Financial Management, Strategy, and Sustainability Sector (FMSSS)
2. Administration Group – Corporate Services Division and Building Facilities Department
3. Credit Management Group
4. Enterprise Information and Cyber Security Group
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. Retail Banking Sector – Sales and Support Services Division
14. Retail Lending Group/Consumer Finance Sector
15. Trust Banking Group
16. Wealth Management Group

SUSTAINABLE FINANCE WORKING GROUP

A sub-set of the Sustainability TWG.

Co-Chairpersons:
- Institutional Banking Sector
- Global Markets Group

Secretariat: Corporate Sustainability Department- FMSSS

Frequency of Meetings: Monthly

Members:
1. Trust Banking Group
2. Wealth Management Group
3. Financial Institutions Division
4. Retail Lending Group
5. Credit Management Group
6. Financial Accounting Department
7. Risk Management Group
8. Marketing Group
9. International Banking and Remittance Group
   - Global Compliance Group**
   - Internal Audit Group**

*** Consultants/Resource Persons only*

[1] The Retail Lending Group was formally integrated with the Consumer Finance Sector last October 27, 2023.

SUSTAINABILITY REPORT

OUR SUSTAINABILITY REPORTING COVERAGE, GUIDELINES, AND STANDARDS

GRI 2-2, 2-3

Our 2023 Sustainability Report is prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core Option and the sustainability reporting guide provided by the Philippine Securities and Exchange Commission (SEC) through Memorandum Circular No. 4, Series of 2019. This report is also aligned with the sustainability reporting standards and metrics of the Sustainable Accounting Standards Board (SASB), the Task Force on Climate-related Financial Disclosures (TFCD), and the UN Sustainability Development Goals.

This report covers our domestic and overseas operations, and reflects our significant economic, environmental, social, and governance performance and contributions from January 1 to December 31, 2023.

ENGAGING OUR STAKEHOLDERS

GRI 2-29

We value the opinions, concerns, and expectations of both our internal and external stakeholders as these help guide us on how to best conduct our business and operations.

We continue to adopt a hybrid manner of engaging with our stakeholders depending on their preference. While we continue to leverage on online platforms such as Microsoft Teams and Zoom, as well as social media applications such as Facebook, X (formerly Twitter), Viber, and WhatsApp to communicate with our stakeholders, we also try to personalize our engagement with them by supplementing these virtual communication channels with face-to-face meetings, phone calls, printed letters sent via postal or courier service, and onsite activities.

The table below shows our list of key stakeholders, how we engage with them, their key concerns and expectations, and how we address or manage 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 • Flexible work arrangement/ hybrid work set-up • Career progression • Improvement of infrastructure and facilities • Opportunities for volunteerism and community engagement • Some medical and burial assistance/support for immediate family members/ relatives •	• Year-round initiatives to promote employee well-being: in-house and external webinars/ trainings; employee welfare and wellness program (medical and mental teleconsultation hotlines, power classes, etc.); employee recognition; and performance appraisal as driven by our Human Resource Group • Regular checking and maintenance of on-site offices/branches and IT infrastructure (i.e., hardware, software, and systems) • Onsite/Offsite volunteerism or community outreach opportunities for employees • Development and implementation of Diversity and Inclusion Policy, Whistleblower Policy, and Gender Equality Policy, Succession Plan, etc. • Provision of emergency/bereavement leave, and access to medical/burial support through the Pagtutulungan Ng Bayan (Employee-Giving Campaign)

OUR STAKEHOLDERS	MODE OF ENGAGEMENT	KEY CONCERNS AND EXPECTATIONS	OUR RESPONSE
Customers	• Regular virtual/face-to-face meetings with relationship managers and branch personnel • Phone calls • Website updates • Emails • Social media and messaging applications for updates (i.e., Facebook, Messenger, X, Instagram, Viber, WhatsApp) • Virtual and onsite events and activities	• 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 new 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 outlook briefings, information campaign against cybercrimes, awareness raising campaign on the Bank's sustainability agenda, etc.
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 • 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 of succession plan • Transparency and accountability • Regular updates/bulletins on the Bank's performance • Financial wellness sessions, roundtable discussions, and economic briefings, etc.
Regulators	• Periodic examinations • Emails/ correspondences • Virtual/face-to-face meetings • Webinars/trainings	• 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 • Integration of sustainability principles/ ESG elements in the Bank's business and operations

SUSTAINABILITY REPORT

OUR STAKEHOLDERS	MODE OF ENGAGEMENT	KEY CONCERNS AND EXPECTATIONS	OUR RESPONSE
Vendors/ Suppliers and Third-Party Service Providers	• Emails/ correspondences • Virtual/face-to-face meetings • Telephone calls	• Timely and accurate payment of products and services commissioned/purchased by the Bank • Efficient vendor accreditation, selection, and onboarding processes • Timely updates/information on any changes in the procurement/outsourcing policies and processes of the Bank	• Annual review of vendor/supplier performance • Orientation/updating sessions/briefings for vendors/suppliers on new policies, forms, etc. • Organized biddings, thorough review of documentation, and 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 due to community quarantine, accidents, 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 or turnovers, etc.) • Philanthropic/ charitable contributions • Environmental and sustainability-related projects or initiatives • Partnerships with credible NGOs, foundations, academic institutions, LGUs, or Civil Society Organizations (CSOs)	• Knowledge of basic money management and protection against cyber-related crimes • 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/initiatives, information campaign against cybercrimes, awareness raising campaign on the Bank's sustainability agenda, etc. • 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.

OUR MATERIAL SUSTAINABILITY TOPICS

GRI 3-1, 3-2

Our material sustainability categories and topics for 2023 are still the same as in 2022. These sustainability categories and topics remain important and relevant to both the Bank and its stakeholders. The Bank's performance on these sustainability topics for 2023 are covered in this report.

We will continue to revisit and assess the relevance of these material sustainability categories and topics for the Bank and its stakeholders on a yearly basis.

Economic and Governance	• 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
Environment	• Emissions and Climate Change • Efficient Resource Management (water, energy, emissions, waste)
Employees	• 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
Customers	• Customer Data Privacy and Security • Digital Banking and Innovation • Financial Inclusion and Literacy • Customer Engagement and Satisfaction • Marketing and Labeling
Society	• Responsible Financing and Investing • Community relations and Initiatives • Human Rights • Non-Discrimination

SUSTAINABILITY REPORT

OUR REPORTING PROCESS

GRI 2-14

We continue to prepare 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.

We align our reporting guidelines with what the Lucio Tan Group, Inc. (LTGI) is using for its own Sustainability Report, including the metrics and data collection method for consistency and accuracy. We also share relevant data and updates on our CSR and sustainability activities and initiatives with the conglomerate for inclusion in their own Sustainability Report.

Following is our process in preparing the PNB Sustainability Report. Moving forward, we will work towards further improving our collection, consolidation, reporting, and monitoring of our economic, environmental, social, and governance data and performance.

Engagement of Stakeholder

- Alignment with the LTGI for the preparation of the conglomerate's 2023 Sustainability Report via Zoom last November 8, 2023.
- Attendance of concerned PNB units/groups to LTGI's consultation meetings and awareness sessions on topics such as Sustainability Reporting Guidelines and reporting templates, Climate Change Risk Management, and Business Human Rights for its member companies via Zoom last November 9, 20, and 30 and December 13, 2023.
- Internal kick-off for the preparation of the 2023 PNB Sustainability Report through a formal email communication sent to all concerned business and support units of the Bank last November 14, 2023.

Assessment and Validation of Material Topics

- Assessed and validated the material Sustainability categories and topics with the internal key stakeholders of the Bank (same sustainability categories and topics in 2022)

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) December 4, 2023 for the qualitative data and partial quantitative data covering January to December 2023
  (b) January 17, 2024 for the quantitative data and remaining qualitative data covering January to December 2023
- The Bank's Corporate Sustainability Department consolidated and analyzed all the data/information, and wrote the Sustainability Report with inputs from the different business and support units of the Bank.

Management Review

- Upon completion, the Sustainability 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 SteerCom
  (c) Office of the President
  (d) Corporate Governance and Sustainability Committee

SUSTAINABILITY REPORT

MANAGING OUR ENVIRONMENTAL AND SOCIAL (E&S) RISKS AND IMPACTS

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

Climate change and environmental and social risk factors pose a great threat to our business and operations. In the last quarter of 2022, we tapped the assistance of the Tan Yan Kee Foundation, Inc. (TYKFI) and its pool of subject matter experts from the UP Los Baños to help develop our Environmental and Social Risk Management System (ESRMS) in compliance with BSP Circular No. 1085 series of 2020 dated April 29, 2020 on Sustainability Finance Framework and its related BSP Circulars 1128 series of 2021 and 1149 series of 2022 issued on October 26, 2021 and September 29, 2022 on Environmental and Social Risk Management Framework, and Guidelines on the Integration of Sustainability Principles in Investment Activities of Banks, respectively.

Our ESG Blacklist and Gray List

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

We also commit to refrain from supporting businesses or activities that are illegal and those that may cause harm directly or indirectly to people and the environment as listed in our Board-approved ESG Negative List or Blacklist. These are the following:

- 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 forest
- Land clearance by burning
- Production and movement of weapons and ammunitions for non-law enforcement, non-military use which violates basic humanitarian principles, including 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

For our businesses listed in our Enhanced Due Diligence List or Gray List with high environmental and social risks, we will continue to service these businesses while subjecting them to enhanced due diligence and close monitoring of their environmental and social impacts. We will continue financing these businesses as long as they have the necessary government approvals and permits, passed the ESG screening of the Bank, and have mitigation action plans in place to address their environmental and social risks.

Specifically on coal-related businesses, the Bank will only be servicing existing clients until maturity and is no longer accepting new coal-related projects to finance or support except for coal-fired power projects such as Ultrasuper Critical, Super Critical, and Circulating Fluidized Bed with complete technical validation and complete regulatory requirements. In addition, we will also subject to enhanced due diligence large hydropower plants over 25MW and biomass power plants that are not competing with food production or biodiversity, among others.

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.

While we have yet to quantify our ESG risk appetite, both our Blacklist and Gray List provide the qualitative guidelines for the Bank in setting ESG limits and determining ESG risk appetite for certain businesses or sectors. Specifically, the Blacklist of the Bank guides our screening process in selecting the customers, suppliers/vendors, and third-party service providers that our Bank will engage with.

Working on Our Environmental and Social Risk Management System (ESRMS)

In developing our ESRMS, we first assessed our existing policies and processes against the BSP Circular 1128 on ESRMS and the BSP Memorandum for alignment and gaps. The following are the components of our ESRMS and the actions we took to ensure that we incorporate E&S risk criteria in both our existing credit and operational risk management systems.

a. Incorporation of E&S Risks in the Enterprise Risk Framework and Risk Taxonomy of the Bank

We reviewed and enhanced existing Enterprise Risk Framework and Risk Taxonomy to ensure that these include climate and E&S risk factors.

b. Identification of Physical and Transition Risks

We identified and assessed the climate and environmental risks that will impact our business and operations. We defined these emerging risks using the definition of the Task Force for Climate-related Financial Disclosures (TCFD)[2] as follows:

- **Acute Physical Risks** – refers to risks that are caused by extreme weather disturbances. Examples of these include typhoons, storms, flooding, and geological hazards such as volcanic activity and earthquakes. It also includes physical risks caused by acts of men on the environment such as flooding, mudslides, and landslides from illegal logging/deforestation; and water pollution and flooding caused by improper waste management and disposal, particularly of plastic, among others.
- **Chronic Physical Risks** – refers to longer shifts in weather/climate patterns (i.e., sustained higher temperatures, changing rainfall patterns) that may cause sea level rise or chronic heat waves, and which may affect agriculture productivity and business operations.
- **Transition Risks** (long-term horizon) – are business-related risks that arise from societal and economic shifts towards a low-carbon and more climate-friendly future. Risk drivers include policy, technology, market changes (also shifting investor preference), and/or disruptive business models. Transition risks may result in varying levels of financial, legal, and/or reputational risk or impact to the Bank.

[2] Source: Task Force for Climate-Related Financial Disclosures (TCFD). Final report. Recommendations of the Task Force on Climate-related Financial Disclosures. June 2017. http://www.tcfdhub.org

Social risk is another identified risk that may impact business and operations. It refers to potential negative consequences to a business that may result from its impacts (or perceived impacts) on communities or people such as employees, clients, and local communities/ partners. Examples of social risks include labor unrest, employee strikes/lockouts, human rights violation, health and safety issues, cyber threats, civil unrest, and acts of terrorism, among others. These risks may also result from the impact of acute and chronic physical risks and transition risks on the affected industries and communities.

c. Assessment of Physical and Transition Risk Exposures

With the help of our subject matter experts, we conducted a hazard risk mapping and assessment of our 651[3] domestic branches and additional 2,025 locations which include the Bank's data center, retail lending centers, banking centers, selected retail banking clients, critical vendors/suppliers of RBS and IBS, and property collaterals of our corporate and commercial loan accounts or borrowers using the HazardHunterPH application[4]. The acute physical and hazard risks we considered in the mapping include the following: (1) ground shaking and nearest active fault for seismic hazard; (2) nearest active volcano and ashfall for volcanic hazard, and (3) flood and severe wind for hydro-meteorological hazard.

Using the data available on the Philippine Climate Extremes by PAGASA[5], we conducted chronic physical risk assessment with focus on temperature and rainfall under two (2) climate change emission scenarios, namely the Representative Concentration Pathway or RCP4.5 (moderate emission scenario) and RCP8.5 (high emission scenario, for all our domestic branches and the facilities mentioned above. Data projections for two 20-year period timelines were used for each scenario: 2030 (Timeline 2020-2039) and 2050 (Timeline 2046-2065). Changes were evaluated relative to the baseline data from 1986-2005 at a provincial scale. However, the projections do not include the provinces of Basilan, Biliran, Siquijor, Sulu, and Tawi-Tawi, where a total of 17 identified locations fall into such provinces. Hence, assessment results were only available for 2,659 locations instead of 2,676. On the other hand, we used Climate Central's Coastal Risk Screening Tool[6] to identify which among these locations are at risk of being below the tideline in the future.

We also assessed our corporate and commercial loan accounts to determine their susceptibility to transition risks within the following time horizons: 1 year, 1-5 years, and beyond 5 years. The industries cited in the Philippines' Nationally Determined Contributions to the Paris Agreement that will be subjected to transition risk via the expected reduction in their respective Greenhouse Gas emissions are Energy, Transportation, Waste, Manufacturing, and Agriculture. Among these five industries or sectors susceptible to transition risks, the Bank has more borrowers from the Energy and Manufacturing sectors. We continue to monitor the news for release of any national regulations or policies, global and local trends and developments, and the market sentiments for any potential transition risks that may impact these industries or sectors.

Results of the assessments made by our subject matter experts were shared with the concerned groups within the Bank to aid management decision and action. In addition, we are already including the tagging of our loan accounts for acute and chronic physical risks, as well as transition risks, in the requirements or features of the IBS LEADS Project of the Bank.

[3] Total number of domestic branches during the conduct of hazard mapping and assessment in the first quarter of 2023 was still 651. This number was reduced to 631 with the branch rationalization initiative of the Bank.
[4] HazardHunterPH is a tool that can be used to generate indicative hazard assessment reports on the user's specified location. It is helpful as a reference of property owners, buyers, land developers, planners, and other stakeholders needing immediate hazard information and assessment. It aims to increase people's awareness to natural hazards and advocates the implementation of plans to prepare for and mitigate the effects of hazards. Source: https://hazardhunter.georisk.gov.ph/about-hazardhunterph
[5] Philippine Atmospheric, Geophysical, and Astronomical Services Administration (PAGASA)
[6] Climate Central (climatecentral.org) is an organization based in the United States that conducts scientific research and communicates information about climate change to the public and decision-makers. Climate Central covers a wide range of topics related to climate change and a variety of tools, resources, and interactive maps, including the Coastal Risk Screening Tool for sea level rise. Source: https://coastal.climatecentral.org

SUSTAINABILITY REPORT

d. Integration of E&S Risks in Screening Customers

We integrated E&S risk criteria in how we screen our customers using our Enhanced Centralized Watchlist System (ECWS), in lieu of administering a separate ESG negative screening questionnaire. Our review of our ECWS showed that all activities listed in the ESG Negative Screening List or Blacklist of the Bank are already covered in the parameters or list of special interest categories of the Enhanced Centralized Watchlist System (ECWS) such as Environmental Crime, Energy Crime, Wildlife Crime, Illegal Gambling, Human Rights Violation, and Arms and Ammunition Possession / Trafficking.

Concerned business groups within the Bank integrated the screening of customers using the ECWS of the Bank in their respective existing customer screening policies and processes to align with the directives incorporated in the BSP circulars.

e. Integration of E&S Risks in Credit Risk Management

We have identified two ways by which E&S risks can impact the credit risk management of the Bank:

1. It can have an impact on the repayment capacity of the borrower affecting the borrower's ability to fulfill its contractual obligation. Thus, E&S risks are incorporated in the assessment of the Borrower Risk Rating (BRR)
2. It can affect the value of the collateral and is part of assessing the Facility Risk Rating (FRR)

ESG practices and the acute environmental and physical hazard risk of an account are both considered significant part of the Borrower Risk Rating (BRR) and are incorporated in the BRR thru the ESG scorecard and Physical Risk Rating results. We revised our existing ESG scorecard to make it applicable for both our loan and investment accounts. This revised ESG scorecard will enable us to determine the sustainability of operations of our customers and how they manage their E&S risks.

With respect to the assessment of Facility Risk Rating (FRR), acute physical environmental risks and/or physical hazards risks are considered in the valuation of real estate collaterals of the Bank, which is an input in the FRR. We also have a policy in place which provides guidance as to the characteristics of real estate properties that are not acceptable as collateral such as real estate properties located in easily below water level / inundated or flood-prone area, and overrun by lahar, mud slides, and landslides.

As part of our credit risk management, we continue to monitor and conduct a high-level assessment of our transition-risk vulnerable customers or accounts for potential risk and impact on the Bank.

f. Integration of Sustainability Principles in the Bank's Investment Policies

We revisited our investment and trading policy and integrated sustainability elements and E&S risk criteria to align with the requirements of BSP Circular 1149 on the Guidelines on the Integration of Sustainability Principles in the Investment Activities of Banks.

g. Incorporation of E&S Risks in Operational Risk Management

We amended our outsourcing/procurement and vendor management policies and procedures to include ESG elements. As part of the accreditation process of vendors and third-party service providers, the Bank adopted the information provided by the Enhanced Centralized Watchlist System (ECWS) and results from the HazardHunterPh application inquiries. This is to ensure that we only onboard and engage vendors that are not listed in the Blacklist of the Bank.

We also developed an Environmental & Social (E&S) Scorecard to assess the sustainability of business practices of our vendors and how they mitigate their respective risk exposures. The result of the assessment is included in Bank's vendor risk assessment. In addition, we continue to request from our vendors their business continuity plans or manuals as part our vendor requirements to ensure that they have plans in place in case of any disruptions in their operations which could potentially impact the Bank.

In November 2023, we rolled out a series of orientation sessions for the Bank's Vendor Relationship Managers (VRMs) to refresh them on the PNB Sustainability Policy and walk them through the screening of vendors using the ECWS of the Bank, conducting hazard mapping of office/business locations of their vendors using the HazardHunterPH application, and how to administer and accomplish the E&S scorecard for their vendors.

Furthermore, our Retail Banking Sector and Operations Group conducted a comprehensive review of branches and cash centers situated in high-hazard risk areas. This assessment aimed to delineate actionable steps and initiatives to address or mitigate identified physical hazards. Additionally, our Retail Banking Sector has updated its scorecard for evaluating and selecting branch locations. This revision includes assessing the vulnerability of both existing and new branch locations to ground-shaking and volcanic activity-related risks in addition to flooding, leveraging the HazardHunterPH application.

We aim to further strengthen our operational and infrastructure resilience with the information available on our identified acute and chronic physical and hazard risks. We will do this by enhancing our risk monitoring tools, business continuity plans, crisis management plan, and crisis communications plan to include climate and environment-related risks.

h. Considering E&S Risks in Market and Liquidity Risk Management, and Capital Management

In 2023, we used the acute physical and hazard risk assessment data on our branches and business and lending centers to conduct stress tests on the Bank's capital adequacy requirements. In particular, the stress tests conducted pertained to the possible disruptions in operations of branches and business and lending centers that were highly vulnerable to natural disasters (i.e., volcanic, hydro-meteorological, and seismic). The results of the stress testing were included in the Bank's Internal Capital Adequacy Assessment Process (ICAAP) document in March 2023.

With the expected release of the Philippine Sustainable Finance Taxonomy Guidelines and release of new circulars related to BSP Circular 1085, we aim to revisit and further enhance our Sustainable Finance Framework and ESRMS.

OUR ECONOMIC PERFORMANCE

GRI 3-3, 201-1, 204-1
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/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

Disclosure	2023	2022	2021
Direct economic value generated	**73,628.00**	61,425.00	85,605.00
Direct economic value distributed	**61,416.00**	53,548.00	78,718.00
Operating costs	**30,477.00**	25,297.00	29,281.00
Employee wages & benefits	**10,464.00**	9,763.00	9,986.00
Dividends to stockholders*	**4.00**	13.00	23,940.00
Taxes to government	**14,609.00**	13,851.00	11,132.00
Payments to suppliers	**5,821.00**	4,604.00	4,350.00
Community investments	**41.00**	20.00	29.00
Direct economic value retained	**12,212.00**	7,877.00	6,887.00

**2021 balance included property dividends.*

Source: PNB Financial Management, Strategy, and Sustainability Sector

SUSTAINABILITY REPORT

Dividend Policy

Our dividend policy states that "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, 6, 7, 8, 9, 11, 12

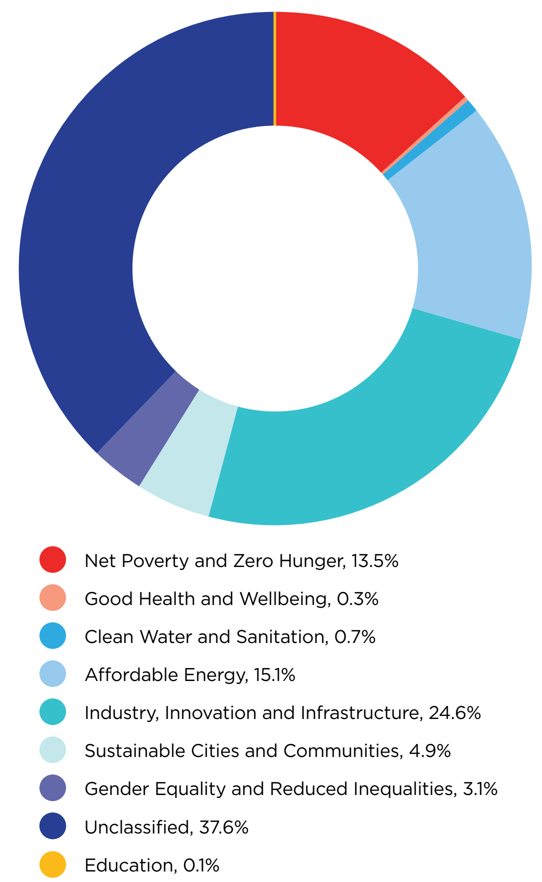
As our environmental footprint extends outside our business, we ensure that that the businesses and projects that we support or finance do not bring harm to the environment and communities. We do this by aligning our sustainability thrusts with our customers, further enhancing the conduct of our own due diligence, and monitoring how our customers manage their E&S risks.

We commit to build a strong relationship with the community we serve and contribute to nation-building while helping to achieve our sustainability development goals. We will do this by supporting or financing businesses and initiatives that will contribute positively to the environment and the society. As such, we enjoin our clients and partners to consider integrating sustainability principles or ESG elements in their operations and to undertake projects or initiatives that are green or social in nature which the Bank aims to finance or support.

As of 2023, a total of PhP312.6 billion or 52.9% of the Bank's total loan provided financing or support for sustainable businesses and projects such as 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 will continue to support businesses, projects, or activities that are legal and compliant with any Philippine environmental laws and regulations, and that which contribute to the achievement of the Sustainable Development Goals and the Philippine Development Plan.

% to Total Loans



Source: PNB Institutional Banking Sector

In 2023, we assessed the exposure of our loan portfolio to E&S risks. Our risk categorization is based on the E&S risk impact of the assigned Philippine Standard Industrial Classification (PSIC) codes.

As of December 2023, 49.2% of the P528B Portfolio (excluding offshore loans) are low-risk, 25.3% are high-risk and 25.5% are medium-risk.

E&S Risk Categorization[7]	Industry Classification (Based on GROUP PSIC)	2023 Loan Exposure[8]	% to Total Loans of the Bank
Low	• SECTION D - ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY • SECTION F - CONSTRUCTION • SECTION C - MANUFACTURING • SECTION K - FINANCIAL AND INSURANCE ACTIVITIES • SECTION B - MINING AND QUARRYING • SECTION A - AGRICULTURE, FORESTRY AND FISHING	**259,948,735,100**	49.2%
Medium	• SECTION L - REAL ESTATE ACTIVITIES • SECTION C - MANUFACTURING • SECTION N - ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES • SECTION F - CONSTRUCTION • SECTION E - WATER SUPPLY; SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES	**134,578,543,639**	25.5%
High	• SECTION G - WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES AND MOTORCYCLES • SECTION K - FINANCIAL AND INSURANCE ACTIVITIES • SECTION J - INFORMATION AND COMMUNICATION • SECTION R - ARTS, ENTERTAINMENT AND RECREATION • SECTION H - TRANSPORTATION AND STORAGE • SECTION A - AGRICULTURE, FORESTRY AND FISHING • SECTION N - ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES • SECTION I - ACCOMMODATION AND FOOD SERVICE ACTIVITIES • SECTION O - PUBLIC ADMINISTRATION AND DEFENSE; COMPULSORY SOCIAL SECURITY • SECTION F - CONSTRUCTION • SECTION S - OTHER SERVICE ACTIVITIES • SECTION C - MANUFACTURING • SECTION M - PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES • SECTION Q - HUMAN HEALTH AND SOCIAL WORK ACTIVITIES • SECTION P - EDUCATION • SECTION T - ACTIVITIES OF HOUSEHOLDS AS EMPLOYERS; UNDIFFERENTIATED GOODS-AND SERVICES-PRODUCING ACTIVITIES OF HOUSEHOLDS FOR OWN USE	**133,866,246,412**	25.3%
TOTAL:		**528,393,525,151**	**100%**

Source: PNB Institutional Banking Sector

We continue to refine our process for managing E&S risks in our portfolio by not only considering industry-based E&S risk categorization but also incorporating a borrower-based E&S risk rating resulting from the full implementation of the ESG scorecard for all our borrowers which we aim to complete by 2025.

Our commitment to support sustainable investment choices reflects our dedication to both our clients' financial aspirations and the broader goal for a greener, more sustainable future.

Through our Wealth Management Group, we continued to service and support our clients who are keen ESG investors with our range of sustainability-focused investment opportunities. In close coordination with the Bank's investment arm, PNB Capital and Investment Corporation, we continued to offer green bonds to our clients such as the 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. Last year, we started to offer the Allianz PNB Life - Peso Hedged Global Sustainability Equity Fund to our clients.

We also continued to offer the PNB US Equity Sustainability Leaders Feeder Fund, a UITF which allows our Filipino clients to invest in US companies with superior environmental, social, and governance (ESG) characteristics through its target fund, the FTGF ClearBridge US Equity Sustainability Leaders Fund. We also participated in the Citicore Energy REIT ASEAN Green Bond and BPI Reinforcing Inclusive Support for MSMEs Bonds and continue to have various holdings in ESG issuances such as in the BDO ASEAN Sustainability Bonds, RCBC ASEAN Sustainability Bonds, ACEN Green Bonds, and ALCO ASEAN Green Bonds, among others. These are booked under Investment Management Account (IMA) and Trust arrangements.

We are also pleased to highlight our partnership with the Philippine Dealing System's Electronic Securities Issue Portal (e-SIP), an innovative platform that facilitates online registration and processing of documents in the fixed income primary market. This efficient and innovative portal has been instrumental in the booking of key securities in 2023, including CREIT, Aboitiz Equity Ventures, and Filinvest Land, Inc. Our collaboration with e-SIP underscores our commitment to leveraging technology to enhance our services and offer seamless experiences to our clients.

As part of our investment process, we conduct annual credit review of the issuers, which includes their ESG scores or ratings to assess the sustainability of their operations and how they manage their environmental and social risks. 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.

[7] Risk categorization is based on E&S risk impact of assigned Philippine Standard Industrial Classification (PSIC) codes as provided by Credit Management Group (based on IDB and ADB lists as provided by SGV/EY in 2020).
[8] Loan exposure/Outstanding balances as of December 2023, excluding offshore loans

SUSTAINABILITY REPORT

Sourcing and Supply Chain Management

GRI 2-6
SDG 12

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

We source from the accredited vendors/suppliers and third-party service providers of the Bank, canvass and bid out our requirements, conduct vendor due diligence and risk assessments, and issue Purchase Orders or Letters of Award to winning vendors.

The Bank strongly discourage purchasing or sourcing from non-accredited entities. However, exceptions are allowed in the following: if the service engagement is considered as a one-time engagement or an emergency need; if a vendor is included in the Top 1000 Corporations of the Philippines list and in the list of Fortune 500 for foreign companies; if the vendor is a publicly listed company; if the rated company was rated by reputable rating agencies with rating not lower than "Lower Medium Grade"; if the vendor belongs to associations or networks where PNB is a member company; if the vendor comes from a government bureau, local government unit (LGU), government financial institution (GFI) and other instrumentalities; if the vendor is a retail and online merchant partner of the Bank; and if the vendor is a media partner, among others.

Our purchase of goods and services are not limited to Metro Manila-based accredited vendors/suppliers and third-party service providers. As an option and as may be applicable and practicable, our Procurement Department helps purchase or source for our provincial and overseas offices and branches from local vendors in the area to minimize transportation costs.

We encourage our contracting business and support groups to have an alternative or another accredited vendor in case there are issues or concerns with the vendor they already engaged. In addition, for those products or service requirements with limited suppliers/providers and third-party service providers, the Bank, through its Vendor Relationship Managers (VRM), manages the identified risks.

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 vendors/suppliers/third-party service providers. However, for IT-related projects or requirements of the Bank, services that will be commissioned by the Bank go through the relevant management and board committees such as the IT Evaluation Committee (ITEC), Technology Committee (Techcom), and Board Information Technology Governance Committee (BITGC). Furthermore, there are also other business units that handle their own accreditation as they have expertise in the nature of business of the vendors, and this includes property valuation, credit information, legal retainers, and remittance and pay-out partners.

Vendor selection is done depending on the cost of particular goods or service as follows: a) cost of up to P500,000 are approved by the corresponding division and group heads at the head offices; b) Branch Heads and Area Heads approve costs up to P100,000 while Area Heads and Region Heads approve costs over P100,000 to P500,000; c) the Administration Group Head approves costs of more than P500,000 to P1,000,000; d) Procurement Committee can approve costs of more than P1,000,000 to P50,000,000; e) Bank President approve costs over P50,000,000 up to P100,000,000; and f) Executive Committee approval and notation of the Board of Directors will be required for costs that are more than P100,000,000.

Our Outsourcing and Vendor Risk Management Policy requires concerned groups and sectors to regularly evaluate the vendor's financial soundness, reputation, managerial skills, technical capabilities, and operational capability and capacity in relation to the services to be outsourced. Results of the performance evaluation are considered in the renewal of engagement of vendors.

We also continue to improve our process of accreditation, risk assessment, due diligence, and periodic monitoring of vendors. We have enhanced our accreditation criteria to accommodate more applicants for vendor accreditation, updated our existing vendor-related forms and documents to reflect ESG criteria, and developed a new tool for assessing the sustainability of business practices of our vendors.

As part of our commitment to our supplies/vendors and third party service providers, we continue to communicate with them the Bank's sustainability policy and initiatives through emails and update them on any new or amended policies, processes, and forms of the Bank. We also include learning materials in the orientation and accreditation application kit of interested vendors.

As of December 2023, the Bank has 929 accredited vendors/suppliers and third-party service providers.

SUSTAINABILITY REPORT

OUR SOCIO-ECONOMIC AND ENVIRONMENTAL COMPLIANCE PERFORMANCE

GRI 2-27
SDG 16

As part of our commitment to the environment and all our stakeholders, we ensure that all aspects of our business and operations are compliant with applicable laws, regulations, and policies that govern the industry to which we belong in the Philippines and in our host countries.

We ensure that all our domestic branches and offices have the necessary national or LGU required documentation and permits such as on business, labor, sanitation, and health, among other requirements, to continue operations. We also ensure that we align our overseas offices and branches with the ESG-related regulations, laws, and policies in their jurisdictions.

All reported non-compliance and violation incidents or cases related to ESG, which entail any financial, reputational, and regulatory/legal implications for the Bank, are handled by our Legal Group, in conjunction with external counsel, if needed. 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.

To institutionalize the reporting of cases or incidents of non-compliance or violation at the national, LGU, or host country level, we developed a set of guidelines for reporting, escalating, and monitoring of these incidents or cases for adoption of the Bank by 2024.

Data and information that will be collected from the reported cases of non-compliance or violation of ESG-related regulations, laws, and policies will be assessed to help determine the Bank's steps to reduce the number of incidents and avoid repetitions. Mitigation steps may include refresher training for employees on Environmental Management System, orientation sessions for the Pollution Control Officers of the Bank on the latest environmental policies or guidelines, improvement of monitoring mechanism of units/branches, and intensified communications campaign on certain environmental topics, among others.

OUR ENVIRONMENTAL PERFORMANCE

We continue to ensure that our business and operations do not bring adverse impact to the environment and the communities. We ensure that we use and manage our resources efficiently to generate savings while reducing our environmental footprint.

Power, Fuel, and Water Consumption

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

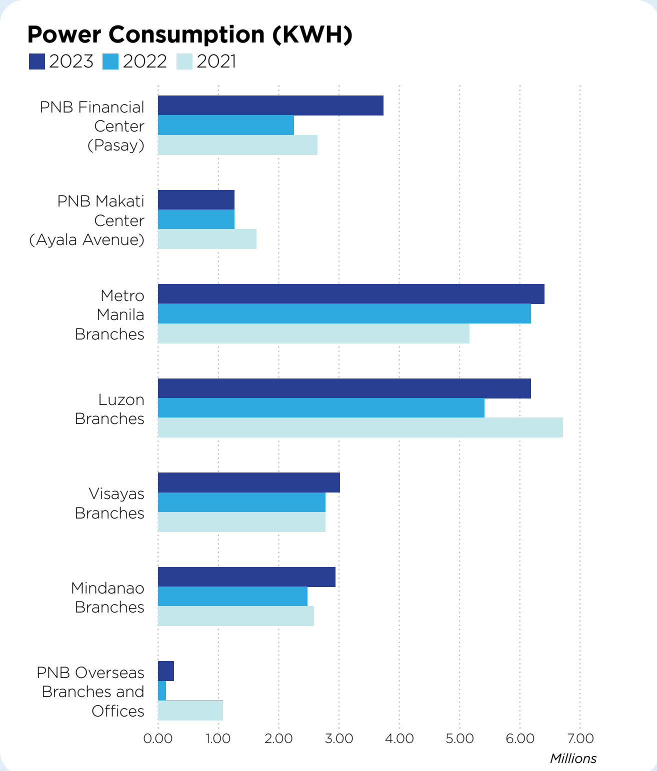
We source our power and water resources for all our domestic and overseas branches and offices from external utility providers.

In the areas we lease at PNB Financial and Makati Centers, we already converted all lighting fixtures from conventional 40Watts Fluorescent Bulb to T8-16Watts LED. We also continue to update our outdated equipment and acquired energy-efficient devices to reduce and manage energy consumption and emissions in all domestic offices and branches.

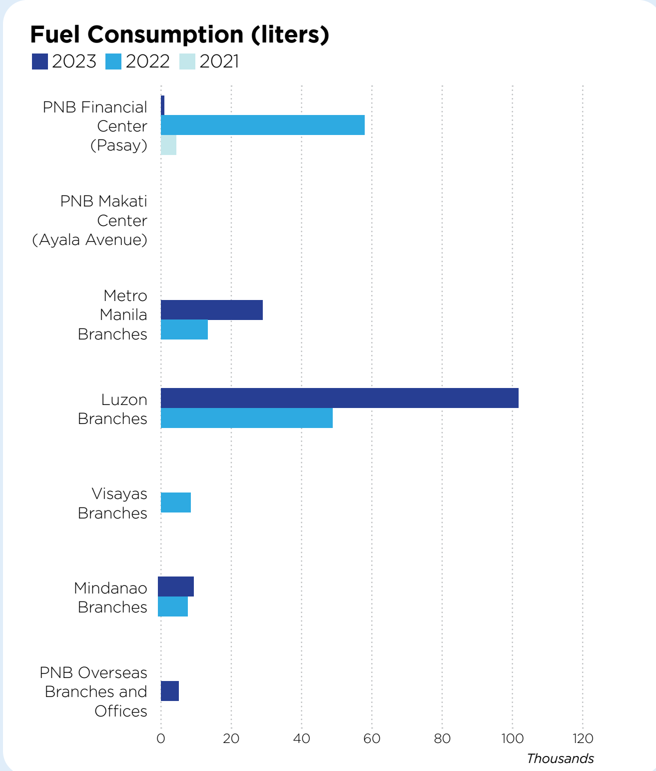
Additionally, we actively advocate for the adoption of energy-efficient technologies in non-renovated branches to reduce electricity expenses. Energy-related concerns of our overseas branches, on the other hand, are addressed and managed by the building owners/lessors in host countries.

To help reduce power consumption, our Information Technology Group (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.

All employees are also constantly enjoined to do their part in conserving energy and help reduce cost by turning equipment and lights off when not in use.



Source: PNB Administration Group, RBS-Branch Banking Group, and International Banking and Remittance Group[9]



Source: PNB Administration Group, RBS-Branch Banking Group, and International Banking and Remittance Group[10]

A shown by the graph, our electricity consumption in 2023 is 23,820,154.86 kwh, a 14.05% increase from our 2022 electricity consumption. There is an upsurge in power consumption at our PNB Financial Center and this is attributed to the implementation of the hybrid work arrangement for employees which increased the number of employees reporting onsite and the number of onsite reporting days. Domestic branches experienced a surge in electrical consumption as operations resumed at full scale. We are actively managing this increased demand and exploring strategies to optimize energy usage.

We continue to use fuel such as diesel and gasoline to run our generator sets which we use in the event of power outages, particularly in remote and island branches and for our Bank-owned vehicles for official business travels of employees.

We regulate our fuel consumption by implementing a trip maximization policy where official business travel is subject for approval and by taking care of generator sets through regular preventive maintenance by third-party service providers. In addition, we continue to conduct virtual activities, meetings, and trainings; and implement the hybrid work arrangement.

[9] Data of IBRG was sourced from PNB Los Angeles, PNB Tokyo, PNB Europe, and Allied Commercial Bank in Xiamen and Chongqing, China.
[10] Data of IBRG was sourced from Allied Commercial Bank in Xiamen and Chongqing, China.

We also promote the "Share-A-Ride" Program, a carpooling initiative, among employees to contribute to the reduction of the Bank's fuel consumption and emissions. As of December 2023, we have 81 active Philnabankers sharing their rides with their fellow Philnabankers with an average of two to three carpoolers per ride-sharer. The program covers going to and from the PNB Financial Center in Pasay City, PNB Makati Center in Makati City, and in select branches in Metro Manila and Luzon.

Breakdown of the Bank's Fuel Usage in 2023

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	24,375	14,875	1,669.68
PNB Makati Center (Ayala Avenue)	0	0	0	0	0
Metro Manila Branches	7,339.58	21,455.96	0	0	1,074.97
Luzon	91,797.31	10,413.36	0	0	4,623.29
Visayas	171.72	0	0	0	7.98
Mindanao	6,830.00	2,585.00	0	0	405.90
Overseas[11]	4,644.00	0	0	0	215.87
TOTAL	**111,382.60**	**34,454.32**	**24,375.00**	**14,875.00**	**7,997.69**

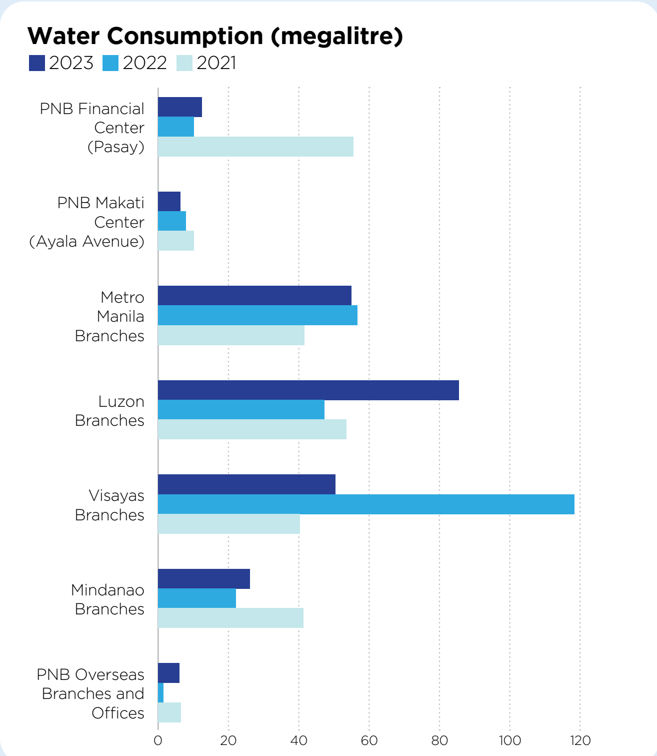
Source: PNB Administration Group, RBS-Branch Banking Group, and International Banking and Remittance Group

Our fuel consumption in 2023 increased by 5.78% compared to 2022. Our motor pool at the PNB Financial Center consumed 39,250 liters of fuel for 4,337 business trips of our employees, and this is equivalent to an average of 9.05 liters of fuel consumed per trip. Our Metro Manila and Luzon Group of branches, on the other hand, have increased their fuel consumption as they returned to onsite visit of projects/offices and face-to-face client calls.

On the other hand, our PNB Makati Center has no fuel consumption for the reporting period since the building is now owned by PNB Holdings Corporation (PHC), with our Bank only leasing four floors. As such, data on fuel consumption of the said building is no longer covered in this report.

There is limited available data on the energy and fuel usage of our overseas branches and offices as most of them do not have sub-meters to measure and track. Expenses for power consumption are already included in their monthly office rental cost. Most of our overseas employees also use public transportation for work.

[11] Overseas branches do not use generator sets; reported figure is for bank-issued car of Allied Commercial Bank in Xiamen and Chongqing



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

We implement various initiatives to reduce and conserve our water consumption in all our branches and offices.

Regular maintenance activities are conducted year-round to ensure sufficient water supply, inspect water supply equipment for wear and tear, and repair water leakages, as needed. Water-efficient fixtures and fittings were also put in place to help conserve water. In addition, we remind our employees and customers to observe proper use of water through regular release of emails and posting of reminders in branch and office premises.

Water consumption at our PNB Financial and Makati Centers and the domestic branches went down by 16% in 2023 from last year. The significant decrease in water consumption of branches in the Visayas region was attributed to the resolved leakages and repaired pipes which were damaged by previous typhoons. Our overseas branches and offices in leased buildings mostly do not have sub-meters of their own, hence, monitoring their water consumption poses a challenge. Any issues on water consumption and management are handled by their respective lessors or landowners.

Below is the table on the volume of water we have withdrawn, discharged, and consumed in 2023.

LOCATION	WATER WITHDRAWN (megaliter)	WATER DISCHARGED (megaliter)	WATER CONSUMED (megaliter)
PNB Financial Center (Pasay)	12	12	0
PNB Makati Center (Ayala Avenue)	6	6	0
Metro Manila Branches	55.32	55.32	0
Luzon	86.14	86.14	0
Visayas	50.21	50.21	0
Mindanao	25.65	25.65	0
Overseas[12]	5.79	5.79	0
TOTAL	**241.11**	**241.11**	**0**

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

Wastewater or effluents from our Head Offices in Pasay and Makati mainly come from toilets. As part of wastewater management at PNB Financial Center, we ensure that our effluent water is treated first at the Sewage Treatment Plant (STP) within the compound (which is managed by PHC) before being discharged to Manila Bay. We also follow the minimum standards for the wastewater effluent based on the parameters set by the Department of Environmental and Natural Resources and the Laguna Lake Development Authority.

Wastewater from PNB Makati Center, on the other hand, 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.

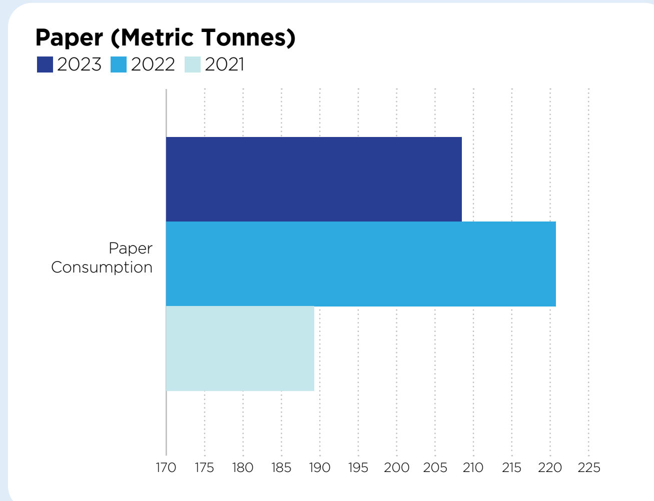
[12] Data from Data of IBRG was sourced from PNB Japan only.

SUSTAINABILITY REPORT

In our domestic branches, the wastewater generated mainly from the use of toilets and cleaning of the branches go straight to the sewer line of the community. Wastewater of our overseas branches, on the other hand, are managed by their respective building administration or landowners / lessors in host countries. For some of our overseas branches, particularly in Japan, their wastewater is discharged to their building's sewer before it goes to the host city's sewage treatment plant.

Our Paper Consumption

Our paper consumption in all our branches and offices includes bond papers and bank forms such as deposit slip, withdrawal slip, signature card, Customer Information Form (CIF), and cash transfer slip.



Source: PNB Administration Group

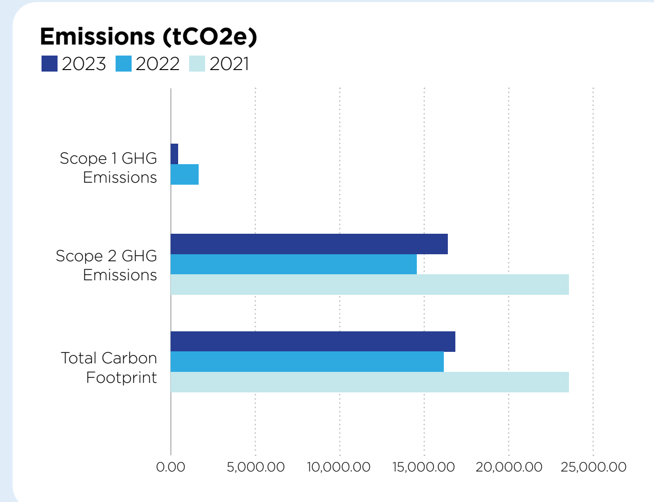
Our usage of paper in 2023 decreased as we work towards automating our forms and processes. We partnered with Adobe Sign to digitalize loan implementation and transaction documents to make it safer and easier for our customers to do transactions anytime, anywhere while reducing our own environmental footprint.

We also continued 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.

We will continue to implement digitalization initiatives and leverage on technology to reduce our paper consumption and costs while at the same time improving our speed, efficiency, and reliability.

Our Emissions

GRI 3-3, 302-3, 305-1, 305-2, 305-4
SDG 7, 8, 12, 13



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

We report on our Direct Scope 1 and Indirect Scope 2 emissions only for 2023 for our PNB Financial and Makati Centers, as well as domestic and selected overseas branches and offices. Our total emissions for 2023 is 16,699.25 tCo2e while our total emissions intensity is 13.82tc02e/m3. Our energy intensity for 2023, on the other hand, is 1,269.86KWH/m3.

We compute our Scope 1 emissions using the United Nations Framework Convention on Climate Change (UNFCCC) GHG emissions calculator[13] and the Philippine Department of Energy's 2015-2017 National Grid Emission Factor (NGEF)[14] in computing for our Indirect Scope 2 emissions. For the Scope 1 and 2 emissions of our overseas branches and offices, we used the United Nations Framework Convention on Climate Change (UNFCCC) GHG emissions calculator.

[13] Source: https://unfccc.int/climate-action/climate-neutral-now/measure-your-emissions
[14] Source: https://www.doe.gov.ph/electric-power/2015-2017-national-grid-emission-factor-ngef

Our 2023 emissions contribution went up by 555.78 tCO2e (tons of carbon dioxide equivalent) or 3.29% compared to last year with our branches contributing the most emissions. Our biggest source of emissions is our purchased energy (Indirect Scope 2) which we source from third-party utility providers, and this is followed by our use of diesel fuel for our generator sets in our branches.

For the Scope 3 emissions coverage, we have not yet included financed emissions and emissions from the vendors/suppliers but these are already being considered for inclusion soon. In the meantime, we continue to educate our suppliers/vendors and corporate clients to align them with the PNB Sustainability Policy and thrusts to encourage them to adopt sustainable business practices by adopting good industry standards and practices, as well as assess and manage their own environmental and social risks and impact to contribute positively to the environment and the society.

In 2023, we embarked on a mission to do an accounting of our Bank's GHG emissions covering the 2022 data from our domestic and overseas operations with the assistance of Tan Yan Kee Foundation, Inc. (TYKFI) and its pool of subject matter experts from UP Los Baños. From this exercise, we did not only establish initial baseline data on our emissions contribution, but we were also able to recommend reduction targets and initiatives. However, we plan to revisit our 2022 data and do an inventory and assess our 2023 emissions data to ensure that we have an accurate GHG emissions baseline data because it will help us determine realistic emission reduction targets and initiatives to decrease and manage our environmental footprint.

Our Materials and Waste Management

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

We take great care in managing our materials and waste to reduce our carbon footprint and protect the environment and our communities. We comply with the strict implementation of national and local government regulations on proper waste segregation and disposal.

Our Pollution Control Officers (PCOs) help monitor and ensure compliance of our branches and offices with environmental-related regulations and policies. The PCOs completed 40 hours of online training programs while the Managing Heads (MHs) completed eight hours of online training on environmental regulations. At the domestic branch level, a PCO is assigned per cluster of branches per area. Both the PCOs and Managing Heads, usually the Branch Head or Area Head, are appointed by the RBS-Branch Banking Group Head.

22 employees completed the PCO Training in 2023

15 employees completed the MH Training in 2023

170 employees completed PCO Training since 2018

85 employees completed the MH Training since 2018

Our solid wastes at our domestic branches and offices are regularly collected by the LGUs and DENR-accredited garbage disposal service providers and are disposed in DENR-accredited landfills. Waste management at our overseas offices and branches, on the other hand, are handled by the building administrators in host countries.

To move away from waste generation, we transitioned towards automating our services and processes. We consume and recycle our papers and ink cartridges meticulously and monitor our usage. We recycle plastic and metal containers and bottles for other practical purpose, as well as collect and sell plastic bottles and shredded paper wastes to recycling centers and use the proceeds from the sale to support the Bank's waste management initiatives or employee volunteerism or community outreach activities. Other solid non-recyclable waste materials such as used face masks and single-use plastics are properly segregated and disposed at our branches and offices.

We try to maximize the use and prolong the life of our materials and equipment. We have a policy for managing our old equipment and furniture. We repair and refurbish our old office tables, chairs, filing steel and wood cabinets, sofas, and side tables so we could use them again or donate for a cause. 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.

Our ITG, who oversees all IT-related purchases and disposals, ensures that old but still 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 could no longer be repaired are properly disposed by the Bank following DENR and BSP disposal protocols.

The tables below show the common nonhazardous wastes from our domestic branches and offices. In the PNB Financial Center and Makati Center, only waste materials from the areas leased by the Bank are included in the report. We have limited data on waste materials generated by our overseas branches and offices for the reporting period.

Common Types of Wastes from PNB Head Offices

Waste Category	2021 (MT)	2022 (MT)	2023 (MT)
Solid Waste (i.e., paper wastes, construction debris, elevator parts, tree branch cuttings, etc.)	100	490	568.82
Used oil	0.43	0.43	2.91
Lead acid batteries	0	0.15	0
Busted Fluorescent /LED Lights	0.45	0.15	2.71
Contaminated Rugs	0.3	0	0

Source: PNB Administration Group.

Common Types of Wastes from the Branches

Waste Category	Metro Manila Branches			Luzon Branches			Visayas Branches			Mindanao Branches			Overseas Branches		
	2021 (MT)	2022 (MT)	2023 (MT)	2021 (MT)	2022 (MT)	2023 (MT)	2021 (MT)	2022 (MT)	2023 (MT)	2021 (MT)	2022 (MT)	2023 (MT)	2021 (MT)	2022 (MT)	2023 (MT)
Solid Waste (i.e., paper wastes, construction debris, elevator parts, tree branch cuttings, etc.)	9.67	5518.38	20.02313929	42.37	49.5	24.86	29.54	7.15	52.49	11.68	3.4	0.77	0	1	4.26[15]
Used Oil (i.e., from gen sets during power outages and weekly testing)	0.14	0.01	0	1.91	1.22	2.07	0.29	0.03	0.55	0.64	0.1	0.05	0	0	0
Lead Acid Batteries (from gen sets)	0.06	0	1.5	2.71	1.01	-.75	1.64	0.01	2.83	1.63	0.41	0.01	0	0	0
Busted Fluorescent /LED Lights	0.51	821.39	.37	4.01	0	2.58	0.2	0.05	0.12	0.19	0.17	1.04	0	0	0
Contaminated Rugs	0.08	0	0	0.5	2.24	0.01	0.16	0	0	0.02	0	0	0	0	0
Expired Paints	0.01	0	0	0.001	2.24	0	0.06	0	0	0	0	0	0	0	0
Ozone depleting substances (i.e., aerosol spray cans for disinfectants, air fresheners, etc.)	0	0	0	0.038	0	0.01	0.05	0	0	0.04	0	0	0	0	0
Electronic Wastes (i.e., old defective machines, old/ broken IT-related equipment / peripherals, etc.)	0.01	0	0.16	0.206	2.079	1.98	0.11	0	0	0.31	0	0	0	1	0

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

[15] Data on solid wastes reported by IBRG was from PNB Tokyo, PNB Europe, and PNB Los Angeles.

As part of our initiative to reduce and manage our waste generation, particularly at our PNB Financial and Makati Centers, we encouraged our employees to refuse single-use plastics and bring their own food containers and utensils when buying food from vendors and merchants. We worked with Eton Properties Management Corporation (EPMC), the building administrator of PHC, to get the full cooperation of the vendors and merchants to support this initiative by encouraging them to use eco-friendly packaging and recyclable containers for their food and other items. Waste segregation bins are also placed in common areas for proper waste disposal.

We encourage employees to adopt the principle of 5Rs in waste management by releasing email bulletins and conduct of webinars. This covers the following: Refuse the unnecessary, Reduce waste from consumption, Reuse to minimize use of virgin resources, Repurpose to maximize product life, and Recycle as the last resort.

CARING FOR OUR CUSTOMERS AND COMMUNITIES

Our customers are at the heart of what we do. We commit to provide them with the best financial solutions, customer service, and protection as they reach for their financial goals.

In the same way that we care for our customers, we commit to being responsible corporate citizens by supporting and implementing significant initiatives that would bring positive impact to our communities.

We continue to find balance in growing our business while, at the same time, creating shared value together with our customers and community partners towards a better future for the next generation of Filipinos.

Towards Better Customer Experience

GRI 3-3
SDG 12

We value our customers and, as such, we ensure that feedback mechanisms and customer support channels are available for them to air out their concerns and opinions regarding the Bank's products and services.

Our customers are provided with various channels for inquiries, requests, and complaints, such as our 24/7 customer care hotline, email, Facetime, Skype, Facebook Messenger and all branches overseas and nationwide. In 2023, majority of our customer touchpoints is inquiries, followed by requests and complaints. We consolidate complaints and feedback every year to analyze the trends and effectiveness in resolving customer issues. The Complaints Management Annual Report is presented to the Risk Oversight Committee.

Our Consumer Protection Policy includes the 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 Report is submitted/presented to the Management Committee and Board Risk Oversight Committee. On a quarterly basis, in accordance with the BSP requirement, the Bank submits the consolidated complaints report to the regulator.

We also 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.

For 2023, as part of the Bank's sustainability initiatives, our Customer Experience Division (CED) updated its risk categories to include E&S risks. These E&S risks could affect power, telecommunications, and systems and could cause service interruption and outages, as well as damage bank properties such as CAMs, ATMs, and branches. It may also cause data privacy breach, data loss, and theft, among others.

In addition, CED included the reporting of E&S risk-related complaints or issues related to the Bank's operations and services in the Operations and Procedures on Handling of Customer Concerns using the Enhanced Customer Relationship Management (ECRM) System and BSP-Supervised Financial Institutions Consolidated Complaints Report (BCCR). ECRM is the Bank's case management system. The initial reporting of complaints related to E&S risks began last December 2023.

Our Digital Innovation and Transformation

GRI 3-3
SDG 9

We commit to provide a safe, reliable, and convenient digital experience for our customers, and this commitment governs our digital transformation and innovation initiatives.

We have a three-year digital strategy which is anchored on the Bank's new vision and mission statements, strategic initiatives, customer trends, market and technology developments, and the regulatory climate. While the digital plan was approved by the Board Strategy and Policy Committee (BSPC), its execution, on the other hand, is governed by the Board IT Governance Committee (BITGC).

The implementation of our digital initiatives is governed at a high level by the Projects Prioritization Committee, where major strategic projects are cleared and approved. If necessary, we refer key digital initiatives to BSP for their notification and/or approval. Execution of these priorities are then approved and monitored by each project's respective Steering Committees, the Technology Committee (Tech Comm), and the Board IT Governance Committee (BITGC) 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 by the President and the BSPC. Risk management of the digital services and related products are governed through the Risk Oversight Committee.

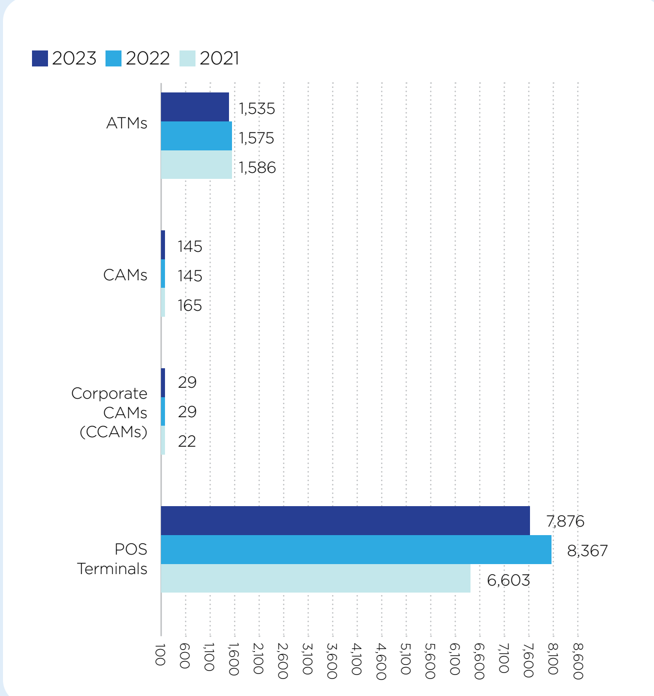
Our Bank adheres to the BSP Policy on Electronic Banking and Financial Services and related regulations such as Guidelines on Electronic Payments, Operations on Payment Systems, Anti-Money Laundering (AMLA) Rules and Regulations, Data Privacy Law, and Consumer Protection. We are also aligned with the BSP Digital Payment Transformation Roadmap, which operates under the National Retail Payment System (NRPS).

We also continue to 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 where we continue to participate in is the planned Open Finance Framework where financial institutions can share data with the consent of customers to optimize services in the areas of Product and Service Information, Account On-boarding, and Account and Transaction Information.

As part of our digitization initiatives, we continue to automate our Bank forms, shift customers to e-SOA, and migrate existing customers to the Bank's digital channels.

In addition, we continue to automate and enhance our existing systems and processes for efficiency, to shorten turnaround time (TAT), and to reduce the Bank's environmental footprint. For instance, the development of an online platform where housing and auto loan applications are uploaded, processed, and evaluated for approval is ongoing. This also includes the development of a loan origination system that will automate the end-to-end processes of business loan transactions for corporate, commercial, and MSME accounts of the Bank.

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 2023, we have a total of 1,535 ATMs, 145 CAMs, 29 Corporate CAMs, and 7,876 point-of-sales (POS) terminals for the 24-hour banking convenience of our customers.



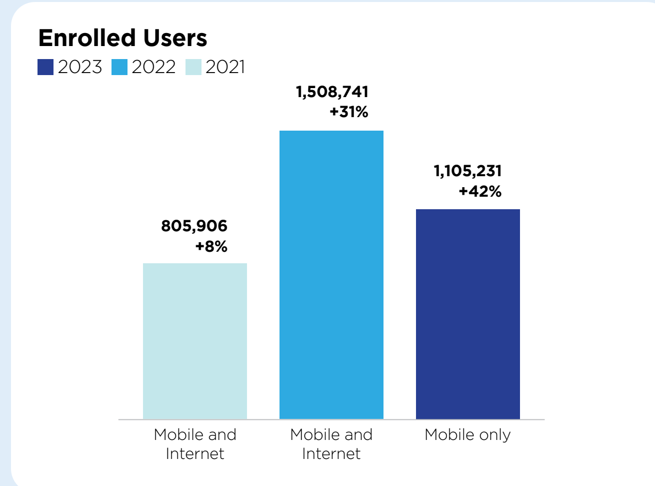
Source: Institutional Transaction Banking Group (ITBG); Consumer Finance Sector

Moreover, we continue to further improve our mobile banking offering – the PNB Digital App – with enhanced security features, better infrastructure capacity and efficiency, expanded payment and disbursement capabilities, and access to more products. To boost awareness, enrollment, and usage of the digital banking app in a paperless way, the Bank extensively uses its digital media assets (Facebook, Instagram, YouTube, email, SMS), to promote the mobile application to PNB's prospective and existing clients. As of December 2023, the PNB Digital application has a total of 1,105,231 enrolled users.

Our digital posture was further improved in 2023 with the launch of the UITF online product, giving PNB clients digital means for investment suitability assessment, booking new investments, and fund redemption. New credit card functions were also made available, while 700 new billers for Bills Payment were introduced. Over and above these new functions, improvements in infrastructure capacity and efficiency were delivered to further strengthen the reliability and performance of the platform.

SUSTAINABILITY REPORT

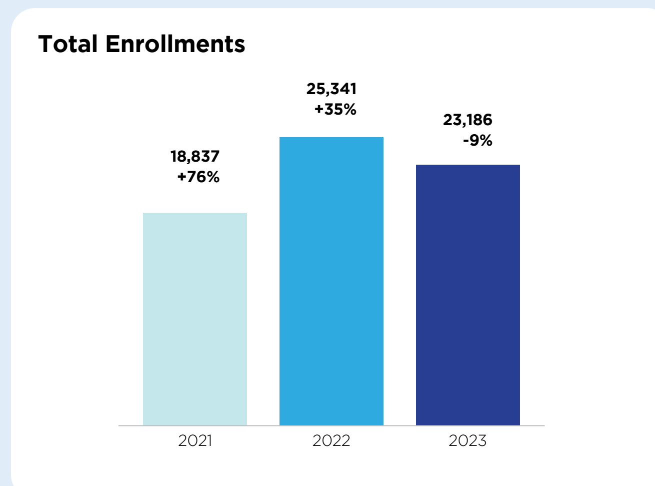
Comparative Data on Digital Banking



Source: PNB Digital Innovations Group

Similar efforts have been made in the Bank's corporate internet platform called the PNB C@shnet Plus, a platform which provides a more efficient method of conducting online business transactions. Through this platform, corporate clients may view accounts, and initiate and approve transactions. As of December 2023, there were 23,186 corporate accounts enrolled in this platform.

Comparative Data on Corporate Internet Banking (PNB C@shNet Plus)



Source: PNB Institutional Transaction Banking Group (ITBG)

For 2023, the Bank has not been cited for any violation of the policies and regulations that govern 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 assets the Bank holds. We safeguard information assets — ensuring the confidentiality, integrity, and availability of information assets as well as respecting the privacy of our data subjects (i.e., customers, employees) in adherence to the general privacy principles of transparency, legitimate purpose, and proportionality.

Our Enterprise Information Security Management System Manual and Enterprise Data Privacy Policy reinforce our commitment to uphold 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 of 2012 (DPA), General Data Protection Regulation (GDPR), Financial Consumer Protection Act (FCPA), and Bangko Sentral ng Pilipinas (BSP) circulars and memoranda on information technology, information security, cybersecurity, and data privacy, among others. In addition, to ensure continuous compliance of our overseas branches with host country regulations in terms of data privacy and protection, the overseas Compliance Officers with the assistance of our Data Privacy Department are regularly updating its operational manuals and policies in compliance with its requirements. We also follow global standards, such as the ISO/IEC 27000 series, which further strengthens our efforts to be at par with industry peers.

We embody security and privacy principles in our daily operations. We ensure that everyone understands his/her 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 partner vendors to ensure

the continued suitability, adequacy, and effectiveness of the Bank's information security and privacy practices.

Since most of our projects require technology intervention, 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 continue the hybrid work arrangement for Philnabankers, the telecommuting policy was further improved to ensure that data confidentiality is always maintained. Security controls such as device management, device data encryption, VPN, web security, among others, are in place to ensure that information assets are protected and monitored.

As part of our service delivery excellence, our goals and targets for ensuring protection and privacy of customer information are aligned with the strategic plans for the Bank's Information Security and Data Privacy Management Systems. Our Data Protection Officer (DPO), with the assistance of the Data Privacy Department (DPD), works with our Customer Experience Division (CED) and relevant business units to accommodate requests and resolve customer concerns.

Moreover, our efforts in maintaining transparent processing of customer information ensures consistent communication about how we process and protect information, details of which are available on the PNB Data Privacy Policy which is accessible to the public through our official website. We continue to promote privacy and security awareness by sending customer advisories and tips about phishing and online scams. This is done via e-mail, SMS, and by posting the same on our official 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), digital keys, Touch ID, 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. At the branch level, we conduct proper customer identification and verification process during customer onboarding. We also conduct enhanced due diligence by requiring additional information in case of changes in customer profile and transaction behavior.

Maker-checker functions in the branches are strictly implemented. Apart from the regular audit of branches conducted by Internal Audit Group, the RBS Management and Audit Quality Assurance Review Team also conduct regular audits and checks. We have Risk Control Seminar conducted for all our branch personnel to increase awareness on fraud prevention.

SUSTAINABILITY REPORT

Marketing and Labeling Our Products and Services

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

The Marketing Group supports the Bank through execution of data analytics programs, identification of business and customer insights, and conduct of market qualitative and quantitative research studies to empower the business groups to make data-driven decisions. We also develop creative marketing collaterals and marketing campaigns, provide digital content creation and dissemination, organize internal and external events (online and onsite), 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, Philippine Deposit Insurance Corporation, 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 developed with our target customer segments in mind, as well as regularly update these to ensure that all product information are up-to-date and compliant with standard operating procedures.

Our Social Media Framework and Board-approved Crisis Communications Plan help us manage our reputational risk across platforms. We use a mix of traditional press and social media channels (i.e., Facebook, Instagram, X, YouTube, and LinkedIn) to share information and updates with our customers and other target audiences. Social media channels are maximized to improve audience engagements, attain business goals, and assist our Customer Experience Division in managing customer concerns.

In 2023, we adopted a new tagline, **"Every Step Together,"** to align with the new vision and mission statements and core values of the Bank. Rebranding initiatives aligned with the new tagline of the Bank are ongoing.

In support of the environmental thrusts of the Bank, particularly in reducing the use of non-recyclable/non-biodegradable plastic, the Marketing Group eliminated the use of plastic packaging in the distribution of branded eco-bags during the Christmas season. We will continue to do this and explore other means to reduce usage of non-recyclable/non-biodegradable plastic.

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.

Promoting Financial Literacy and Inclusion
GRI 203-2, 413-1, 413-2
FN-CB-240a.4., FN-CB-000.A, FN-CB-000.B
SDG 4, 10

We commit to educate our existing and potential customers on how they can save, manage, and grow their finances through the conduct of financial literacy/ wellness sessions by our business groups.

Learning sessions, trainings, webinars, and roundtable discussions were conducted locally and abroad via face-to-face and virtual platforms such as MS Teams, Zoom Meetings, and Facebook Live. The same sessions were also done for our own employees via MS Teams.

Among the topics discussed include money management and saving tips, growing money through investing, and economic and market forecasts. Moreover, these activities provide a venue to promote the Bank's products and services.

In 2023, we conducted financial literacy/wellness sessions for over 10,800 participants from identified target groups such as depositors, borrowers, professionals/blue-collar workers, investors, entrepreneurs, students, teachers, religious groups, government employees, doctors, and even among Filipino and church communities, OFWs, and OFW dependents. These sessions were conducted in partnership with government agencies and private institutions such as BSP, DTI, Bureau of the Treasury, SEC, Pag-IBIG, The Philippine Bayanihan Society Singapore (PBSS), and Philippine Chamber of Commerce in Singapore, among others.

As of 2023, we generated a total of 5,404,368 savings accounts, 231,173 checking accounts, and 3,025 consumer loan accounts (auto and housing loans).

Responsible Corporate Citizenship and Community Engagement
GRI 2-6, 3-3, 413-1, 413-2
SDG 3, 4, 15, 17

As part of our employee engagement initiatives and commitment towards good corporate citizenship, we organize community outreach or volunteerism activities in communities where we have presence. We encourage employee participation in these activities by providing support for their meals, transportation, materials, and tools needed. Area and branch employees, as well as recognized employee interest groups or clubs, can also organize and conduct their own CSR or community outreach activities with support from the Bank.

Employee volunteers may also enter their community outreach or volunteerism 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 own advocacies.

Moreover, we support projects and initiatives of reputable foundations, NGOs, and schools that are aligned with the CSR and sustainability thrusts of the Bank.

Below are the CSR and employee volunteerism activities of the Bank in 2023:

- ***PNB CommuniTree: Together as One for the Environment***
  In celebration of its 107th anniversary in July 2023, PNB organized a bank-wide tree planting activity called PNB CommuniTree which was participated in by Philnabankers from all over the country and culminated with the tree-planting activity of the North Metro Manila Region last September 23, 2023.

  A total of 285 employee volunteers planted 1,425 trees in their own backyards and communities, while 52 North Metro Manila Philnabankers rolled up their sleeves to plant 1,200 trees in Brgy. Mamuyao, Tanay, Rizal.

  For the past three years, a total of 5,408 trees have been planted by employees under the yearly PNB CommuniTree activity. This is a combination of forest and fruit-bearing tree seedlings/saplings in the backyards and communities of Philnabankers and the falcata seedlings planted in Tanay, Rizal.

- ***Donation of Decommissioned Computers for Cavite State University***
  Our Bank donated 10 decommissioned desktop computers and 2 laptops to Cavite State University for the use of students.

  The Bank repairs, refurbishes, and donates decommissioned computer units to non-government organizations and public schools.

  Since 2019, PNB has donated a total of 196 decommissioned computers. By advocating the reuse of old computers, the Bank upholds environmental, social, and educational value.

- ***Partnership with Foundation for the Upgrading of Standards of Education (FUSE)***
  We also supported the training of teachers and teacher-trainers nationwide, and the development and distribution of teaching support materials on different subject matter such as mathematics, science, and English

  In 2023, a total 5 teacher-trainers and 1,240 teacher participants from 314 public and private schools in Metro Manila (Rizal, Markina, Quezon City, San Juan City, Pasay City, Manila City) and Borongan, Eastern Samar were trained in English, science, and math subjects. Eighty-one (81) sets of learning materials or reference materials on the same subjects were distributed to public and private schools in Metro Manila.

- ***Support for the Construction of Chiang Kai Shek College Building***

The Bank also supported the construction of a five-storey school building of Chiang Kai Shek College Integrated School in its South Forbes Campus in Silang, Cavite. The school building has a floor area of 13,745.51 square meters and has classrooms, libraries, a bio-chem laboratory, a physics laboratory, computer laboratories, a visual arts room, a music room, food science and technology room, student lounge, dance studio, theater, faculty rooms, multi-function hall, assembly halls, auditorium, indoor and outdoor play areas, discipline and guidance offices, and a testing area. An estimated 1,000 students will benefit from the use of the school building every school year.

- ***Relief Support for Families Affected by Oil Spill in Oriental Mindoro***

A total of 500 families affected by the oil spill in the towns of Calapan, Victoria, and Pinamalayan in Oriental Mindoro were each provided 10 kilos of rice last June 2023. Employee volunteers from PNB branches in these towns helped distribute the rice donation to the identified family beneficiaries.

- ***Emergency Response for Communities through PNB Ambulance Units***

The Bank's donation of ambulance units to Philippine Red Cross in 2020 continue to provide emergency response to their assigned communities.

In 2023, the unit assigned in Bohol provided a total of 53 ambulance runs and serviced 2 individuals in need of medical transportation. The ambulance unit assigned in Guinoog, Misamis Oriental on the other hand, responded to 132 emergency responses and serviced 78 individuals needing medical assistance/ transportation.

CARING FOR OUR PEOPLE

Empowering and looking after the overall welfare of employees will help towards fulfilling the Bank's objectives and goals.

Our Human Resource Group plays an important role in building, developing, and fostering an inclusive and collaborative work culture. They are responsible for recruiting, providing learning and development opportunities, promoting employee engagement, and helping retain the right talents for the Bank.

Philnabankers in Service

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

As of December 2023, the Bank had a total of 8,327 full-time employees. Women employees took up 66% or 5,500 of the total employee population while male employees comprised 34% or 2,827 of the Bank's talent pool. This includes 65 retired employees (20 males and 45 females) who were previously re-hired under management contracts.

For the reporting period, 22% or 1,862 employees adopted the alternative work arrangement (AWA).

Employee Breakdown by Gender

	Gender	No. of Employees	Total
2021	Female	5,745	**8,656**
	Male	2,911	
2022	Female	5,523	**8,318**
	Male	2,753	
2023	Female	5,500	**8,327**
	Male	2,827	

Source: PNB Human Resource Group

Employee Breakdown by Contract, Position, Gender, and Age for 2023

Category	Male			Female			Total
Contract	<30 y.o.	30-50 y.o.	>50 y.o.	<30 y.o.	30-50 y.o.	>50 y.o.	
Regular	519	1,636	497	1,118	2,951	1,021	**7,742**
Probationary	120	35	0	301	61	3	**520**
Contractual/Fixed Term	0	0	20	0	0	45	**65**
Total	**639**	**1,671**	**517**	**1,419**	**3,012**	**1,069**	**8,327**
Position							
Top Management (SVP-President)	0	5	21	0	3	15	**44**
Senior Officers (SAVP-FVP)	0	40	56	0	62	94	**252**
Middle Officers (M2-AVP)	8	271	167	9	394	354	**1,203**
Junior Officers (AM1-M2)	124	699	174	201	1,378	434	**3,010**
Rank and File (Junior Clerk-Senior Specialist)	507	656	99	1,209	1,175	172	**3,818**
Total	**639**	**1,671**	**517**	**1,419**	**3,012**	**1,069**	**8,327**

Source: PNB Human Resource Group

Breakdown of Employees per Gender and Island Group for 2023

	Gender	Region	No. of Employees	Total
2023	Female	NCR	3,154	5,500
		Luzon	1,165	
		Visayas	672	
		Mindanao	503	
		Overseas	6	
	Male	NCR	1,713	2,827
		Luzon	488	
		Visayas	293	
		Mindanao	327	
		Overseas	6	
	Total			**8,327**

Source: PNB Human Resource Group

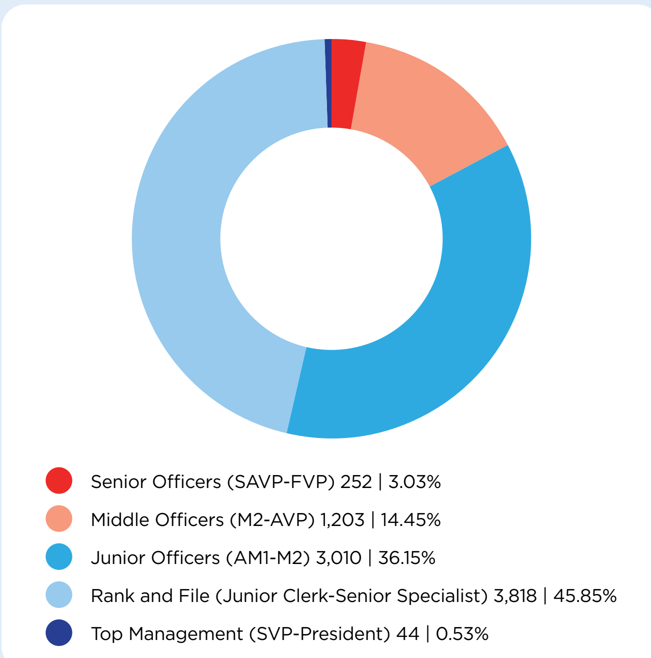
Our Human Resource Group ensures that we have a diverse workforce. The Bank believes that diversity and inclusion are essential in creating a positive work environment and fostering innovation.

For 2023, 4,683 or 56% of the total employee population are within the 30- to 50-year-old age range, with more women within the said age range at 36.17% (3,012) compared to men at 20.07% (1,671). Most of the employees (4,867 or 58%) come from the National Capital Region, with women comprising 64.80% (3,154) and men at 35.20% (1,713) of the total employees from the said region.

For our offices and branches in the provinces, we hire employees from the same localities so we can leverage on their knowledge of the area, existing connections, and deep understanding of local customs and culture.

For our overseas branches and offices, we provide support and offer initial deployment assistance to relocating employees for a smooth transition, ensuring their well-being and success in their roles overseas.

Two hundred fifty-two (252) or 3.03% of our total employee population are Senior Officers, 1,203 (14.45%) are Middle Officers, 3,010 (36.15%) are Junior Officers and 3,818 (45.85%) are from Rank and File. Of the 252 Senior Officers and 44 Top Management who hold key management positions from SAVP to President, 174 or 58.78% are women leaders while 122 or 41.22% are men leaders.



Source: PNB Human Resource Group

SUSTAINABILITY REPORT

Breakdown per Gender and Rank for 2023

Rank	2021			2022			2023		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
President	0	1	**1**	0	1	**1**	0	1	**1**
Executive Vice President	1	3	**4**	1	3	**4**	1	4	**5**
First Senior Vice President	5	6	**11**	6	6	**12**	7	8	**15**
Senior Vice President	12	5	**17**	11	13	**24**	10	13	**23**
First Vice President	14	20	**34**	18	16	**34**	22	15	**37**
Vice President	30	24	**54**	38	29	**67**	47	27	**74**
Senior Asst Vice President	91	55	**146**	90	51	**141**	87	54	**141**
Assistant Vice President	120	69	**189**	121	78	**199**	142	109	**251**
Senior Manager	202	151	**353**	204	147	**351**	227	161	**388**
Manager 2	291	168	**459**	304	150	**454**	388	176	**564**
Manager 1	566	269	**835**	544	278	**822**	600	304	**904**
Assistant Manager 2	919	359	**1,278**	918	377	**1,295**	921	396	**1,317**
Assistant Manager 1	841	422	**1,263**	691	357	**1,048**	492	297	**789**
Senior Specialist	200	144	**344**	194	129	**323**	206	131	**337**
Specialist	233	132	**365**	208	120	**328**	206	111	**317**
Senior Assistant	412	219	**631**	405	213	**618**	409	203	**612**
Assistant	832	381	**1,213**	831	369	**1,200**	755	361	**1,116**
Senior Clerk	976	482	**1,458**	939	457	**1,396**	980	455	**1,435**
Junior Clerk	0	1	**1**	0	1	**1**	0	1	**1**
Total	**5,745**	**2,911**	**8,656**	**5,523**	**2,795**	**8,318**	**5,500**	**2,827**	**8,327**

Source: PNB Human Resource Group

Breakdown per Group for 2023

Group	2021			2022			2023		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
Consumer Finance Sector[16]	0	0	**0**	0	0	**0**	285	179	**464**
Corporate Secretary's Office	4	17	**21**	6	16	**22**	17	6	**23**
Credit Management Group	167	148	**315**	158	147	**305**	112	147	**259**
Enterprise Information & Cyber Security Group	10	9	**19**	14	15	**29**	12	14	**26**
Enterprise Services Sector	174	172	**346**	167	167	**334**	169	177	**346**
Financial Management, Strategy, and Sustainability Sector[17]	43	94	**137**	41	90	**131**	95	42	**137**
Global Banking and Markets Sector	18	36	**54**	26	56	**82**	60	34	**94**
Global Compliance Group	21	35	**56**	17	29	**46**	37	25	**62**
Human Resource Group	20	56	**76**	21	50	**71**	63	27	**90**
Information Technology Group	244	144	**388**	236	129	**365**	140	264	**404**
Institutional Banking Sector	97	242	**339**	94	242	**336**	246	101	**347**
Internal Audit Group	55	88	**143**	49	84	**133**	87	51	**138**
Marketing and Brand Management Sector	17	22	**39**	15	26	**41**	35	16	**51**
Office of the Corporate Treasurer	2	16	**18**	2	18	**20**	17	2	**19**
Office of the President	4	2	**6**	4	2	**6**	3	3	**6**
Operations Group	300	518	**818**	433	549	**982**	561	478	**1,039**
Public Affairs Group[18]	3	8	**11**	3	6	**9**	0	0	**0**
Retail Banking Sector	1,636	3,955	**5,591**	1,365	3,560	**4,925**	3,407	1,191	**4,598**
Risk Management Group	25	48	**73**	20	42	**62**	45	20	**65**
Trainees (BOTP, JEDI, MTP)	40	47	**87**	46	92	**138**	48	26	**74**
Trust Banking Group	19	65	**84**	19	69	**88**	61	24	**85**
Retail Lending Group[19]	0	0	**0**	59	134	**193**	0	0	**0**
Grand Total	**2,899**	**5,722**	**8,621**	2,795	**5,523**	**8,318**	**5,500**	**2,827**	**8,327**

Source: PNB Human Resource Group

[16] Consumer Finance Sector was created consolidating Cards and Payments Group (CPSG) and Retail Lending Group effective October 27, 2023.
[17] Financial Management Sector (FMS) was renamed to Financial Management, Strategy, and Sustainability Sector (FMSSS) to include the Corporate Sustainability Department which used to belong to the Public Affairs Group from June 2019 until its dissolution in September 2023.
[18] Public Affairs Group was officially dissolved in September 2023.
[19] Retail Lending Group integrated with the Consumer Finance Sector last October 2023.

The Retail Banking Sector, Operations Group, Consumer Finance Sector, Information Technology Group, Institutional Banking Sector, and Enterprise Services Sector have the highest number of employees for 2023. These groups and sectors also have the highest number of female employees.

In 2023, there had also been movements and rationalization of branches and various groups and sectors. This includes the creation of Consumer Finance Sector (CFS) consolidating Cards and Payments Solutions Group (CPSG) and Retail Lending Group (RLG), renaming of Financial Management Sector (FMS) to Financial Management, Strategy, and Sustainability Sector (FMSSS) to include the Corporate Sustainability Department, the dissolution of the Public Affairs Group, and lastly, the re-structuring of the Marketing and Brand Management Sector.

New Hires, New Blood of Philnabankers

In 2023, we had 1,069 new hires, comprising 12.84% of the total employee population. There are 694 (64.92%) female new hires while 238 (35.08%) are male new hires. Our hiring rate increased by 58.61% from the 674 new hires in 2022. We had more female new hires for the last three consecutive years.

Majority of our new hires are from ages 30 years old and below (68.85% or 736), with most of them within the rank-and-file level (652) and majority of our employees across the age groups are from the National Capital Region (59.31%).

Breakdown of New Hires per Age and Gender

2021			
Age Range of New Hires	Female	Male	Total
< 30 y.o.	98	43	**141**
30-50 y.o.	44	35	**79**
> 50 y.o.	1	1	**2**
Total	**143**	**79**	**222**

2022			
Age Range of New Hires	Female	Male	Total
< 30 y.o.	307	151	**458**
30-50 y.o.	120	78	**198**
> 50 y.o.	9	9	**18**
Total	**436**	**238**	**674**

2023			
Age Range of New Hires	Female	Male	Total
< 30 y.o.	502	234	**736**
30-50 y.o.	183	131	**314**
> 50 y.o.	9	10	**19**
Total	**694**	**375**	**1,069**

Source: PNB Human Resource Group

Breakdown of 2023 New Hires per Island Group

Age Range	Female	Male	Total
< 30 y.o.			
• NCR	262	128	**390**
• Luzon	93	36	**129**
• Visayas	98	34	**132**
• Mindanao	49	36	**85**
• Overseas	0	0	**0**
30-50 y.o.			
• NCR	133	94	**227**
• Luzon	27	23	**50**
• Visayas	15	10	**25**
• Mindanao	8	4	**12**
• Overseas	0	0	**0**
> 50 y.o.			
• NCR	8	9	**17**
• Luzon	1	0	**1**
• Visayas	0	0	**0**
• Mindanao	0	1	**1**
• Overseas	0	0	**0**
Total	**694**	**375**	**1,069**

Source: PNB Human Resource Group

To attract new talent, we actively participated in career talks, career fairs, and offered internship programs for students from colleges and universities. We conducted two job fairs held at PNB Financial Center in July and November 2023 wherein we had received 444 applications.

In 2023, we launched the Employee Referral Rewards Program to provide incentives for employees who can successfully refer talents for officer vacancies. We also utilized social media channels and job boards (i.e., LinkedIn, JobStreet) to advertise job vacancies to the public.

Total Employee Movements in 2023

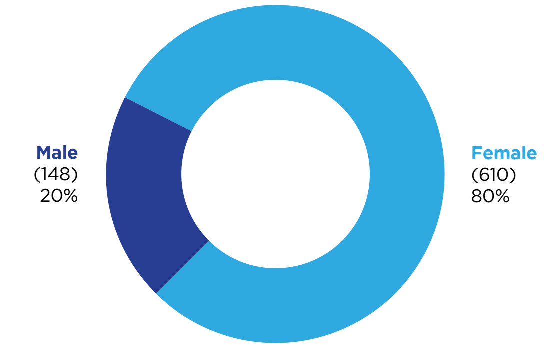
Source: PNB Human Resource Group

Our management is committed to provide employees with flexible career paths and a chance to explore different roles with other groups within the Bank.

Employee movements[20] are allowed by the Bank to retain employees, keep them engaged and motivated, and ensure that they are in roles where they can excel and contribute effectively. For 2023, there was a total of 7,895 employees who moved within the Bank, in which 74% (5,816) are female while 26% (2,079) are male.

The Bank may also acquire services from individuals under management contract/consultancy or outsource personnel for a specific project to help the Bank fulfill its deliverables.

Breakdown of On-the-Job Trainees in 2023



Source: PNB Human Resource Group

[20] Employee movements for PNB refers to permanent and temporary transfers.

We also provide On-the-Job Training (OJT) Program to students from reputable colleges and universities for them to experience the corporate work environment. In 2023, we had a total of 758 OJTs from 53 colleges/ universities. OJTs can be the Bank's source of candidates for potential employment.

Our Bank's attrition rate in 2023 was at 12.86%. We had 1,070 employees who voluntary and involuntary separated from the Bank, excluding those with End of Contracts (EOC). This is an increase of 3.68% from our attrition rate in 2022. Relative to this number, 11.26% or 937 are voluntary separations due to resignations and availment of early retirement.

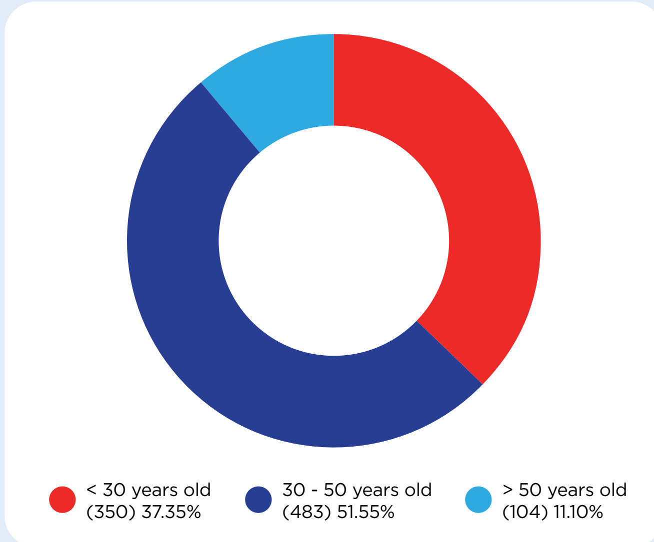
Breakdown of Voluntary Separations per Gender and Position in 2023

Gender	Officer	Rank-and-File	No. of Separations	Attrition Rate
Female	290	341	631	**67.34%**
Male	147	159	306	**32.66%**
Grand Total	**437**	**500**	**937**	**100.00%**

Source: PNB Human Resource Group

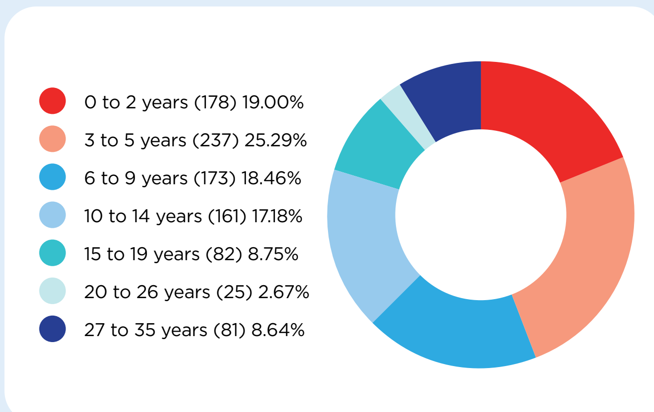
Female employees have the highest bank-wide attrition rate at 67.34% (631) compared to male employees at 32.66% (306). Among all groups, the age bracket of 30 to 50 years old remains to the have the highest number of separations with attrition rate of 51.55% (483) followed by age bracket below 30 years old at 37.35% (350). In terms of rank, there are more rank-and-file employees who left the Bank in 2023 at 53.36% (500 employees). Employees with tenure of three to five years of service in the Bank have the highest attrition rate (25.29% or 237).

Breakdown of Voluntary Separations per Age Group in 2023



Source: PNB Human Resource Group

Breakdown of Voluntary Separations per Tenure in 2023



Source: PNB Human Resource Group

We continue to review and assess our recruitment and selection processes to make sure that the right talents are hired and retained. Moreover, we also study the cause of employee separations to further improve our hiring, engagement, and retention programs.

Our Employee Compensation and Benefits Package
GRI 2-30, 3-3, 401-2, 401-3
SDG 5, 8, 10

We abide by principles of 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.

We regularly review and improve our remuneration and benefits package 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 is presented to the Corporate Governance and Sustainability Committee and the Board of Directors for review and approval.

We provide competitive salaries and law-mandated benefits to eligible employees that include sick, emergency, and vacation leaves. Other leaves that we provide 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 2023, our Bank offered Flexible Leave Monetization where employees with financial emergencies may request to monetize his/her unused leave credits even if the employee has not reached the leave credits threshold to be eligible for leave monetization.

We continue to provide Alternative Work Arrangements (AWA) depending on the nature of job and the employee's capability to work from home. Employees may avail of the telecommuting arrangement subject to evaluation and approval of the Bank's Information Technology Group, Enterprise Information and Cyber Security Group, and the concerned sector and group heads.

Furthermore, we continue to provide a comprehensive healthcare coverage, group life insurance coverage, retirement plan, guaranteed bonuses, provision of uniforms for rank-and-file employees and clothing allowance for officers, holiday pay, rice subsidy, loyalty awards, medical allowance, and dental and optical allowance.

Employees are also given allowances for their Christmas party and team-building activities. Allowances and benefits such as hazard pay and fuel allowance are provided to employees with functions such as teller and cash representatives and credit investigators/ appraisers.

Eligible employees may also avail of car plans, general purpose loan, housing loan program, and motor vehicle loan.

Some of our employees' benefits such as the healthcare insurance are extended to their dependents. Employees who have children dependents may also apply for scholarship with the Tan Yan Kee Foundation Inc. (TYFKI) which is the CSR arm of the Lucio Tan Group of Companies. Moreover, when our employees retire, they can continue to enjoy their HMO coverage for up to two years after their mandatory retirement.

For 2023, a total of 372 employees took parental leaves, 289 or 77.69% of which are female. The Bank's return rate for men and women employees who took parental and solo parental leave was at 100%. Retention rate for employees who took parental leaves and for those who availed of solo parental leaves was both at 100%.

Benefits Breakdown in 2023

Benefits	# of women who availed	% of women who availed	# of men who availed	% of men who availed
SSS (Loan, Sickness, Maternity)	1,243	22.60%	507	17.93%
PhilHealth	350	6.36%	118	4.17%
Pag-IBIG	438	7.96%	250	8.84%
Parental leave	289	5.00%	83	3.00%
Vacation Leave	3,926	71.00%	1,941	69.00%
Sick Leave	3,973	72.00%	1,895	67.00%
Medical benefits (aside from PhilHealth)	0	0.00%	0	0.00%
Housing assistance (aside from Pag-IBIG)	9	0.16%	5	0.18%
Retirement fund (aside from SSS)	703	12.78%	345	12.20%
Further education support	0	0.00%	0	0.00%
Company Stock options	0	0.00%	0	0.00%
Telecommuting	1,124	20.00%	738	26.00%
Flexible Working hours	646	11.75%	470	16.63%

Source: PNB Human Resource Group

Parental Leave

	2021			2022			2023		
	FEMALE	MALE	TOTAL	FEMALE	MALE	TOTAL	FEMALE	MALE	TOTAL
Total number of employees that were entitled to parental leave	141	7	**148**	237	69	**306**	289	83	**372**
No. of qualified employees who took parental leave	141	7	**148**	237	62	**299**	289	83	**372**
No. of qualified employees who took parental leave and returned after the leave expired	137	7	**144**	237	62	**299**	289	83	**372**
Return to Work Rate	**97.30%**	**97.30%**	**100%**	**100%**	**100%**	**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 2023				128	7	**135**	271	84	**355**
Total number of employees that took parental leave in 2022				141	7	**148**	271	84	**355**
Retention Rate				**90.78%**	**100%**	**95.39**	**100.00%**	**100%**	**100%**

Source: PNB Human Resource Group

Solo Parental Leave

	2023		
	Female	Male	Total
Total number of employees that were entitled to parental leave	192	14	**206**
No. of qualified employees who took parental leave	163	11	**174**
No. of qualified employees who took parental leave and returned after the leave expired	163	11	**174**
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 2023	137	10	**147**
Total number of employees that took parental leave in 2022	137	10	**147**
Retention Rate	**100%**	**100%**	**100%**

Source: PNB Human Resource Group

SUSTAINABILITY REPORT

Employee Learning and Development
GRI 3-3, 404-1, 404-2, 404-3
SDG 4, 5, 8, 10

Human capital development reflects our commitment to nurture our employees' professional growth and potential while, at the same time, helping the Bank achieve its objectives. We put premium in the learning and development of our employees to help them become more effective in their respective roles, as well as to equip them in meeting challenges and harnessing opportunities at work.

Through our Human Resource Group's Institute for Banking Excellence (IBE), we provide capacity-building activities for employees across the organization that are aligned with the mission, goals, and strategic objectives of the Bank.

We conduct our training activities and programs that address both soft and technical skill requirements, providing employees with the right competencies needed to perform their job functions effectively. These include New Employee Orientations (NEO), compliance and regulatory training (i.e., Auditor's Training Program, Financial Crime Risk Awareness Training, AML Seminars, BSP Seminars), product and systems orientation (i.e., Adobe Sign Walkthrough Sessions, Allianz PNB Life Insurance Products, Auto Loans Webinar, Investment Product Orientations, InstaPay Webinar, Microsoft Azure), processes (i.e., ATM Reconciliation, Inward/ Outward Clearing, Tellering, and New Accounts Seminar), behavioral, supervisorial, management and leadership development, among others.

In 2023, aside from the use of MS Teams, we ramped up the in-person or face-to-face training programs with the lifting of restrictions of COVD-19.

We also maximized the use of the LinkedIn Learning platform in providing on-demand 24/7 available learning content on both behavioral and technical courses to supplement the instructor-led trainings (virtual and face-to-face) for employees. We launched monthly-themed learning journeys via the LinkedIn Learning platform by curating learning modules in collaboration with various groups / sectors of the Bank on topics such as Anti-Money Laundering (AML) and Information Security and Data Privacy Awareness Training (ISDPAT).

As previously mentioned, our HRG-IBE and the Corporate Sustainability Department launched PNB S.T.E.P (Sustainability Training and E-learning Program) in August 2023 with the pilot learning module on the PNB Sustainability Policy. It is a specialized program developed to educate Philnabankers on the Bank's sustainability thrusts and relevant sustainability and ESG topics.

As of December 2023, we have activated 99% of employees on the LinkedIn Online Learning platform with 39, 918 course completions.

99% LinkedIn Online Learning Employee Activation

39,918 Completed LinkedIn Learning Modules/Courses

Source: PNB Human Resource Group

In 2023, HRG-IBE launched three new training programs. The first program called, "Managing People for Peak Performance (MP3)", aims to provide leaders with various tools to help them manage employee performance and learn strategies for successful coaching, counseling, and motivation of employees. The Psychosocial Program, on the other hand, aims to empower participants to contribute to helping solve emerging psychological, mental, and social problems as well as help hone their skills in addressing personal and social issues at work. We also have the Transform, Engage, and Move towards Collaboration (TEAM) Program which aims to promote teamwork and collaboration.

Philnabankers are also encouraged by management to attend external trainings and seminars on specialized topics such as security management, anti-money laundering, consumer protection, sustainability, sustainable finance, cyber security, digitalization, gender equality, and diversity and inclusion, among others.

We also have robust leadership programs for both new and experienced employees to help them succeed in their new roles and advance in their careers. The Junior Executive Development Institute (JEDI) is a program that aims to provide developmental opportunities to new hires in terms of overall preparedness and technical competencies to prepare them to assume greater responsibilities and become the Bank's future leaders. The Management Training Program (MTP) is the leadership development program that strengthens the leadership and management competencies of identified high potential employees. The Branch Operations Training Program (BOTP), on the other hand, is the leadership program for branch employees to prepare them to assume greater responsibilities as branch officers and equip them with the requisite knowledge and skills to effectively manage operations at the branch level.

In addition to these leadership programs, we also have a mentoring program in place where experienced leaders in the Bank mentor and guide potential employee leaders. We developed an in-house mentee orientation under the umbrella program of PNB BLOOM (Building Leaders by Opening Opportunities thru Mentoring). This program aims for mentees to fully engage in a formal and structured mentoring relationship guided by a personal development plan in an atmosphere of mutual trust and respect.

581 JEDI Graduates since 2009
794 MTP Graduates since 2004
1,634 BOTP Graduates since 2010

63 Mentors since 2022

98 Mentees since 2022

Source: PNB Human Resource Group

PNB has put in place a Succession Management Program (SMP), a dynamic and ongoing process of strategically and systematically identifying, assessing, and developing talent for future critical roles. We have equipped our officers with the required skills and knowledge in leading and managing teams effectively, drive innovation and change, and adapt to the evolving business environment. We established a strong pipeline of future leaders who are ready to lead the organization to continue the business and achieve success for the Bank in the years to come.

In addition, we also enrolled some of our officers to the Asian Institute of Management's Management Development Program (AIM MDP). This program is an enhanced and accelerated leadership program specific for executives and leaders who are constantly managing change to lead, inspire, and transform a hyper-connected workforce. Since 2019, we have sent a total of 33 officers (Relationship Managers, Area/Region Heads, Managers, and Section/Department/ Division/ Group/ Sector Heads) to this program.

	2019 to 2023		
Rank	Total No. of Participants in the Management Development Program	Female	Male
Manager	4	4	0
Area Head	4	2	2
Section Head	1	0	1
Department Head	8	4	4
Division Head	11	8	3
Region Head	3	0	3
Group Head	2	2	0
Total	**33**	**20**	**13**

SUSTAINABILITY REPORT

10 Officers enrolled in the AIM Management Development Program (MDP) in 2023:

8 Women
2 Men

Source: PNB Human Resource Group

We promote a culture of learning among our employees by requiring them to attain 32 training hours and including this as part of their annual performance review. For 2023, a total 8,244 or 99% of the total employees attained 396,274 training hours, with an average of 48.07 training hours per employee. Out of this number, the women clocked in a total 263,027 training hours while the men attained 133,247.00 training hours. Employees in the rank-and-file also received more trainings for the reporting period, logging in a total of 249,107 training hours.

We continuously evaluate and improve our capacity building activities to ensure that they remain relevant for our employees and the Bank. We use feedback forms, post-training learning assessments, self-assessment questionnaires, revalidation, panel discussions, and feedback from immediate supervisors to further enhance our learning and development programs.

Training Hours by Gender

	2021			2022			2023		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
No. of Employees	5,745	2,911	**8,656**	5,499	2,784	**8,283**	5,452	2,792	**8,244**
No. of Training Hours	140,141.33	90,580.45	**230,721.78**	267,921.00	136,585.00	**404,506.00**	263,027.00	133,247.00	**396,274.00**
Average No. of Training Hours Per Employee			**26.65**			**48.83**			**48.07**
Average No. of Training Hours Per Gender	24.39	311.11		48.72	49		48.24	47.72	

Source: PNB Human Resource Group

Training Hours by Rank

	2021			2022			2023		
	Officers	Rank and File	Total	Officers	Rank and File	Total	Officers	Rank and File	Total
No. of Employees	4,644	4,012	**8,656**	4,441	3,842	**8,283**	4,399	3,845	**8,244**
No. of Training Hours	90,730.25	139,991.53	**230,721.78**	158,987.00	245,519.00	**404,506.00**	147,167.00	249,107.00	**404,506.00**
Average No. of Training Hours	19.54	34.89	**26.65**	35.8	63.9	**48.83**	27.19	64.91	**46.05**

Source: PNB Human Resource Group

The Bank implements regular performance reviews to determine if employees were able to meet their work objectives and professional goals. We do the performance reviews on a semi-annual basis for our rank-and-file employees while performance reviews for officers are done on a yearly basis.

In early 2023, 7,861 or 94.51% of our employees received regular performance and career development reviews for their 2022 performance. This figure is translated to 3,529 (45%) Rank-and-File employees and 4,332 (55%) officers. Performance review of employees for the year 2023 will be conducted in early part of 2024.

7,861 (94.51%) employees received performance review:

4,332 (55%) Officers
3,529 (45%) Rank and File

Source: PNB Human Resource Group

We have a total of 1,832 (22%) employees promoted in 2023. One thousand two hundred seventy-seven (1,277) or 70% of these are women while the remaining 555 or 30% are men.

1,832 (22%) Promoted Employees in 2023

1,277 (70%) are women
555 (30%) are men

Source: PNB Human Resource Group

Ensuring the Safety, Security, 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

We commit to provide a safe and secure working environment for employees as this contributes to their productivity and efficiency. As such, we put importance on the workplace safety and security of our employees, as well as our customers, in our operational risk management.

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 current, evolving, and 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) Manual in place that contains our policies, procedures, and programs to protect our employees from work-related hazards, injury, sickness, and death, as well as to maintain a safe and healthy work environment for them.

Our Occupational Safety, Health, and Family Welfare (OSHFW) Committee, composed of the Head of Human Resource Group as the Chairperson, the Chief Security Officer as Vice Chairperson, and representatives from both management and employee labor unions, regularly reviews our manual and oversees the implementation of occupational and safety programs and initiatives for the Bank consistent with the existing OSH laws and regulations of the country. They identify and evaluate occupational safety hazards and recommend systematic

and appropriate initiatives to prevent and mitigate these. Among the programs and initiatives of the committee include the following key areas: safety and health inspections; work accident investigation and analysis; evaluation of safety performance; workplace policy and program on Hepatitis B, HIV/AIDS, tuberculosis, breastfeeding, alcohol-free workplace, smoke-free workplace, and drug-free workplace; awareness and dissemination of safety advisories through different channels on natural and/or man-made calamities; conduct of disaster/emergency response training for PNB employee floor marshals; regular fire and earthquake drills and first aid training; annual bomb threat management trainingr; and deployment of emergency responders.

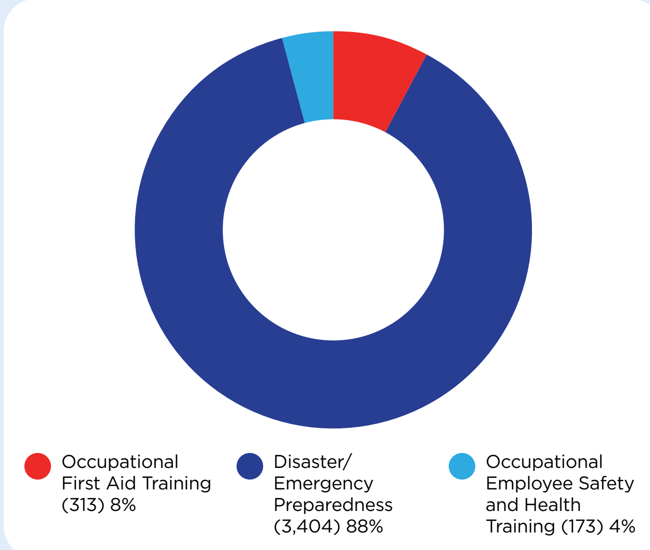
Likewise, the OSHFW Committee is responsible for planning and implementing the Bank's Family Welfare Program (FWP) aligned with the Department of Labor and Employment's (DOLE) policy which includes reproductive health and responsible parenthood, education and gender equality, spirituality or value formation, income generation/livelihood/cooperative, medical health care, nutrition, environmental protection, hygiene and sanitation, sports and leisure, housing, and transportation.

We identify occupational hazard risks according to standards set by the DOLE. 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 have a Business Continuity Plan (BCP) which is regularly revisited and updated. This serves as guidance for all possible emergency conditions/contingencies the Bank must contend with in the conduct of its operations. The BCP has defined procedures to be followed in recovering critical functions on a limited basis in the event that emergency conditions and crisis arise, thus, ensuring safety and security of all personnel, customers, and critical Bank records, and guaranteeing minimal disruption in the Bank's operations.

We provide regular training and awareness programs to our employees to ensure that they are well-informed about the Bank's OSHW policies and procedures in place. We have qualified and dedicated Safety Officers who are responsible for monitoring and enforcing these policies. At the branch level, our Safety Officers undergo Occupational Employee Safety and Health (OSH) Training under a DOLE-accredited training organization and the Occupational First Aid Training under the Philippine Red Cross. These training topics are also conducted during the Branch Operations Training Program (BOTP), Management Training Program (MTP), and Junior Executive Development Institute (JEDI). We evaluate our trainings through feedback channels, discussions, and surveys.

OSH- Related Trainings participated in by Philnabankers in 2023



Source: PNB Human Resource Group

We communicate our OSH policies with our employees via email blasts, virtual group huddles / meetings and issuance of memoranda. We also promote health and wellness by releasing health advisories and bulletins and organizing fitness activities.

We adopt a telecommuting work policy and a hybrid work arrangement for our employees to safeguard their health

Our Corporate Security Group (CSG) under the Enterprise Services Sector plays a vital role in maintaining a safe and secure environment for our employees and customers, protecting the Bank's valuable resources against crimes, threats, and perceived risks. It implements a hybrid Integrated Security System to monitor and secure our personnel, customers, and premises on a 24/7 basis.

CSG works closely with various law enforcement agencies, emergency and disaster management offices, as well as local communities to mitigate, if not eliminate, risks and address security issues effectively. The group also conducts regular security audits to identify vulnerabilities and ensure compliance with current security protocols and procedures.

Complementing its Nationwide Guard Manning System, our CSG conducts regular and random/targeted security survey and assessment of local branches and offices nationwide as well as that of offsite ATMs as part of its target hardening security initiatives. It has also been at the forefront of pursuing and apprehending internal and external fraudsters within the Bank and has been instrumental in the prosecution and imprisonment of malefactors.

We ensure that members of our security force are regularly updated in their trainings, individually and as a group, not only in the areas of security and safety but also on disaster management and emergency response. As a pre-requisite in deploying security personnel, we ensure 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. They also receive refresher training on Marksmanship, First Aid, Disaster / Emergency Response, and Theft and Fraud Prevention. Also, related topics on gender equality and diversity and basic human rights are integrated in the training program of third-party service providers.

To "stay on top of the game", as a catalyst in the security industry, three officers of CSG led by its Chief Security officer (CSO) underwent an extensive Certified Security Professional (CSP) Course this year exclusively conducted by the Philippine Society for Industrial Security International. CSP is deemed as the 'gold standard' in the security profession. CSG made an indelible mark in their training batch which was composed of practitioners from various industries as they earned the Top 3 ranking, with the CSO as board topnotcher.

Our CSG also launched various activities to further enhance employee and client security and safety awareness. In 2023, they spearheaded the Philippine Identification System (PhilSys) Onsite Distribution of Digital Version and Registration of National ID to Philnabankers, LTGC employees, third-party service providers, and employees' immediate family members in partnership with the Philippine Statistics Authority (PSA). Held at the PNB Financial Center, this initiative

enabled employees and their immediate family members to conveniently register for their National IDs or claim the digital version of their ID.

In addition, CSG pioneered and organized a Cybercrime Forum customized for employees to address and combat financial crime. CSG partnered with the Philippine National Police (PNP) Anti-CyberCrime Group, and this was deemed as the first solid partnership between a key anti-cybercrime unit in the country and a financial institution. CSG also conducted a Nationwide Security Assembly where they discussed latest security trends, evolving threats, and regulatory requirements. CSG organized the Commission on Human Rights Forum on Mainstreaming Business Sustainability and Development Framework to promote business human rights at the workplace. They also carried out a Bomb Threat Management and Simulated Bomb Drill to guide all PNB Office Marshalls on what to do during an actual bomb threat situation.

Our CSG has also been invited by various groups within the Bank to onsite/virtual orientations/trainings to discuss Fire and Earthquake preparedness. In March 2023, the Bank, through the leadership of our CSG, joined in the nationwide simultaneous earthquake drill wherein 1,772 employees from the PNB Financial Center and PNB Makati Center performed the 'duck, cover, and hold' protocol in preparation for possible earthquake scenarios. CSG also facilitated fire and earthquake drills in December 2023 in coordination with ETON Properties Management Corporation (EPMC) and the Bureau of Fire Protection (BFR) to comply with the provisions of the Fire Code of the Philippines and in line with the Bank's disaster preparedness program. A total of 1,750 employees participated in the said activity.

In 2023, the Bank had a total of 3,347 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 Services Rendered	NCR/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.	
Security	0	1,557	0	0	394	0	0	349	0	0	3	1	**2,304**
Maintenance/ Janitorial/ Housekeeping	129	326	61	33	67	18	0	0	0	2	4	5	**645**
Clerical/ Messengerial	139	79	22	0	0	0	0	0	0	0	11	0	**251**
Drivers	0	2	1	0	0	0	0	0	0	0	0	0	**3**
IT	83	32	5	7	6	0	6	5	0	0	0	0	**144**
Total	**351**	**1,996**	**89**	**40**	**467**	**18**	**6**	**354**	**0**	**2**	**18**	**6**	**3,347**

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. Total safe manhours of PNB is at 16,720,616.

Managing Labor Relations

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

We continue to enjoy industrial peace and harmony because of the cooperation and collaboration, anchored on mutual trust and respect, between top management and the labor union.

This good relationship is maintained through constant dialogue to discuss and resolve issues and concerns through the Labor Management Council (LMC). The Bank's labor union (Philnabank Employees Association), on the other hand, continues to negotiate for better work terms and conditions for employees through collective bargaining and negotiations.

A total of 3,818 or 46% of our employees were covered by the Collective Bargaining Agreement (CBA) of the Bank in 2023. Out of this number, 3,179 or 83% of the total employee population are union members. Sixty-seven percent (67%) or 2,135 are female members while 33% or 1,044 are male members.

We inform our employees in case of significant operational changes. We also communicate organizational changes, change in roles, and people movements through release of email advisories, and official inter-office correspondence to notify employees accordingly.

LMC meetings are regularly conducted to allow both the management and the union members to discuss employee concerns, clarify HR policies, and collaborate on initiatives. The union is requested to support the management in many activities and vice versa.

We also have a grievance mechanism in place to address or resolve any misunderstanding, dispute, or controversy arising from the interpretation and implementation of any provision in the existing CBA. This grievance mechanism is recognized in the CBA to resolve non-adversarial labor-related issues. Furthermore, to prevent escalation of issues, the Bank's HR Lawyer is tasked to conduct an alternative dispute resolution.

Representatives of the union are 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. They are also invited to send representatives to the Occupational Safety, Health, and Family Welfare (OSHF) Committee and during administrative investigations.

Promoting Lawful and Ethical Behavior

GRI 2-24, 2-25, 2-26, 2-30, 3-3, 205-1, 205-2 205-3
FN-CB-510a.2
SDG 16

We subscribe to the highest standards of corporate governance and commit to maintain the public's trust by ensuring that all our employees, officers, and directors conduct themselves lawfully and ethically.

We developed and disseminated policies for various key areas such as Code of Conduct, Corporate Governance, Selling of PNB Securities, Soliciting and/or Receiving Gifts, Personal Investment, Whistleblowing, Office Decorum, and Anti-Bribery/Anti-Corruption to guide the proper conduct and behavior of our employees at work and in dealing with both our internal and external stakeholders.

Specifically, we exercise zero-tolerance towards offenses related to bribery, corruption, and other unethical behavior. Our Anti-Bribery and Corruption (ABC) Policy explicitly prohibits any form of giving, promising, authorizing, offering, soliciting, or receiving items of value, whether directly or indirectly. This is to prevent any inappropriate influence on decisions or actions of our employees, ensuring that no party gains an unfair advantage. Our Anti-Bribery and Corruption provisions are integrated in the Bank's Office Decorum policy.

We continue to strengthen, cascade, and reinforce these policies in all communication and training programs until these are embedded and institutionalized as part of our work practices and culture. In addition, we regularly revisit and update

these policies to ensure their relevance in our current work situations.

New employees are required to read and understand the policies prior to onboarding. These policies are also discussed during the New Employees Orientation (NEO). All employees can also easily access these policies and guidelines through the Bank's intranet facility, and through the PNB website for certain policies.

Employees who violate these policies are sanctioned in accordance with the Bank's Code of Conduct. Disciplinary measures are applied for employees who are found guilty. The Ethical Standards Committee (ESC) is the disciplining authority for serious violations. The ESC is composed of senior bank officers from various groups. It is tasked to deliberate on serious administrative and financial accountability violations committed by the 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 involving employees of all genders.

We continue to promote the "speak up" culture within the organization by disseminating our Whistleblower's Policy through webinars and internal email advisories. This policy puts in place a mechanism for reporting erring behavior that violates the Bank's policies and code of conduct. We also made available channels for whistleblowers to use (i.e., e-mail, SMS) to report errant employee behavior. Any report received through these reporting channels 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.

We continue to assess our operations for risks related to bribery and corruption, particularly our outsourcing and vendor management practices. We 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.

As of December 2023, 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 commit to create a gender-balanced and inclusive workforce. We demonstrate this by adopting and observing the principles of gender equality and diversity and inclusion across all people programs of the Bank such as recruitment, promotion, career development, training, pay administration, as well as in any employee engagement activities of the Bank.

We also observe these principles in the execution of our marketing strategies and development of marketing materials by ensuring that our marketing collaterals, as well as communication materials, produced internally or through an agency, are gender-neutral, inclusive, and portray all genders in a respectable manner.

We continue to provide a safe and secure working environment for our employees. 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, and extending the coverage beyond our own employees to our external stakeholders such as outsourced personnel.

We organized a virtual instructor-led training program called "InDiVisible" that covered diversity and inclusion. It fostered diversity and inclusion through personal transformation, resulting in harmony and creating a more inclusive work environment. In addition, we have curated learning paths on gender equality and diversity and inclusion on LinkedIn Learning via our monthly themed learning journal. In 2023, we showcased a learning calendar for our employees on topics such as "Celebrating Women" last March 2023 and "Collaborating in a Multigenerational Workplace" last October 2023.

In addition, the Bank organized activities targeted for Philnabankers who are parents. In observance of Mothers' Day in May 2023, our Human Resource Group initiated a photo-sharing activity for employee moms featuring their proud moments with family members. A webinar session focusing on the importance of being an ally to our mother employees was also organized in partnership with Philippine Business Coalition for Women Empowerment.

Employee dads, on the other hand, were recognized during Fathers' Day in June 2023. An online trivia contest was held to test the memory of Philnabanker dads on father figures in Philippine cinema and history. Philnabankers were also asked to give their definition of what a father is.

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 drive success for the Bank. As such, we continue to improve our recognition and rewards programs to inspire them to continue doing their best and serve as role models for fellow Philnabankers.

To recognize excellence at work and to promote the core values of the Bank, we continue to implement the Living Our Values Everyday (L.O.V.E.) bulletin to showcase actual stories of Philnabankers living the core values. Another employee recognition initiative is the 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.

We also continue to hold the hybrid Service Excellence Awards and Recognition event semi-annually to recognize loyalty awardees and the employees who went the extra mile in their line of work. The Service Excellence Awards has been expanded to include a category on continuing Professional Development to recognize employees' continuous commitment to pursue learning and development in their line of work. Apart from the Service Excellence Awards, other commendable employees also received a What Outstanding Work! (WOW!) Award, and a Circle of Excellence Award. A total of 29 individuals and 38 teams were recognized for their exemplary performance in 2023.

SUSTAINABILITY REPORT

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

Promoting Wellness and Work-Life Harmony

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

As part of our commitment to safeguard the overall well-being of our employees, we continue to develop and implement activities through different platforms to help them improve their physical, mental, and spiritual wellness; foster teamwork and camaraderie; strengthen social and organizational commitment; and promote work-life harmony.

- ***Physical, Mental, and Spiritual Wellness***

  GRI 403-6

  We renewed our comprehensive health care coverage for employees which addresses both physical and mental health, including the Annual Physical Examination (APE) and medical teleconsultation hotlines.

  We organized fun runs and cycling activities during the Bank's anniversary month, as well as launched the Bank-sponsored face-to-face dance classes for our Head Office employees.

  Last year, we implemented new programs such as Pangmalakasan Ng Bayan (weight loss program and Wellness Wednesday Sessions) to promote healthy living among employees, and the Tuesday Health Series to cover both physical and mental health. In addition, we promoted the Bike-to-Work initiative by giving special IDs and parking space and providing a shower area to employees who ride bicycles going to work.

We continue to sponsor webinars on mental health and managing work relationships. We also continue to make available to our employees an internal mental health hotline. In 2023, we had a total of 50 employees who were provided mental health support through our in-house certified psychosocial support facilitator.

To strengthen relationships among Philnabankers, we launched the My PNB Buddies photo contest during Valentine's Day which showcased friendships among Philnabankers.

In addition, employees are encouraged to form social groups as a way for the Bank to support their social wellness. Last year, the Bank recognized two interest clubs, namely, the Badminton Club and Bowling Club, which both participated in the 2023 Bankers' Athletic Association Tournament. The Basketball Club joined the LTG basketball tournament while the E-Sports Club, Cycling Club, and Dance Club organized or engaged in internal activities of the Bank. The E-Sports Club had, on its second year, its annual online game conference while the Dance Club performed during the 2023 RBS Sales Rally and partnered with the Human Resource Group for the face-to-face dance workout sessions for employees at the PNB Financial Center. The Cycling Club, on the other hand, worked in tandem with the Human Resource Group for the 107-kilometer virtual cycling challenge, "Padyak Na, Bayan" held during the Wellness and Sustainability Fair of the Bank last November 2023. Proceeds from this activity were donated to the employee-giving fund of HRG, the "Pagtutulungan Ng Bayan".

We also continue to regularly hold Catholic masses and Catholic and Christian spiritual talks (e.g., Faith-full Thursdays) to help strengthen our employees' personal values and sense of purpose and community.

- ***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 new vision and mission statements, new core values, business objectives, strategy, and targets.

In addition to email advisories and memoranda, we also communicate any news or happenings inside the Bank among our employees through our internal communications channel - the PNB Engage on SharePoint. This official internal communications channel of the Bank features messages from the President; Philnabanker communities; HR stories on the core values; internal job vacancies; and other employee-related matters; corporate sustainability initiatives; technology features; awards and accolades of the Bank; press releases; and stories and updates from business and support groups.

We hold town halls called "Pulong Ng Bayan" where the President shares and discusses new developments and key challenges and opportunities for the Bank, as well as how to improve profitability and efficiency as we continue to execute the PNB Strategy.

At our branches, our employees conduct huddles every morning to strengthen bond as a team, discuss various topics pertaining to business and people, review challenges encountered, celebrate wins, and talk about other relevant matters. It is also during huddles that the branch employees are re-oriented on the objectives of their group and sector, and the vision and mission statements and core values of the Bank.

- ***Fresh Vegetables for Our Employees and Outsourced Personnel***

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

The fresh produce can be ordered through the Corporate Sustainability Department or directly from TYKFI via e-mail, SMS, or Viber. The ordered goods are then delivered to PNB Makati Center and Financial Center for free or straight to the employees' homes for a minimal delivery fee.

Our outsourced personnel can also buy fresh produce in small batches at a very low price straight from TYKFI staff who deliver to PNB Makati Centre and Financial Centre every week.

SUSTAINABILITY REPORT

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

We continued the Project P.L.A.N.E.T. campaign which is an internal environmental awareness and carbon footprint reduction campaign for Philnabankers launched in July 2019. For 2023, the campaign's messaging focused on the national and/or global observances such as the World Environment Day and Earth Hour.

In addition, we partnered with Eton Properties Management Corporation to launch a campaign focused on proper waste management, particularly on the avoidance of single-use plastic, among the employees based in PNB Makati Center and PNB Financial Center.

Simple tips to avoid the use of non-recyclable and non-biodegradable plastics were shared with the employees such as bringing their own food containers at work when they order take-away food and resorting to eco-friendly manner of celebrating holidays. The goal of this campaign is to encourage employees to make a conscious decision to reduce their use of non-recyclable or non-biodegradable plastic at work and at home.


PNB

AG - EDMD

ADVISORY ON PHASING OUT SINGLE-USE PLASTIC AND IMPLEMENTING WASTE SEGREGATION AT SOURCE

ADVISORY ON PHASING OUT SINGLE-USE PLASTIC AND IMPLEMENTING WASTE SEGREGATION AT SOURCE AT PNB FINANCIAL CENTER BY EPMC

The Building Manager of Eton Properties Management Corporation (EPMC), has released and advisory on phasing out single-use plastic and implementing waste segregation at source at PNB FC effective October 31, 2023 per attached memo no. 2023-10-004 dated October 19, 2023.

Your usual full support and cooperation will be highly appreciated. Thank you.

For any questions or require further clarification, please contact Engr. Christian C. Vicente, Building Manager at 02-8832-0517 and/or email at eton.pnbfc@outlook.com

Philippine National Bank (PNB) is supervised by the Bangko Sentral ng Pilipinas (BSP).
This email was sent by: Philippine National Bank
PNB Financial Center, Diosdado Macapagal Boulevard, Pasay City

- ***Digital Wellness and Sustainability Fair***

The Bank, through our Human Resource Group and Corporate Sustainability Department, organized a hybrid five-day Wellness and Sustainability Fair with the theme, "Achieving Strength and Solidarity through Wellness and Sustainability" last November 13 to 17, 2023.

The week-long fair offered online and onsite activities for Philnabankers. Webinar sessions on topics such as holistic proper nutrition, benefits of proper sleep, impact of social media and technology on mental health, financial wellness, and proper waste management were conducted by invited resource speakers every afternoon during the five-day fair.

Wellness and sustainability merchants were invited at PNB Financial Center in Pasay City to put up booths and offer products and services with special discounts for Bank employees. An onsite medical consultation station was also organized for employees during the event.

- ***Pagtutulungan Ng Bayan Employee-Giving Fund***

  The Pagtutulungan ng Bayan Fund is an employee-giving initiative of Philnabankers that helps provide medical financial assistance to fellow employees and their immediate relatives who are ill, involved in accidents, or victims of disasters.

  To raise funds to help support our cause, we sold PNB shirts bearing the "Proud Philnabanker" slogan to employees with the objective of promoting company pride. Proceeds from the sale of these shirts were donated to the fund. A portion from the sale of fun run t-shirts sold to relatives of Philnabankers during the Bank's Anniversary Fun Run in July 2023 also went to the fund.

  In February 2023, under the Celebrate Love at Work Program, the Bank also donated money derived rom partnership with a flower supplier / vendor and an online serenade service ("Project Harana") to the fund.

  In 2023, the Pagtutulungan ng Bayan Fund was able to provide financial medical assistance to five Philnabankers and relatives of PNB employees in the aggregate amount of PhP105,000.00.

- ***PNB Employee Volunteerism Continues***

  GRI 413-1, 413-2

  As of December 2023, a total of 738 Philnabankers rendered an estimated 2,697 volunteer manhours in their respective communities by joining community outreach or employee volunteerism activities such as packing and distributing relief goods, planting trees, coastal clean ups, community clean up drives, gift-giving, feeding programs, bloodletting, and medical and dental missions.

  Employee volunteers also participate in different fundraising activities among Philnabankers and by other non-government organizations. An estimated 2,750 children and adults, 795 families, and 39 communities benefitted from these CSR and volunteerism activities of employees in 25 areas or locations where the Bank has presence.

SUSTAINABILITY REPORT

MEMBERSHIPS

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)
- Association of Philippine Correspondent Bank Officers (APCB)
- 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 opinion, feedback, and recommendations are much appreciated. You may contact the following:

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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, 2023.
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	2-3, 4-5, 6, 97, 216-219, 225-234, Back Cover				
	2-2: Entities included in the organization's sustainability reporting	97, 110-112, 117				
	2-3: Reporting period, frequency and contact point	113, 165 PNB reports on its sustainability activities and initiatives annually.				
	2-4: Restatements of information	In 2022, the Bank's actual fuel consumption is 48,372.68 liters for our Luzon group of branches and offices and 9,059.00 liters for our Mindanao group of branches and offices. As a result, our 2022 greenhouse gas emissions in 2022 is at 16,323.30 tCO2e instead of 20,383.37 tCO2e as disclosed in last year's sustainability report. In addition, the Bank's actual total paper consumption is 220.97MT in 2022 and 189.26MT in 2021. Accurate figures on our fuel and paper consumption from 2021 and 2022 are already reflected in this report.				
	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	2-3, 18-23, 92, 102-104, 108-109, 125-126, 140-142				
	2-7: Employees	143-148				
	2-8: Workers who are not employees	157				
	2-9: Governance structure and composition	64-69				
	2-10: Nomination and selection of the highest governance body	70				
	2-11: Chair of the highest governance body	8-11, 62, 65, 112				
	2-12: Role of the highest governance body in overseeing the management of impacts	79, 110-112				
	2-13: Delegation of responsibility for managing impacts	110-112				
	2-14: Role of the highest governance body in sustainability reporting	79, 110-112, 117				
	2-15: Conflicts of interest	31-32, 77-78				
	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 110-112 for reference.				
	2-17: Collective knowledge of the highest governance body	72-73				
	2-18: Evaluation of the performance of the highest governance body	72				
	2-19: Remuneration policies	71, 92				
	2-20: Process to determine remuneration	93				
	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	8-11, 24, 62-63				
	2-23: Policy commitments	104-107				
	2-24: Embedding policy commitments	104-107, 110-112, 158-159				
	2-25: Processes to remediate negative impacts	158-159				
	2-26: Mechanisms for seeking advice and raising concerns	89-90, 158-159				
	2-27: Compliance with laws and regulations	84-85, 127				
	2-28: Membership associations	165				
	2-29: Approach to stakeholder engagement	113-115				
	2-30: Collective Bargaining Agreements	149, 158				
MATERIAL TOPICS						
GRI 3: Material Topics 2021	3-1: Process to determine material topics	116				
	3-2: List of material topics	116				
ECONOMIC AND GOVERNANCE						
GRI 3: Material Topics 2021	3-3: Management of Material Topics	122-123				

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	122-123				
	201-2: Financial implications and other risks and opportunities due to climate change	118-122 The Bank is still working on integrating climate and E&S criteria in its credit and operational risk management systems.				
	201-3: Defined benefit plan obligations and other retirement plans	71-72, 94				
GRI 3: Material Topics 2021	3-3: Management of Material Topics	123-125				
GRI 203: Indirect Economic Impacts 2016	203-1: Infrastructure investments and services supported	123-125, 140				
	203-2: Significant indirect economic impacts	123-125, 140				
GRI 3: Material Topics 2021	3-3: Management of Material Topics	92, 125-126				
GRI 204: Procurement Practices	204-1: Proportion of spending on local suppliers		204-1	Information unavailable/ incomplete	Data not available during the reporting period.	
GRI 3: Material Topics 2021	3-3: Management of Material Topics	90, 158-159				
GRI 205: Anti-corruption 2016	205-1: Operations assessed for risks related to corruption	90, 158-159				
	205-2: Communication and training about anti-corruption policies and procedures	158-159				
	205-3: Confirmed incidents of corruption and actions taken	158-159				
ENVIRONMENT						
GRI 3: Material Topics 2021	3-3: Management of material topics	127-129				
GRI 302: Energy 206	302-1: Energy consumption within the organization	127-129				
	302-2: Energy consumption outside the organization		302-1	Information unavailable/ incomplete	Data not available during the reporting period.	
	302-3: Energy Intensity	131				
	302-4: Reduction of energy consumption	127-129				
	302-5: Reductions in energy requirements of products and services		305-1	No data	Not applicable	
GRI 3: Material Topics 2021	3-3: Management of material topics	130-131				
GRI 303: Water and Effluents 2018	303-1: Interactions with water as a shared resource	130-131				
	303-2: Management of water discharge-related impacts	130-131				
	303-3: Water Withdrawal	130-131				
	303-4: Water discharge	130-131				
	303-5: Water consumption	130-131				
GRI 3: Material Topics 2021	3-3: Management of material topics	131-132				
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	131-132				
	305-2 Energy indirect (Scope 2) GHG emissions	131-132				

GRI STANDARD / OTHER SOURCE	DISCLOSURE	LOCATION (Page No.)	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
	305-3: Other indirect (Scope 3) GHG emission		305-3	Information unavailable/ incomplete	The Bank has yet to assess its Indirect Scope 3 GHG Emissions, to include financed emissions and emissions from its supply chain.	
	305-4: GHG emissions intensity	131				
	305-5: Reduction of GHG emission		305-5	Information unavailable/ incomplete	The Bank has yet to come with its GHG emissions reduction targets and plan.	
	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	132-134				
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	132-134				
	306-2 Management of significant waste-related impact	132-134				
	306-3 Waste generated	133				
	306-4 Waste diverted from disposal	132-133				
	306-5 Waste directed to disposal	132-133				
CUSTOMERS AND COMMUNITIES						
GRI 3: Material Topics 2021	3-3: Management of material topics	140-142, 164				
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	140-142, 164				
	413-2: Operations with significant actual and potential negative impacts on local communities	140-142, 164 No operations with significant actual and negative impacts on the communities				
GRI 3: Material Topics 2021	3-3: Management of material topics	139				
GRI 417: Marketing and Labeling 2016	417-1: Requirements for product and service information and labeling	139				
	417-2: Incidents of non-compliance concerning product and service information and labeling	139				
	417-3: Incidents of non-compliance concerning marketing	139				
GRI 3: Material Topics 2021	3-3: Management of material topics	42-44, 56, 57, 137-139				
GRI 418: Customer Privacy	418-1: Substantiated complaints concerning breaches of customer data privacy and losses of customer data	137-139				
GRI 3: Material Topics 2021	3-3: Management of material topics	22, 135-137				
	Digital innovation and transformation	22, 135-137				
GRI 3: Material Topics 2021	3-3: Management of material topics	90, 134-135				
	Customer engagement and satisfaction	90, 134-135				

GRI STANDARD / OTHER SOURCE	DISCLOSURE	LOCATION (Page No.)	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
EMPLOYEES						
GRI 3: Material Topics 2021	3-3: Management of material topics	143-148				
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	146-148				
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	146-148				
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	149-150				
	401-3 Parental leave	149-150				
GRI 3: Material Topics 2021	3-3: Management of material topics	158				
GRI 402: Labor / Management Relations	402-1: Minimum notice periods regarding operational changes	158				
GRI 3: Material Topics 2021	3-3: Management of material topics	154-157				
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	154-157				
	403-2 Hazard identification, risk assessment, and incident investigation	154-157				
	403-3 Occupational health services	154-157				
	403-4 Worker participation, consultation, and communication on occupational health and safety	154-157				
	403-5 Worker training on occupational health and safety	154-157				

GRI STANDARD / OTHER SOURCE	DISCLOSURE	LOCATION (Page No.)	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
	403-6 Promotion of worker health	154-157, 161-162				
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	154-157				
	403-8 Workers covered by an occupational health and safety management system	154-157				
	403-9 Work-related injuries	154-157				
	403-10: Work-related ill health	154-157				
GRI 3: Material Topics 2021	3-3: Management of material topics	93, 151-154				
GRI 404: Training and Education 2016	404-1: Average hours of training per year per employee	151-154				
	404-2: Programs for upgrading employee skills and transition assistance	93, 151-154				
	404-3: Percentage of employees receiving regular performance and career development reviews	151-154				
GRI 3: Material Topics 2021	3-3: Management of material topics	66-67, 69, 143-148, 159-160				
GRI 405: Diversity and Equal Opportunity 2016	405-1: Diversity of governance bodies and employees	66-67, 69, 143-148				
	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	159-160				
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	159-160				
GRI 3: Material Topics 2021	3-3: Management of material topics	156-157				
GRI 410: Security Practices	410-1:Security personnel trained on human rights policies and procedures	156-157				

SUSTAINABILITY ACCOUNTING STANDARDS BUREAU (SASB) CONTENT INDEX

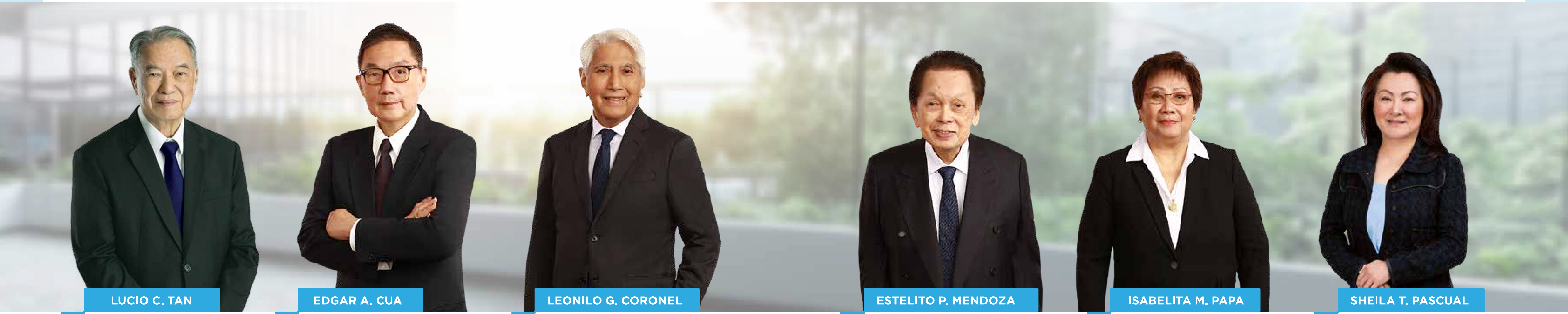
This content index provides an overview of PNB's Environmental, Social, and Governance data that align with industry-specific ESG guidance framework of SASB Standards for the Financials Sector - Commercial Banks 2018. Other SASB codes are omitted due to lack of applicability, confidentiality, and unavailability 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	42-44, 56, 57, 137-139
Financial Inclusion & Capacity Building	FN-CB-240a.4	Number of participants in financial literacy initiatives for unbanked, underbanked, or underserved customers	140
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	103, 118-122
Business Ethics	FN-CB-510a.2	Description of whistleblower policies and procedures	89-90, 158-159
ACTIVITY METRIC			
FN-CB-000.A		(1) Number and (2) value of checking and savings accounts by segment: (a) personal and (b) small business	140
FN-CB-000.B		(1) Number and (2) value of loans by segment: (a) personal, (b) small business, and (c) corporate	123-124, 140

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	118-122, 131-132
b) Describe management's role in assessing and managing climate- related risks and opportunities	118-122, 131-132
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	118-122
b) Describe the impact of climate- related risks and opportunities on the organization's businesses, strategy and financial planning	118-122
c) Describe the resilience of the organization's strategy, taking into consideration different climate related-scenarios including a 2°C or lower	118-122
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	118-122, 131-132
b) Describe the organization's processes for managing climate- related risks	118-122
c) Describe how processes for identifying, assessing, and managing climate- related risks are integrated into the organization's overall risk management	118-122
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	118-122
b) Describe the targets used by the organization to manage climate- related risks and opportunities and performance against targets	118-122

Board of Directors



LUCIO C. TAN
Chairman Emeritus

EDGAR A. CUA
Chairman / Independent Director

LEONILO G. CORONEL
Vice Chairman / Non-Executive Director

ESTELITO P. MENDOZA
Non-Executive Director

ISABELITA M. PAPA
Independent Director

SHEILA T. PASCUAL
Non-Executive Director

FLORIDO P. CASUELA
President / Executive Director

FELIX ENRICO R. ALFILER
Non-Executive Director

CHESTER Y. LUY
Non-Executive Director

WILFRIDO E. SANCHEZ
Independent Director

EUSEBIO V. 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

MARIA ALMASARA CYD N. TUAÑO-AMADOR
Independent Director

DOMINGO H. YAP
Independent Director

Board Advisors

WILLIAM T. LIM
Board Advisor

CHRISTOPHER J. NELSON
Board Advisor

FEDERICO C. PASCUAL
Board Advisor

LOURDES A. SALAZAR
Board Advisor

CARMEN K. TAN
Board Advisor

FLORENCIA G. TARRIELA
Board Advisor

RUTH PAMELA E. TANGHAL
Corporate Secretary

Board of Directors

LUCIO C. TAN
Current Position in the Bank:
Chairman Emeritus

Age: 89
Nationality: Filipino

Education
- Bachelor of Science in Chemical Engineering degree from Far Eastern University
- Doctor of Philosophy, Major in Commerce, from University of Sto. Tomas

Date of First Appointment
- December 8, 1999 (Director)
- September 22, 2023 (Chairman Emeritus)

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: 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
- Director of Philippine National Bank

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

EDGAR A. CUA
Current Position in the Bank:
Chairman/Independent Director

Age: 68
Nationality: Filipino

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

Date of First Appointment
- May 31, 2016 (Independent Director)
- April 25, 2023 (Chairman of the Board)

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 PNB-Mizuho Leasing and Finance Corp. and PNB-Mizuho Equipment Rentals Corporation
- Director of Davao Unicar Corporation

Previous Positions
- Independent Director of Allied Commercial Bank, Xiamen
- Held various managerial and staff positions at the Asian Development Bank (ADB) during a 30-year professional career.
- Retired in 2015 as Senior Advisor, East Asia Department of the Asian Development Bank (ADB), based in ADB's Resident Mission in Beijing, People's Republic of China (PRC). Other managerial positions in ADB included Deputy Director General, East Asia Department, Country Director, ADB Resident Mission in Indonesia and Deputy Country Director, ADB Resident Mission in PRC.
- Staff Consultant, SGV & Co.

LEONILO G. CORONEL
Current Position in the Bank:
Vice Chairman/Non-Executive Director

Age: 77
Nationality: Filipino

Education
- Bachelor of Arts degree, Major in Economics from the Ateneo de Manila University
- Advance Management Program of the 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 Fund Managers, Inc. and Citicore Renewable Energy Corp.
- Director of Software Ventures International
- Director of Toyota Pasong Tamo/Toyota Global City/Toyota Angeles City/M2 Car Accessories

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, Citicore Real Estate Investment Trust
- 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 twenty (20) years, occupying various positions.

Awards/Citations
- Fellow of the Australian Institute of Company Directors in 2002
- Fellow of Institute of Corporate Directors

Board of Directors

FELIX ENRICO R. ALFILER
Current Position in the Bank:
Non-Executive Director

Age: 74
Nationality: Filipino

Education
- Bachelor of Science and Masters in Statistics from the 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/Director of PNBRCI Holding Co., Ltd., PNB International Investments Corp. and PNB Capital and Investment Corporation
- Chairman/Independent Director of Summit General Insurance Corporation

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.

FLORIDO P. CASUELA
Current Position in the Bank:
President/Executive Director

Age: 82
Nationality: Filipino

Education
- Bachelor of Science in Business Administration, Major in Accounting from the University of the Philippines
- Masters in Business Administration from the University of the Philippines
- Advanced Management Program for Overseas Bankers from the 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)
April 25, 2023 (President)

Directorship in Other Listed Companies
- None

Other Current Positions
- Chairman of PNB Securities, Inc.
- Director of PNB International Investments Corporation
- Director of PNB RCI Holding Co., Ltd.
- Director of Allianz PNB Life Insurance, Inc.
- Director of BancNet, Inc.
- Director and President of Genbancor Condominium Corporation
- Board Member of Fertilizer and Pesticide Authority (Note: Being represented in the FPA Board by FVP Jonathan Uy)

Previous Positions
- President and Vice Chairman of Land Bank of the Philippines
- President and Vice Chairman of PNB Republic Bank (now Maybank Philippines, Inc.)
- President of Surigao Micro Credit Corporation
- Vice Chairman of PNB Savings Bank (now Allied Integrated Holdings, Inc.)
- Chairman of Casuela Equity Ventures, Inc.
- Director of Surigao Micro Credit Corporation
- Director of PNB Life Insurance, Inc.
- Director of Manila Electric Corporation
- Director of Asean Finance Corporation Ltd. (Singapore)
- Trustee of Land Bank of the Philippines Countryside Development Foundation, Inc.
- Senior Adviser of the Bank of Makati (a Savings Bank), 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, BSP
- Audit Staff of Joaquin Cunanan, CPAs (Isla Lipana & Co.)

Awards/Citations
- One of the ten (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

CHESTER Y. LUY
Current Position in the Bank:
Non-Executive Director

Age: 54
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 degree from the J.L. Kellogg Graduate School of Management at Northwestern University
- Chartered Financial Analyst (CFA)

Date of First Appointment
- May 11, 2020 (Board Advisor)
- September 22, 2023 (Director)

Directorship in Other Listed Companies
- Board Advisor of LT Group, Inc

Other Current Positions
- Director of Tanduay Distillers, Inc.
- Director of Philippine National Bank (Europe) PLC.
- Director of PNB Global Remittance and Financial Company (HK) Limited
- Board Advisor of Eton Properties Philippines, Inc.

Previous Positions
- Board Advisor of Philippine National Bank
- 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 senior 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 senior 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

ESTELITO P. MENDOZA
Current Position in the Bank:
Non-Executive Director

Age: 93
Nationality: Filipino

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

Date of First Appointment
- January 1, 2009

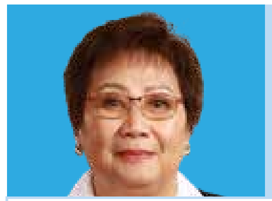
Directorship in Other Listed Companies
- Director of San Miguel Corporation and Petron Corporation

Other Current Positions
- Practicing lawyer for more than sixty (60) years

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 degree (honoris causa) by Central Colleges of the Philippines, Hanyang University (Seoul, Korea), University of Manila, Angeles University Foundation and the University of the East
- Doctor of Humane Letters degree by the Misamis University
- Recipient of a Presidential Medal of Merit as Special Counsel on Marine and Ocean Concerns
- University of the Philippines Alumni Association's 1975 "Professional Award in Law" and 2013 "Lifetime Distinguished Achievement Award"

Board of Directors



ISABELITA M. PAPA
Current Position in the Bank:
Independent Director

Age: 75
Nationality: Filipino

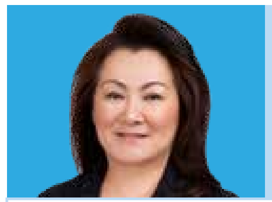
Education
- Bachelor of Science in Commerce – Banking & Finance from the University of Sto. Tomas

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, PNB-Mizuho Equipment Rentals Corporation and PNB Capital and Investment Corporation
- Sole Proprietor of Isabelita Transport
- 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

Previous Positions
- Executive Vice President for Operations and Information Technology – Asia United Bank
- Director: Rural Bank of Angeles and Cavite United Rural Bank
- Senior Vice President/Country Manager – Bank of America N.A.
- Executive Vice President for Operations – United Overseas Bank Phils.
- Senior Vice President for Operations: Solidbank Corporation and The International Corporate Bank
- Assistant Vice President for International Division – Family Bank & Trust Co.
- Unit Head/Account Officer – Citibank N.A.
- Chairperson – SWIFT Users Group, Philippines
- Chairperson, Subcommittee on Payments and Funds Transfer – Bankers Association of the Philippines
- President / Resource Person for Corporate Governance – Bankers Institute of the Philippines
- Member – Catholic Mass Media Awards Committee



SHEILA T. PASCUAL
Current Position in the Bank:
Non-Executive Director

Age: 61
Nationality: Filipino

Education
- Bachelor of Science in Business Management from the 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

Previous Positions
- Marketing Development Officer of Asia Brewery Incorporated

WILFRIDO E. SANCHEZ
Current Position in the Bank:
Independent Director

Age: 86
Nationality: Filipino

Education
- Bachelor of Arts degree from the Ateneo de Manila University
- Bachelor of Laws from the Ateneo De Manila University
- Masters of Law from 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
- 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

Previous Positions
- Vice Chairman/Director of Antonelli Realty Holdings, Inc.

EUSEBIO V. TAN
Current Position in the Bank:
Non-Executive Director

Age: 72
Nationality: Filipino

Education
- Bachelor of Arts, Major in Economics – Summa Cum Laude (Liberal Arts Accelerated Honors Program) from De La Salle University
- Bachelor of Laws from Ateneo De Manila University
- Master of Laws, from Columbia Law School, Columbia University New York

Date of First Appointment
- September 22, 2023

Directorship in Other Listed Companies
- None

Other Current Positions
- Of Counsel of Angara Abello Concepcio Regalla & Cruz Law Offices (ACCRALAW)

Previous Positions
- Various positions in ACCRALAW
- Member of Board of Directors of Meritas Law Firms Worldwide
- Director/Treasurer of the Integrated Bar of the Philippines – Pasay, Makati, Mandaluyong, San Juan Chapter
- President/Vice President/Ex-Officio Director of Integrated Bar of the Philippines – Makati Chapter
- Member of Integrated Bar of the Philippines – National Committee on Legal Aid
- Member of the Board of Governors/President of Management Association of the Philippines
- Member of the Board of Directors/President of Financial Executives Institute of the Philippines
- Chairman/Board of Trustees of Philippines-Japan Economic Cooperation Committee, Inc.
- Member of Philippine Host Committee of Inter-Pacific Bar Association – Conference in Manila, Philippines
- Member of Philippine Host Committee of Lawasia – XVTH Conference in Manila, Philippines
- President of Rotary Club of Manila (The First Rotary Club in Asia)

Awards/Citations
- Conferred with the award of "The Order of the Rising Sun with Neck Ribbon" by the Emperor of Japan and the Japanese government
- General Excellence Gold Medal and Dr. Jose Rizal Honors Society Ring Awardee conferred by the De La Salle University
- Second Honors Silver Medal Awardee conferred by the Ateneo de Manila University

Board of Directors

LUCIO C. TAN III
Current Position in the Bank:
Non-Executive Director

Age: 31
Nationality: Filipino

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
- President and Chief Operating Officer of LT Group, Inc.
- President and Chief Operating Officer 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, Dominium Realty and Construction Corporation, Fortune Tobacco Corporation, REM Development Corp., Shareholdings, Inc., Silangan Holdings, Incorporated, Allied Club, Inc., Sipalay Trading Corporation, Qualisure Holdings, Inc., Kaizer Chemical Industries, Inc., Asia's Emerging Dragon Corporation, PMFTC, Inc., Asia Cancer Center, Inc., and Fortune Landequities and Resources, Inc.
- Director and President of Dunman Holdings Corporation and Sabre Travel Network (Philippines) Inc.
- President and Chief Operating Officer of Tanduay Distillers, Inc. and Tanduay Brands International, Inc.
- Vice President of Dunmore Development Corporation
- Member of Stanford Tau Beta Pi Engineering Honor Society

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
Current Position in the Bank:
Non-Executive Director

Age: 57
Nationality: Filipino

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

Date of First Appointment
- February 9, 2013

Directorship in Other Listed Companies
- Director of LT Group, Inc., Victorias Milling Company, Inc. and MacroAsia Corporation

Other Current Positions
- Director, President and Chief Operating Officer of Asia Brewery, Inc.
- Director of the following companies: 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, Foremost Farms, Inc., Trustmark Holdings Corporation, Help Educate and Rear Orphans (HERO) Foundation, Inc., and Havitas Developments 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

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 (ABC) 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

VIVIENNE K. TAN
Current Position in the Bank:
Non-Executive Director

Age: 55
Nationality: Filipino

Education
- Bachelor of Science - Double Degree in Mathematics and Computer Science from the University of San Francisco, U.S.A.
- Diploma in Fashion Design and Manufacturing Management from the 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., Philippine Airlines, Inc., and Air Philippines Corporation
- 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)

Previous Positions
- Board Advisor of LT Group, Inc.
- Director of PAL Holdings
- 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)

MARIA ALMASARA CYD N. TUAÑO-AMADOR
Current Position in the Bank:
Independent Director

Age: 67
Nationality: Filipino

Education
- Bachelor of Science in Business Economics from the University of the Philippines School of Economics
- Master of Arts in Economics from the University of the Philippines School of Economics
- Master of Science in Policy Science from the Graduate Institute of Policy Science in Tokyo, Japan
- Doctor of Philosophy in Economics from the Australian National University

Date of First Appointment
- April 25, 2023

Directorship in Other Listed Companies
- None

Other Current Positions
- Independent Director of Radiowealth Finance Company Inc.

Previous Positions
- Deputy Governor of the Resource Management Sector of the Bangko Sentral ng Pilipinas
- Head of the BSP Research Academy
- Chairperson of the BSP Provident Fund
- Vice-Chairperson of the Philippine International Convention Center (PICC)
- Chairperson of the PICC Executive Committee
- Director of the Philippine Guarantee Corporation
- Director of the Philippine Retirement Authority
- Advisory Panel of the ASEAN+3 Macroeconomic Research Office
- Assistant Governor of the Monetary Policy Sub-Sector of the Bangko Sentral ng Pilipinas
- Managing Director of the Monetary Policy Sub-Sector of the Bangko Sentral ng Pilipinas
- Director of the Center for Monetary & Financial Policy of the Bangko Sentral ng Pilipinas
- Senior Advisor/Advisor to the Executive Director of the International Monetary Fund, Washington, D.C.
- Director of the Department of Economic Research of the Bangko Sentral ng Pilipinas
- Held positions in various capacities at the Department of Economic Research of the Bangko Sentral ng Pilipinas

Awards/Citations
- Australian National University, Inaugural (1993) Helen Hughes Graduate Diploma Prize in International and Development Economics (Canberra, Australia)
- National Graduate Institute for Policy Science, 2019 Distinguished Alumnus Award (Tokyo, Japan)
- University of the Philippines School of Economics Alumni Association, 2022 Distinguished Alumni in Public Service Award (Quezon City, Philippines)

DOMINGO H. YAP
Current Position in the Bank:
Independent Director

Age: 89
Nationality: Filipino

Education
- Bachelor of Science in Business Administration major in Business Management from San Sebastian College Recoletos

Date of First Appointment
- August 23, 2019

Directorship in Other Listed Companies
- None

Other Current Positions
- Director and 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

Previous Positions
- President of the Federation of Filipino-Chinese Chamber of Commerce and Industries, Inc.
- Governor of Y's Men Club Philippines
- President of Y's Men Club Downtown of Manila
- President of Rotary Club of Pasay City

RUTH PAMELA E. TANGHAL
Current Position in the Bank:
Corporate Secretary

Age: 55
Nationality: Filipino

Education
- Bachelor of Science in Mathematics from the Notre Dame University, Cotabato City
- Juris Doctor from the Notre Dame University, Cotabato City

Date of First Appointment
- September 25, 2020

Directorship in Other Listed Companies
- None

Other Current Positions
- Corporate Secretary, Allied Integrated Holdings Inc. (Formerly: PNB Savings Bank)
- Corporate Secretary, Genbancor Condominium Corporation
- Corporate Secretary, PNB Foundation, Inc.
- Director, E.C. Tanghal & Co., Inc.

Previous Positions
- Assistant Corporate Secretary, PNB
- Documentation Lawyer, PNB Legal Group

Board Advisors

WILLIAM T. LIM
Current Position in the Bank:
Board Advisor

Age: 83
Nationality: Filipino

Education
- Bachelor of Science in Chemistry from 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, and Genbancor Condominium Corporation
- Advisor to the Chairman of the Board of Directors of Allianz PNB Life Insurance, 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

Previous Positions
- Board Advisor of PNB Savings Bank
- Director of PNB Life Insurance, Inc., BH Fashion Retailers, Inc., and Concept Clothing, Co., Inc.
- Consultant of Allied Banking Corporation
- Director of Corporate Apparel, Inc.

CHRISTOPHER J. NELSON
Current Position in the Bank:
Board Advisor

Age: 64
Nationality: British

Education
- Bachelor of Arts and Master of Arts in History from Emmanuel College, Cambridge University, U.K.
- Diploma in Marketing from the 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 in 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

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

Board Advisors

FEDERICO C. PASCUAL
Current Position in the Bank:
Board Advisor

Age: 81
Nationality: Filipino

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)
- April 25, 2023 (Board Advisor)

Directorship in Other Listed Companies
- None

Other Current Positions
- Chairman of PNB-Mizuho Leasing and Finance Corporation and PNB-Mizuho Equipment Rentals Corporation
- Independent Director of Allianz PNB Life Insurance, Inc.
- Independent Director of 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

Previous Positions
- Chairman/Independent Director of PNB General Insurers Co., Inc. and PNB Capital and Investment Corporation
- 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
- Various positions with PNB for twenty (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

LOURDES A. SALAZAR
Current Position in the Bank:
Board Advisor

Age: 68
Nationality: Filipino

Education
- Bachelor of Science in Commerce – major in Accounting (BSC in Accounting), University of Santo Tomas
- Certified Public Accountant
- Bachelor of Laws (LLB), University of the East

Date of First Appointment
- April 25, 2023

Directorship in Other Listed Companies
- None

Other Current Positions
- Chief Executive Officer & Director, Allied Banking Corporation (Hong Kong) Limited, a restricted license bank
- Trustee, Allied Banking Corporation (Hong Kong) Limited Provided Fund
- Director, ACR Nominees Limited
- Director & Shareholder, Aposal Realty Corporation
- Trustee & Special Projects Adviser, The Hong Kong Bayanihan Trust
- Chairman, The DTC Association (The Hong Kong Association of Restricted License Banks and Deposit-taking Companies)
- Honorary Member, The Philippine Chamber of Commerce in Hong Kong
- Member representing DTCA, The Hong Kong General Chamber of Commerce
- Member representing DTCA, The Deposit-taking Companies Advisory Committee, Hong Kong Monetary Authority
- Honorary Advisor, The Hongkong Institute of Bankers

Previous Positions
- Independent Non-Executive Director, Allied Banking Corporation (Hong Kong) Limited, a restricted license bank
- Independent Non-Executive Director, Dynamic Holdings Limited (HK Stock Code 29)
- Executive Director, The Philippine Chamber of Commerce in Hong Kong
- Member, HK Qualifications Framework Banking Industry Training Advisory Committee

Awards/Citations
- Banaag Award – The Philippine Presidential Citation for Filipino Individuals and Organizations Overseas in recognition of her diligence in initiating and effecting projects to promote the professional and socio-cultural advancement of Filipino entrepreneurs, overseas workers, and other sectors of the Filipino community in Hong Kong

CARMEN K. TAN
Current Position in the Bank:
Board Advisor

Age: 82
Nationality: Filipino

Date of First Appointment
- May 31, 2016 (Director)
- September 22, 2023 (Board Advisor)

Directorship in Other Listed Companies
- Director of LT Group, Inc., MacroAsia Corporation and PAL Holdings, Inc.

Other Current Positions
- Vice Chairman of Philippine Airlines, Inc.
- Director: 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

FLORENCIA G. TARRIELA
Current Position in the Bank:
Board Advisor

Age: 76
Nationality: Filipino

Education
- Bachelor of Science in Business Administration degree, Major in Economics, University of the Philippines
- Master in Economics degree from the University of California, Los Angeles, where she topped the Masters 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 International Investments Corp.
- Columnist for "Business Options" of the Manila Bulletin and "FINEX Folio" of Business World
- Director/Vice President of Tarriela Management Company and Director/Vice President/Assistant Treasurer of Gozon Development Corporation
- Life Sustaining Member of the Bankers Institute of the Philippines
- Trustee of Tulay sa Pag-unlad, Inc. (TSPI) Development Corporation, TSPI MBAI
- Director of Financial Executive Institute of the Philippines (FINEX)

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 PNB Capital and Investment 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, Bank Administration Institute of the Philippines

Awards/Citations
- 2014 Most Outstanding Citibank Philippines Alumni awardee for community involvement
- 2018 Go Negosyo Woman Intrapreneur Awardee

Management Committee[1]

[1] As of January 31, 2024

Management Committee

FLORIDO P. CASUELA

82, Filipino. "Doy" joined PNB in 2006 as Director. He was appointed as the Bank's Acting President on July 5, 2022 and was formally appointed as President on April 25, 2023. He is currently the Chairman of PNB Securities, Inc. He is also a Director of Allianz PNB Life Insurance, Inc.; PNB International Investments Corporation; PNB RCI Holding Co., Ltd.; and Bancnet, Inc. Formerly, he was a Senior Adviser of the Bank of Makati, Inc. and Chairman of Casuela Equity Ventures, Inc. Prior to PNB, Doy served as President of the Land Bank of the Philippines and Maybank Philippines, Inc. 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. He passed the exams for Certified Public Accountant (CPA), Economist, and Commercial Attaché.

FRANCIS B. ALBALATE

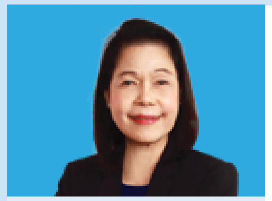
53, Filipino. "Francis" joined PNB on September 18, 2023 as Executive Vice President and Chief Financial Officer. A certified public accountant, he is the head of the Financial Management, Strategy, and Sustainability Sector. Prior to joining PNB, he was Senior Vice President and Financial Controller of Union Bank of the Philippines. He was an Audit Partner at Punongbayan & Araullo from 2003 to 2011. He worked as Head of the Transaction Advisory Services from 2007 to 2009 and Audit Senior Manager from 1999 to 2003. He was a former Financial Services Industry Audit Leader at Deloitte Philippines from 2011 to 2016. He earned his Master's degree in Business Management from the Asian Institute of Management. He graduated with a degree in Bachelor of Science in Commerce, major in Accounting, from San Beda College. He attended the Pacific Rim Bankers Program at the University of Washington in 2006.

ROBERTO D. BALTAZAR

60, Filipino. "Dondi" is Executive Vice President and Head of Global Banking and Markets Sector, which covers the Global Markets Group, Wealth Management Group, and Financial Institutions Division. Dondi also sits in the Bank's Senior Management Credit Committee and currently temporarily chairs the Institutional Banking Sector Credit Committee. He is likewise a director in PNB Capital and Investment Corporation. 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

56, Filipino. "Gani" is Executive Vice President and Chief Compliance Officer of PNB effective April 8, 2019. Before joining the Bank, he was Senior Vice President and Deputy Head of the Regulatory Affairs Group of RCBC and was responsible for Compliance, AML, Corporate Governance, Data Privacy, and Tax Transparency. Prior to RCBC, he spent 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 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

74, 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.

62, 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 the Legal Group in 2009. Prior to joining PNB, he was the Corporate Secretary and Vice President of the Legal Department of Multinational Investment Bancorporation. He 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.

REYNALDO C. BURGOS

55, Filipino. "Rey" is First 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, Bancnet Membership Committee, PCHC Information Technology Committee, PCHC Arbitration Committee, and a director of the PCHC as well. Rey holds a Bachelor of Science degree in Commerce, major in Accountancy, from the Colegio de San Juan de Letran.

MA. ADELIA A. JOSON

70, Filipino. "Daday" is First Senior Vice President and Head of the Retail Banking Sector. Daday is a seasoned banker of over 40 years. She started her career as a research analyst in the Economic Research Department of Commercial Bank and Trust Company (Comtrust) in 1974, joined the Officers Training Program in 1978, and was promoted to Branch Cashier of Comtrust Taft Ave. Branch. She joined Allied Banking Corporation as a cashier of the Roosevelt Branch in 1980. She has developed a high proficiency in all aspects 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 earned her degree in A.B. Economics at La Salle College.

Management Committee

JOSE GERMAN M. LICUP

58, Filipino. "Gerry" is First Senior Vice President and Chief of Staff to the President. 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 is responsible for coordinating the President'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 and Head of PNB's International Banking and Remittance Group. 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.

CELESTE MARIE V. LIM

47, Filipino. "Celeste" is First Senior Vice President and Head of Consumer Finance Sector. Prior to her current role in PNB, she was 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. Before joining the Bank, 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.

MARIA PAZ D. LIM

62, 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

52, 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 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 29 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.

MICHAEL M. MORALLOS

55, Filipino. "Mike" is First 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 28 years of bank-related 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.

ROLAND V. OSCURO

60, 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

63, 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.

DAMASEN PAUL C. CID

56, Filipino. "Dama" is Senior Vice President and Head of the Digital Innovations Group (DIG). He is a digital banking technology professional with extensive experience in the strategy formulation, development, implementation and management of technology and digital assets. DIG has led the bank in defining and executing the retail digital channel strategy, as well as ensuring the continued adoption, usage, and maintenance of the bank's digital offerings. The PNB Digital App has reached 1.1M users with 60% of this digital base actively engaged with the service. The app was also awarded as 'Philippines Digital Experience of the Year for Banking' at the Asian Experience Awards 2023 – a recognition of the excellent user experience enjoyed by the bank's digital clients. Dama chairs the Digital Projects and Customer Experience management committees, supporting the bank's mission to enhance Customer Growth and Satisfaction. He joined the bank in 2015 as Vice President and Head of Electronic Channels. Prior to PNB, he was with Citibank Philippines from 2003 to 2015 as Vice President and Head of eBusiness Platforms. He started his career as an IT analyst/developer with Software Ventures International, where he was a Division Head for Applications Development and Support. He graduated with a BS Computer Science degree from the Ateneo de Manila University. He also completed the Fintech Regulatory and Innovation Program from the Cambridge Center for Alternative Finance and Mapua University.

Management Committee

JENNIFER Y. NG

50, Filipino. "Jen" is Senior Vice President and Head of the Marketing 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 supports the branch banking, international remittance, and retail lending businesses. 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 LCC. 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.

JOY JASMIN R. SANTOS

50, 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. Prior to 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 Management Economics from the Ateneo de Manila University. She earned her Master's degree in Business Administration from the Australian National University in Canberra, Australia. In 2015, she completed, with distinction, a one-year course on Trust Operations and Investment Management given by the Trust Institute Foundation of the Philippines. Jiah is a member of the Board of Directors of the Trust Officers Association of the Philippines (TOAP) and the Director in Charge for Fiduciary Products Development.

JULIET S. DYTOC

53, Filipino. "Juliet" is First Vice President and head of what is now the Enterprise Risk Management Group (formerly Risk Management Group). She has over 25 years of experience in the banking and finance industry in the areas of risk management, account management, product development, and investment analysis. 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 what is now the Market, Liquidity and Interest Rate Risk Management Division to manage the Bank's market, liquidity, and interest rate risk exposures. She was confirmed as the Chief Risk Officer and Group Head of what is now the Enterprise Risk Management Group in March 2023. 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. She is also a member of the Risk Management Committee of the Bankers Association of the Philippines.

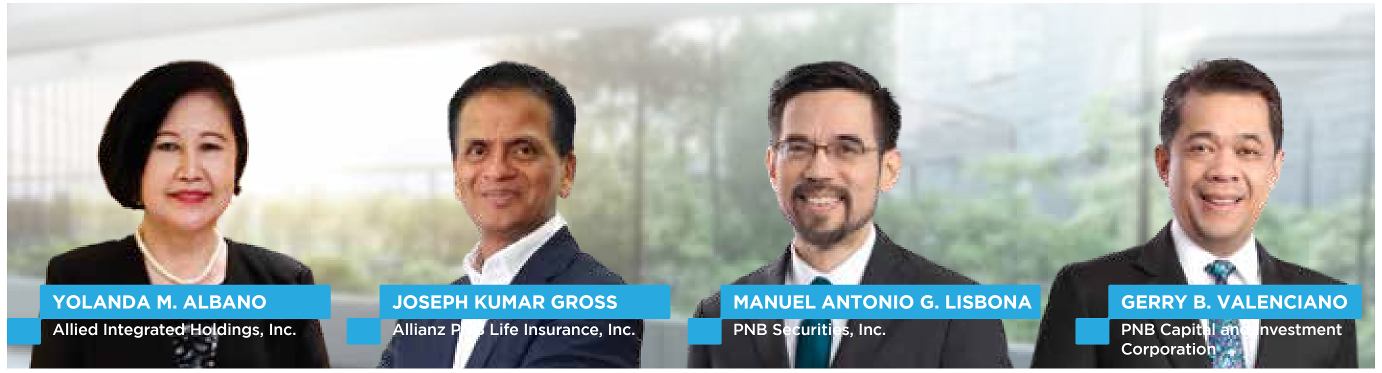
ANALISA I. SAN PEDRO

46, Filipino. "Ana" is First Vice President and Chief Audit Executive. Ana joined the Bank in 2002 as Management Specialist and rose from the ranks to the position of First Vice President. She is an active member of the Institute of Internal Auditors (IIA)–Philippines, Association of Certified Anti-Money Laundering Specialists (ACAMS), and Bankers Institute of the Philippines (BAIPHIL). 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

72, Filipino. "Cora" is the Officer-in-Charge of Human Resource Group of PNB. 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 a 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



ALLIANZ PNB LIFE INSURANCE, INC.
Allianz PNB Life, Inc. (AZPNBL) was established in 2015 through a joint venture between German-based Allianz Group and the Philippine National Bank (PNB). Allianz ranked first in insurance brand and ranked 31st in the world according to the Interbrand global rankings, and one of the top sustainable global insurers according to the Dow Jones Sustainability Index.

AZPNBL currently operates 12 business centers located in key cities in the Philippines and serves the customers of its exclusive bancassurance partner PNB, which has one of the most extensive branch networks nationwide and the largest number of overseas offices. PNB branches remain as the main distribution channel of AZPNBL, with over 400 financial advisors and 1,500 active Life Changer™ agents nationwide. Likewise, AZPNBL has an exclusive distributorship arrangement with HSBC Insurance Brokers Philippines, offering insurance propositions to HSBC Wealth clients.

AZPNBL Life Changers™ are committed to the purpose of securing the future of Filipinos in their lifetime planning, wealth accumulation, and well-being aspirations, by offering a wide range of life and health insurance products catering to specific needs. Furthermore, they also play an active role in the community and create a better tomorrow through sustainability advocacies such as sustainable mobility, financial inclusion, youth empowerment, and food rescue.

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 adds 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 to 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. The Securities and Exchange Commission subsequently approved on February 23, 2021 its conversion from a savings bank to a holding company, the change in its corporate name, and the shortening of the company's corporate life up to December 31, 2022.

As a holding company, AIHI had been mainly tasked to manage the remaining real estate assets acquired by the former PNB Savings Bank. AIHI is now in the process of winding down its operations following the end of its corporate life by yearend 2022.

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 such as liability management, corporate restructuring, pre-IPO preparation, and mergers and acquisitions.

PNB Capital has arranged some of the largest loan syndications and award-winning deals in the Philippines. Likewise, it is very active in the capital market transactions in the country. PNB Capital has been recognized multiple times by local and foreign award giving bodies for the successful execution of landmark transactions, reaffirming its commitment to excellence in the financial transactions. Some of the prestigious accolades include: Syndicated Loan of the Year for Linseed Field Corporation by Asian Banking & Finance Corporate & Investment Banking Awards 2023; Green Project of the Year for Arthaland Corporation by The Asset Triple A Awards; Best Initial Public Offering for Citicore Energy REIT Corp. by The Asset Triple A Awards; Best New Bond for Cebu Landmasters Inc by The Asset Triple A Awards; and Best Transition Bond for SMC Global Power Holdings Corp. by The Asset Triple A Awards.

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.

PNB-Mizuho previously operated as a financing company that provided clients with finance lease, operating lease through its 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.

The Securities and Exchange Commission approved the amendment of the Articles of Incorporation of PNB-Mizuho on December 23, 2022, shortening its corporate term to March 31, 2024 and the amendment of the Articles of Incorporation of PNB Mizuho Equipment Rentals on November 22, 2023, shortening its corporate life to December 31, 2024.

To date, the winding up process for both entities is ongoing and expected to complete within 2024.

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 20 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 of 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 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 offered include the distribution of Initial Public Offerings in collaboration with PNB Capital, PNB branches, and Parent Bank's Trust Banking Group and Wealth Management Group. The Company also collaborates with PNB Research in arranging corporate access for PNB SI's foreign institutional clients.

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:

	2022		2023	
	High	Low	**High**	**Low**
Jan – Mar	21.15	18.74	**20.10**	**18.20**
Apr – Jun	19.44	17.54	**18.96**	**18.24**
Jul – Sep	18.86	16.72	**18.70**	**18.10**
Oct – Dec	20.50	16.72	**18.88**	**18.16**

2. **Holders**

There are 36,081 shareholders as of December 31, 2023, all of whom have the same voting rights. The top twenty (20) holders of common shares, the number of shares held, and the percentage to total shares outstanding held by each are as follows:

Name of Stockholder	Nationality	No. of Shares	Percentage of Ownership	Voting Status
1. PCD Nominee Corporation (Filipino)	Filipino	204,310,835	13.3907158105	*
2. Key Landmark Investments, Ltd.	Filipino	133,277,924	8.7351549618	*
3. True Success Profits Limited	Filipino	82,017,184	5.3754799765	*
Caravan Holdings Corporation	Filipino	82,017,184	5.3754799765	*
Solar Holdings Corporation	Filipino	82,017,184	5.3754799765	*
4. Prima Equities & Investments Corp.	Filipino	71,765,036	4.7035449794	*
5. Leadway Holdings, Inc.	Filipino	65,310,444	4.2805052168	*
6. Infinity Equities, Inc.	Filipino	61,512,888	4.0316099824	*
7. Pioneer Holdings Equities, Inc.	Filipino	34,254,212	2.2450518506	*
8. Multiple Star Holdings Corp.	Filipino	30,798,151	2.0185385055	*
9. Donfar Management Limited	Filipino	30,747,898	2.0152448787	*
10. Uttermost Success, Limited	Filipino	30,233,288	1.9815168766	*
11. Mavelstone International Limited	Filipino	29,575,168	1.9383831001	*
12. Pan Asia Securities Corporation	Filipino	29,510,390	1.9341374918	*
13. Kenrock Holdings Corp.	Filipino	26,018,279	1.7052613973	*
14. Fil-Care Holdings, Inc.	Filipino	25,450,962	1.6680789310	*
15. Fairlink Holdings Corp.	Filipino	25,207,795	1.6521415472	*
16. Purple Crystal Holdings, Inc.	Filipino	24,404,724	1.5995075519	*
17. Kentron Holdings & Equities Corp.	Filipino	24,361,225	1.5966565883	*
18. Fragile Touch Investments, Ltd.	Filipino	22,696,137	1.4875252238	*
19. Ivory Holdings, Inc.	Filipino	20,761,731	1.3607425155	*
20. Allmark Holdings, Corp.	Filipino	20,724,567	1.3583067535	*

* 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 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, 2023, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative to do so.

The Board of Directors is responsible for overseeing the Bank's financial reporting process.

The Board of Directors reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stockholders.

Sycip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Bank in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

EDGAR A. CUA
Chairman of the Board

FLORIDO P. CASUELA
President

FRANCIS B. ALBALATE
Executive Vice President and Chief Financial Officer

11 MAR 2024 PASAY CITY

SUBSCRIBED AND SWORN to before me this 11 day of March 2024 affiants exhibiting to me their Passport / SSS Identification Nos.

Doc. No. 153
Page No. 32
Book No. X
Series of 2024

Atty. Jamie O. Real
Commission No. 23-1?; Roll No. 68794
Notary Public in and for Pasay City until December 31, 202-
9th Floor PNB Financial Center
Pres. Diosdado Macapagal Blvd., Pasay City
PTR No. 8456119/Jan. 03, 2024/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, 2023 and 2022, 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, 2023, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Group and the Parent Company as at December 31, 2023 and 2022, and their financial performance and its cash flows for each of the three years in the period ended December 31, 2023 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audit 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 International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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 the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditor's 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 described 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 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 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, 2023 amounted to ₱42.6 billion for the Group and the Parent Company. Provision for credit losses in 2023 amounted to ₱5.7 billion and ₱5.5 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, 2023, the goodwill of the Group and the Parent Company amounted to ₱10.2 billion and ₱10.3 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 Treasury. 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.

Other Information

The other information consists of 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, 2023, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023 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 do 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 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 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 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 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 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 financial statements, including the disclosures, and whether the 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, actions taken to eliminate threats or safeguards applied.

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.

INDEPENDENT AUDITOR'S REPORT

Report on the Supplementary Information Required Under Revenue Regulations 15-2010 and Section 174 of the Manual of Regulations for Banks (MORB)

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 with Section 174 of the MORB 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 Leslie Anne G. Huang.

SYCIP GORRES VELAYO & CO.

Leslie Anne G. Huang
Partner
CPA Certificate No. 134290
Tax Identification No. 238-044-991
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-150-2022, November 7, 2022, valid until November 6, 2025
PTR No. 10079947, January 5, 2024, Makati City

February 23, 2024

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION

(In Thousands)

	Consolidated		Parent Company	
	December 31		December 31	
	2023	2022	**2023**	2022
ASSETS				
Cash and Other Cash Items	**₱21,151,391**	₱22,217,915	**₱21,052,526**	₱22,103,095
Due from Bangko Sentral ng Pilipinas (Notes 7 and 17)	**95,410,350**	94,701,360	**95,410,350**	94,701,360
Due from Other Banks (Note 33)	**21,243,856**	26,010,183	**13,626,624**	17,599,374
Interbank Loans Receivable (Notes 8 and 33)	**35,634,440**	16,290,101	**33,437,319**	14,734,743
Securities Held Under Agreements to Resell (Notes 8 and 35)	**69,694,538**	64,523,863	**69,694,538**	64,523,863
Trading and Investment Securities				
Financial Assets at Fair Value Through Profit or Loss (FVTPL) (Note 9)	**10,516,864**	7,347,201	**10,363,259**	7,195,685
Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI) (Note 9)	**164,531,492**	158,183,525	**164,136,971**	157,205,907
Investment Securities at Amortized Cost (Note 9)	**123,200,427**	110,467,960	**122,730,465**	110,328,678
Loans and Receivables (Notes 10 and 33)	**616,710,746**	593,099,915	**602,158,763**	577,995,018
Property and Equipment (Note 11)	**10,754,018**	11,973,547	**9,862,219**	10,619,033
Investments in Subsidiaries and an Associate (Note 12)	**3,199,124**	2,688,764	**20,567,070**	20,384,104
Investment Properties (Note 13)	**14,579,558**	13,794,986	**14,111,607**	13,264,820
Deferred Tax Assets (Note 30)	**6,981,726**	6,616,902	**6,929,669**	6,574,190
Intangible Assets (Note 14)	**1,301,726**	1,863,922	**1,214,890**	1,753,616
Goodwill (Note 14)	**10,184,843**	11,221,410	**10,325,201**	11,361,768
Other Assets (Note 15)	**5,454,301**	4,155,522	**4,752,685**	3,398,996
TOTAL ASSETS	**₱1,210,549,400**	₱1,145,157,076	**₱1,200,374,156**	₱1,133,744,250
LIABILITIES AND EQUITY				
LIABILITIES				
Deposit Liabilities (Notes 17 and 33)				
Demand	**₱228,405,865**	₱220,043,866	**₱228,144,045**	₱219,805,641
Savings	**541,009,449**	519,940,535	**540,063,571**	518,928,640
Time	**145,752,061**	112,113,308	**141,770,924**	108,766,087
Long Term Negotiable Certificates	**12,803,543**	19,130,012	**12,803,543**	19,130,012
	927,970,918	871,227,721	**922,782,083**	866,630,380
Financial Liabilities at FVTPL (Notes 18, 23 and 35)	**555,811**	1,039,776	**555,811**	1,039,776
Bills and Acceptances Payable (Notes 19, 33 and 35)	**20,162,603**	14,980,373	**20,162,603**	13,888,035
Lease Liabilities (Notes 29 and 33)	**3,832,884**	3,636,391	**3,723,316**	3,604,077
Accrued Taxes, Interest and Other Expenses (Note 20)	**10,465,373**	9,117,393	**10,049,650**	8,487,700
Bonds Payable (Note 21)	**41,490,871**	58,439,097	**41,490,871**	58,439,097
Income Tax Payable	**180,364**	983,051	**103,470**	916,235
Other Liabilities (Note 22)	**14,741,922**	15,827,640	**13,553,863**	14,093,805
	1,019,400,746	975,251,442	**1,012,421,667**	967,099,105
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)	**4,677,930**	4,929,242	**4,677,930**	4,929,242
Surplus (Note 25)	**91,979,317**	73,748,748	**92,174,169**	73,919,909
Net Unrealized Losses on Financial Assets at FVOCI (Notes 9 and 33)	**(1,722,653)**	(5,959,275)	**(1,722,653)**	(5,959,275)
Remeasurement Losses on Retirement Plan (Note 28)	**(2,728,542)**	(2,222,945)	**(2,728,542)**	(2,222,945)
Accumulated Translation Adjustment (Note 25)	**1,999,668**	2,314,447	**1,999,668**	2,314,447
Other Equity Reserves (Notes 12 and 25)	**248,830**	248,830	**390,517**	390,517
Share in Aggregate Reserves on Life Insurance Policies (Note 12)	**24,246**	136,096	**24,246**	136,096
Other Equity Adjustment	**13,959**	13,959	**–**	–
	187,639,909	166,356,256	**187,952,489**	166,645,145
NON-CONTROLLING INTERESTS (Note 12)	**3,508,745**	3,549,378	**–**	–
	191,148,654	169,905,634	**187,952,489**	166,645,145
TOTAL LIABILITIES AND EQUITY	**₱1,210,549,400**	₱1,145,157,076	**₱1,200,374,156**	₱1,133,744,250

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PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

STATEMENTS OF INCOME

(In Thousands)

	Consolidated			Parent Company		
	Years Ended December 31					
	2023	2022	2021	**2023**	2022	2021
INTEREST INCOME ON						
Loans and receivables (Notes 10 and 33)	**₱40,757,927**	₱34,424,531	₱34,157,780	**₱40,119,733**	₱33,794,036	₱33,449,961
Investment securities at amortized cost and FVOCI (Note 9)	**12,608,170**	8,154,922	5,963,594	**12,560,530**	8,143,092	5,962,614
Deposits with banks and others (Notes 7, 12 and 33)	**2,607,973**	1,417,661	1,248,155	**2,252,437**	1,330,052	1,219,996
Financial assets at FVTPL (Note 9)	**251,894**	292,685	632,492	**243,483**	284,251	565,447
Interbank loans receivable and securities held under agreements to resell (Note 8)	**3,368,565**	954,603	400,356	**3,360,981**	896,683	348,153
	59,594,529	45,244,402	42,402,377	**58,537,164**	44,448,114	41,546,171
INTEREST EXPENSE ON						
Deposit liabilities (Notes 17 and 33)	**13,005,646**	5,371,667	4,813,766	**12,971,817**	5,383,153	4,885,785
Bonds payable (Note 21)	**1,660,193**	2,111,192	2,231,863	**1,660,193**	2,111,192	2,231,863
Bills payable and other borrowings (Notes 19, 29 and 33)	**335,847**	433,973	511,921	**319,588**	363,544	425,080
	15,001,686	7,916,832	7,557,550	**14,951,598**	7,857,889	7,542,728
NET INTEREST INCOME	**44,592,843**	37,327,570	34,844,827	**43,585,566**	36,590,225	34,003,443
Service fees and commission income (Notes 26 and 33)	**6,591,256**	6,997,609	6,340,326	**5,754,883**	5,563,369	5,310,729
Service fees and commission expense	**1,266,613**	1,429,195	1,051,376	**1,150,389**	935,945	846,165
NET SERVICE FEES AND COMMISSION INCOME	**5,324,643**	5,568,414	5,288,950	**4,604,494**	4,627,424	4,464,564
OTHER OPERATING INCOME						
Net gains on sale or exchange of assets (Note 26)	**4,541,567**	7,775,154	981,462	**4,621,894**	7,770,001	974,024
Foreign exchange gains - net (Note 23)	**1,367,409**	1,608,281	743,549	**1,149,699**	1,149,444	623,493
Trading and investment securities gains (losses) - net (Notes 9 and 33)	**394,103**	(1,280,783)	731,572	**394,755**	(1,277,759)	600,580
Equity in net earnings (losses) of subsidiaries and an associate (Note 12)	**268,093**	(56,060)	50,789	**560,393**	747,341	(650,134)
Miscellaneous (Note 27)	**871,394**	1,136,692	1,070,047	**624,907**	721,433	759,826
TOTAL OTHER OPERATING INCOME	**7,442,566**	9,183,284	3,577,419	**7,351,648**	9,110,460	2,307,789
TOTAL OPERATING INCOME	**57,360,052**	52,079,268	43,711,196	**55,541,708**	50,328,109	40,775,796
PROVISION FOR IMPAIRMENT, CREDIT AND OTHER LOSSES (Note 16)	**5,923,054**	7,198,117	10,725,014	**5,700,264**	7,305,653	10,971,740
IMPAIRMENT IN VALUE OF GOODWILL (Note 14)	**1,036,567**	–	2,153,997	**1,036,567**	–	2,153,997
OPERATING EXPENSES						
Compensation and fringe benefits (Notes 25, 28 and 33)	**10,464,071**	9,762,776	9,985,822	**9,709,419**	9,012,641	9,274,801
Taxes and licenses (Note 30)	**4,852,190**	5,225,595	3,988,371	**4,778,102**	5,120,690	3,903,066
Depreciation and amortization (Note 11)	**3,976,069**	4,225,746	2,845,717	**3,720,234**	3,909,420	2,499,071
Occupancy and equipment-related costs (Note 29)	**916,735**	1,099,876	1,124,166	**797,259**	952,932	1,002,093
Miscellaneous (Note 27)	**8,218,171**	8,051,942	8,202,755	**7,948,947**	7,810,430	7,974,555
TOTAL OPERATING EXPENSES	**28,427,236**	28,365,935	26,146,831	**26,953,961**	26,806,113	24,653,586
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	**21,973,195**	16,515,216	37,970,597	**21,850,916**	16,216,343	36,296,323
PROVISION FOR INCOME TAX (Note 30)	**4,007,375**	4,931,228	5,545,194	**3,847,968**	4,684,025	5,012,561
NET INCOME FROM CONTINUING OPERATIONS	**17,965,820**	11,583,988	32,425,403	**18,002,948**	11,532,318	31,283,762
NET LOSS FROM DISCONTINUED OPERATIONS, NET OF TAX (Notes 12 and 36)	–	–	(735,365)	–	–	–
NET INCOME	**₱17,965,820**	₱11,583,988	₱31,690,038	**₱18,002,948**	₱11,532,318	₱31,283,762
ATTRIBUTABLE TO:						
Equity Holders of the Parent Company (Note 31)	**₱17,979,257**	₱11,532,318	₱31,630,626			
Non-controlling Interests	**(13,437)**	51,670	59,412			
	₱17,965,820	₱11,583,988	₱31,690,038			
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 31)	**₱11.78**	₱7.56	₱20.73	**₱11.80**	₱7.56	₱20.50
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company from Continuing Operations (Note 31)	**₱11.78**	₱7.56	₱21.21	**₱11.80**	₱7.56	₱20.50

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PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands)

	Consolidated			Parent Company		
	Years Ended December 31					
	2023	2022	2021	**2023**	2022	2021
NET INCOME	**₱17,965,820**	₱11,583,988	₱31,690,038	**₱18,002,948**	₱11,532,318	₱31,283,762
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)	**2,505,660**	(4,764,711)	(3,178,301)	**2,485,994**	(4,754,670)	(3,158,391)
Share in changes in net unrealized losses on financial assets at FVOCI of subsidiaries and an associate (Notes 9 and 12)	**362,392**	(885,481)	(558,030)	**382,058**	(902,788)	(663,471)
	2,868,052	(5,650,192)	(3,736,331)	**2,868,052**	(5,657,458)	(3,821,862)
Accumulated translation adjustment	**(341,822)**	1,102,022	1,008,640	**(109,124)**	421,609	(117,264)
Share in changes in accumulated translation adjustment of subsidiaries and an associate (Note 12)	–	–	–	**(205,655)**	389,442	902,788
	2,526,230	(4,548,170)	(2,727,691)	**2,553,273**	(4,846,407)	(3,036,338)
Items that do not recycle to profit or loss in subsequent periods:						
Net change in unrealized gain (loss) on equity securities at FVOCI (Note 9)	**1,368,570**	394,654	(21,809)	**1,368,570**	401,920	63,722
Remeasurement gains (losses) on retirement plan (Note 28)	**(493,906)**	495,353	285,632	**(512,517)**	489,953	500,862
Share in changes in aggregate reserves (losses) on life insurance policies (Note 12)	**(111,850)**	762,490	412,444	**(111,850)**	762,490	412,444
Share in changes in remeasurement gains (losses) of subsidiaries and an associate (Note 12)	**(8,275)**	7,708	(1,482)	**6,920**	12,169	(216,477)
	754,539	1,660,205	674,785	**751,123**	1,666,532	760,551
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	**3,280,769**	(2,887,965)	(2,052,906)	**3,304,396**	(3,179,875)	(2,275,787)
TOTAL COMPREHENSIVE INCOME	**₱21,246,589**	₱8,696,023	₱29,637,132	**₱21,307,344**	₱8,352,443	₱29,007,975
ATTRIBUTABLE TO:						
Equity holders of the Parent Company	**₱21,283,653**	₱8,352,443	₱29,354,839			
Non-controlling interests	**(37,064)**	343,580	282,293			
	₱21,246,589	₱8,696,023	₱29,637,132			

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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, 2023	**₱61,030,594**	**₱32,116,560**	**₱4,929,242**	**₱73,748,748**	**(₱5,959,275)**	**(₱2,222,945)**	**₱2,314,447**	**₱248,830**	**₱136,096**	**₱–**	**₱13,959**	**₱166,356,256**	**₱3,549,378**	**₱169,905,634**
Total comprehensive income (loss) for the year	**–**	**–**	**–**	**17,979,257**	**4,236,622**	**(505,597)**	**(314,779)**	**–**	**(111,850)**	**–**	**–**	**21,283,653**	**(37,064)**	**21,246,589**
Transfer to surplus reserves (Notes 10, 25 and 32)	**–**	**–**	**(251,312)**	**251,312**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Declaration of dividends by subsidiaries to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,569)**	**(3,569)**
Balance at December 31, 2023	**₱61,030,594**	**₱32,116,560**	**₱4,677,930**	**₱91,979,317**	**(₱1,722,653)**	**(₱2,728,542)**	**₱1,999,668**	**₱248,830**	**₱24,246**	**₱–**	**₱13,959**	**₱187,639,909**	**₱3,508,745**	**₱191,148,654**
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 10, 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 10, 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

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PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY

(In Thousands)

Parent Company

	Capital Stock (Note 25)	Capital Paid in Excess of Par Value (Note 25)	Surplus Reserves (Notes 10, 25 and 32)	Surplus (Note 25)	Net Unrealized Gains (Losses) on Financial Assets at FVOCI (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 Held for Sale (Notes 12 and 36)	Total Equity
Balance at January 1, 2023	**₱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**
Total comprehensive income (loss) for the year	**–**	**–**	**–**	**18,002,948**	**4,236,622**	**(505,597)**	**(314,779)**	**–**	**(111,850)**	**–**	**21,307,344**
Transfer to surplus reserves (Notes 10, 25 and 32)	**–**	**–**	**(251,312)**	**251,312**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Balance at December 31, 2023	**₱61,030,594**	**₱32,106,560**	**₱4,677,930**	**₱92,174,169**	**(₱1,722,653)**	**(₱2,728,542)**	**₱1,999,668**	**₱390,517**	**₱24,246**	**₱–**	**₱187,952,489**
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 10, 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 10, 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

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PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

(In Thousands)

	Consolidated			Parent Company		
	Years Ended December 31					
	2023	2022	2021	**2023**	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES						
Income from continuing operations before income tax	**₱21,973,195**	₱16,515,216	₱37,970,597	**₱21,850,916**	₱16,216,343	₱36,296,323
Loss from discontinued operations before income tax (Note 36)	**–**	–	(626,763)	**–**	–	–
Income before income tax	**21,973,195**	16,515,216	37,343,834	**21,850,916**	16,216,343	36,296,323
Adjustments for:						
Provision for impairment, credit and other losses (Note 16)	**5,923,054**	7,198,117	10,813,155	**5,700,264**	7,305,653	10,971,740
Net gains on sale or exchange of assets (Note 26)	**(4,541,567)**	(7,775,154)	(981,462)	**(4,621,894)**	(7,770,001)	(974,024)
Depreciation and amortization (Note 11)	**3,976,069**	4,225,746	2,894,759	**3,720,234**	3,909,420	2,499,071
Amortization of premium (discount) on investment securities	**(2,888,201)**	(935,770)	294,421	**(2,891,341)**	(936,131)	296,554
Impairment in value of goodwill (Note 14)	**1,036,567**	–	2,153,997	**1,036,567**	–	2,153,997
Unrealized foreign exchange losses (gains) on bonds, bills and acceptances payable	**(209,842)**	6,502,018	5,334,118	**(209,842)**	6,491,373	5,328,215
Net losses (gains) on financial assets at FVTPL (Note 9)	**(399,339)**	211,235	846,625	**(400,113)**	208,211	977,617
Equity in net losses (earnings) of subsidiaries and an associate (Note 12)	**(268,093)**	56,060	(50,789)	**(560,393)**	(747,341)	650,134
Amortization of transaction costs on borrowings (Notes 17 and 21)	**90,011**	105,480	116,898	**90,011**	105,480	116,898
Net losses (gains) on financial assets at FVOCI and investment securities at amortized cost (Note 9)	**5,236**	1,069,548	(1,540,192)	**5,358**	1,069,548	(1,578,197)
Accretion to interest income of loss on loan modifications	**–**	(369,152)	(351,502)	**–**	(369,152)	(351,502)
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)
Changes in operating assets and liabilities:						
Decrease (increase) in amounts of:						
Interbank loan receivable (Note 8)	**1,828,975**	(4,854,939)	(891,301)	**2,407,631**	(4,656,651)	(859,213)
Financial assets at FVTPL	**(2,770,324)**	3,609,221	11,812,813	**(2,767,461)**	3,606,381	9,959,744
Loans and receivables	**(32,170,920)**	4,448,687	(13,325,214)	**(32,262,933)**	4,995,515	(16,184,925)
Other assets	**(2,608,270)**	(243,158)	1,398,479	**(2,505,688)**	(1,340,408)	(368,189)
Increase (decrease) in amounts of:						
Financial liabilities at FVTPL	**(483,965)**	148,245	190,292	**(483,965)**	148,430	190,544
Deposit liabilities	**56,719,665**	(23,726,210)	4,603,064	**56,128,172**	(32,924,438)	5,943,796
Accrued taxes, interest and other expenses	**1,435,027**	1,518,737	246,627	**1,623,234**	1,139,793	681,686
Other liabilities	**(1,584,110)**	616,446	(7,663,779)	**(1,053,706)**	1,084,236	(1,511,065)
Net cash generated from (used in) operations	**45,063,168**	8,320,373	19,959,600	**44,805,051**	(2,463,739)	20,939,354
Income taxes paid	**(3,919,287)**	(2,050,109)	(2,285,669)	**(3,826,112)**	(1,802,246)	(1,841,579)
Net cash provided by (used in) operating activities	**41,143,881**	6,270,264	17,673,931	**40,978,939**	(4,265,985)	19,097,775
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from:						
Disposal/maturities of financial assets at FVOCI	**562,251,372**	643,902,197	212,560,360	**561,071,652**	643,888,779	210,574,683
Maturities/early redemptions of investment securities at amortized cost	**64,078,361**	141,160,199	39,790,071	**61,007,188**	141,171,532	39,085,249
Disposal of investment properties	**5,113,184**	6,844,641	293,738	**4,874,843**	6,842,374	214,782
Disposal of property and equipment	**1,295,493**	108,253	201,593	**1,022,920**	32,546	301,198
Disposal of investment in a subsidiary (Note 12)	**–**	–	1,001,558	**–**	–	1,001,558
Cash dividends from a subsidiary (Note 12)	**–**	–	–	**448,900**	1,092,000	–
Return of investment (Note 12)	**–**	–	–	**–**	7,500,000	–
Acquisitions of:						
Financial assets at FVOCI	**(562,081,002)**	(638,254,305)	(224,330,405)	**(561,446,524)**	(637,154,487)	(224,330,405)
Investment securities at amortized cost	**(76,625,183)**	(162,392,791)	(33,372,543)	**(73,223,330)**	(162,392,791)	(33,372,543)
Software cost (Note 14)	**(598,969)**	(881,572)	(655,455)	**(597,165)**	(848,426)	(612,515)
Property and equipment (Note 11)	**(419,859)**	(547,083)	(1,120,741)	**(407,645)**	(535,981)	(675,730)
Additional investments in an associate (Note 12)	**–**	(392,000)	(245,000)	**–**	(392,000)	(245,000)
Net cash used in investing activities	**(6,986,603)**	(10,452,461)	(5,876,824)	**(7,249,161)**	(796,454)	(8,058,723)

(Forward)

	Consolidated			Parent Company		
	Years Ended December 31					
	2023	2022	2021	**2023**	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES						
Settlement of bills and acceptances payable	**(₱136,027,137)**	(₱277,002,294)	(₱273,753,842)	**(₱134,014,712)**	(₱274,908,050)	(₱272,556,037)
Proceeds from issuances of bills and acceptances payable	**140,964,503**	237,506,670	237,327,616	**140,044,415**	236,171,512	236,637,024
Payment of principal portion of lease liabilities (Note 29)	**(1,314,516)**	(1,113,225)	(1,231,287)	**(1,232,928)**	(1,068,038)	(1,213,912)
Settlement of bonds payable (Note 21)	**(16,560,000)**	–	(13,870,000)	**(16,560,000)**	–	(13,870,000)
Net cash used in financing activities	**(12,937,150)**	(40,608,849)	(51,527,513)	**(11,763,225)**	(39,804,576)	(51,002,925)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**21,220,128**	(44,791,046)	(39,730,406)	**21,966,553**	(44,867,015)	(39,963,873)
CASH AND CASH EQUIVALENTS AT BEGINNING 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
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	**21,151,391**	22,217,915	27,552,773	**21,052,526**	22,103,095	27,454,459
Due from Bangko Sentral ng Pilipinas	**95,410,350**	94,701,360	161,001,912	**95,410,350**	94,701,360	161,001,912
Due from other banks	**21,243,856**	26,010,183	27,222,083	**13,626,624**	17,599,374	19,324,000
Interbank loans receivable (Note 8)	**30,955,766**	9,782,452	30,453,378	**29,934,920**	8,824,713	29,042,376
Securities held under agreements to resell	**69,694,538**	64,523,863	15,796,673	**69,694,538**	64,523,863	15,796,673
	₱238,455,901	₱217,235,773	₱262,026,819	**₱229,718,958**	₱207,752,405	₱252,619,420
OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS						
Interest paid	**₱13,298,198**	₱7,312,461	₱7,690,053	**₱13,269,068**	₱7,256,130	₱7,670,243
Interest received	**55,438,281**	43,082,036	42,928,178	**54,445,224**	42,297,774	42,075,051
Dividends received	**–**	–	–	**448,900**	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

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

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

Other Foreign Currency Accounts (Time)
- Chinese Yuan (Renminbi)
- Euro
- Japanese Yen
- Great Britain Pound

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:
- Transaction History
- Account Portfolio
- Customized Statement of Account Viewing
- 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 or checks.

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 Point of Sale
- eCollect - electronic channels and partner institution channels
- Payment Gateway
- Bills Pay PH via InstaPay – Bills payment acceptance from participating Bancnet member banks
- QR Ph – a quick and safe acceptance of payments to merchants via the use of a QR code

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
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 mobile phone or tablet can easily sign up to the app without visiting the branch, using their deposit account or credit card information.

With PNB Digital, customers can enjoy an enhanced digital banking experience as the app allows users to:

- Monitor balances and view transactions of deposit, e-money, and credit card accounts
- View active time deposit accounts
- Send money between PNB accounts, to other local banks, and to e-wallets using InstaPay or PESONet
- Pay bills using a deposit account or credit card
- Request money by sharing a QR code or via registered mobile number and email to sender
- Transfer funds and make payments in-store and to online merchants via QR code
- Make a cardless cash withdrawal at any PNB ATM
- Enroll, subscribe to, monitor, and redeem UITF investments
- Schedule one-time or recurring fund transfer and bills payment transactions
- Order a checkbook for enrolled checking accounts
- Access PNB credit card services such as viewing of card balance, statement and recent transactions, rewards points, and card PIN
- View and download PNB credit card monthly electronic statements for the last 12 months

PNB Digital also provides security and authentication features when customers access their accounts and perform banking transactions.

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 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 in the Philippines 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 branches, PNB Digital, PNB Cash Accept Machines, and ATMs.

- 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 Protection, Health, and Long-Term Savings.

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 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)
- Payroll Services for Seafarers

Available remittance channels include:

- Over-the-Counter (OTC) at PNB Overseas Branches and Offices
- Mail-in Remittance (US and Japan)
- Web Remit (US and Europe)
- Phone Remit (US and Europe)
- Mobile App (Singapore)
- Remittance Agents and Tie-Ups

E. TREASURY PRODUCTS AND SERVICES

The Bank trades debt and money market instruments, foreign exchange spot and swap transactions. 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.

H. CONSUMER LENDING SERVICES

The Bank also extends consumer loans such as:

- **Auto Loans**
  A secured loan facility for the acquisition of motor vehicle.
  - Auto Loan (Personal / Business)
  - Fleet Financing - refers to a non-revolving line granted to corporations, cooperatives, or those classified as single proprietorship or partnership for the acquisition of multiple motor vehicle units to be used for business operations.

- **Real Estate Loans**
  A secured loan facility for the purpose of acquisition of lot and/or residential units, house construction/renovation/expansion, and refinancing of existing mortgage.
  - Housing Loan (Personal/ Commercial)
  - Flexi Loan Program - refers to loans granted to individuals for personal use, secured by residential real estate properties and/or holdout on deposits/pledge of government securities (GS). It is used to finance the assets and other personal-related and household expenditures of a borrower.
  - Contract-to-Sell is 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.

- **Personal Loans**
  A multi-purpose unsecured loan facility that can be used to fund personal expenses such as medical services, education/tuition fees, house renovations, purchase of appliances and furniture, travel, and more.

I. TRUST PRODUCTS AND SERVICES

Unit Investment Trust Funds (UITF)
PNB offers a wide range of investment funds, which include money market, fixed income, multi-asset, and equity funds. These funds are suited to meet every customer's financial standing, investment goal, risk appetite, and investment horizon.

1. **Money Market Funds:**
   - PNB Prime Peso Money Market Fund
   - PNB Prestige Peso Money Market Fund
   - PNB Institutional Money Market Fund
   - PNB Prime Dollar Money Market Fund

2. **Fixed Income Funds:**
   - PNB Profit Peso Bond Fund
   - PNB PERA Bond Fund
   - PNB Profit Bond Fund

3. **Multi-Asset Fund:**
   - PNB Multi-Asset Fund

4. **Local Equity Funds:**
   - PNB Phil-Index Tracker Fund
   - PNB High Dividend Fund
   - PNB Equity Fund

5. **Global Feeder Funds:**
   - PNB Global Growth Equity Feeder Fund
   - PNB US Equity Sustainability Leaders Feeder Fund

Personal Trust Products and Services

- **Personal Management Trust (PMT)**
  It is ideal for those who want to set aside funds or assets for the benefit of designated beneficiaries. The funds are managed by PNB Trust Banking Group in accordance with the client's financial goals and objectives. This arrangement can also be used as an estate planning tool to ensure the proper distribution of the trust estate to designated beneficiaries.

- **Investment Management Account (IMA)**
  It allows clients to enjoy and gain access to PNB's professional fund management services. Experienced portfolio managers design customized portfolios and strategy to help clients achieve financial goals and objectives. It can also provide potential higher returns due to PNB's access to high-yielding investment outlets.

Corporate Trust Products and Services

- **Corporate Fund Management**
  A trust or agency account created to gain access to PNB's professional fund management expertise and services in managing the investible funds of the client in accordance with terms and conditions of the trust or agency agreement.

Other Fiduciary Trust Products and Services

- **Escrow**
  It is an arrangement where PNB acts as an unbiased third party to a transaction between two parties involving the exchange of money, securities, instruments, or properties in order to ensure the faithful compliance by the parties with the terms of the contract. The eventual release of the Escrow Deposit shall be contingent upon the fulfillment of a certain condition.

  PNB handles the following types of escrow:

  1. Escrow POEA/DMW
  2. Escrow BIR
  3. Escrow Buy and Sell
  4. Escrow DHSUD
  5. Other Escrow (customized Escrow).

- **Corporate Fiduciary Services**
  Corporate Fiduciary Services are trust services availed by corporations to complement their capital or fund-raising activities through debt and equity issuances. It covers the following products and services:

  1. Facility/Loan Agency
  2. Trust Under Indenture
  3. Transfer Agency

For a complete description of the Bank's Products and Services, please visit our website at www.pnb.com.ph.

MANAGEMENT DIRECTORY

As of January 31, 2024

OFFICE OF THE PRESIDENT

President
Florido P. Casuela

First Senior Vice President
Jose German M. Licup

Senior Vice President
Constantino T. Yap

First Vice President
Modette Ines V. Carino

Assistant Vice President
Lita Victoria C. Fernandez
Gemma S. Lim

CONSUMER FINANCE SECTOR

First Senior Vice President
Celeste Marie V. Lim

Consumer Finance Sales Group

Senior Vice President
Philip S. Pabelico

First Vice President
Maria Pia P. Lagtapon

Vice President
Johann T. Victor
Rhodora E. Del Mundo
Ralph Benedict B. Centeno

Senior Assistant Vice President
Dennis C. Arias
Jaybert Jose A. Ong
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Assistant Vice President
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Margaret Rose V. Santos
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Consumer Finance Business Development & Management Group

Vice President
Sheila O. Caeg-Bilog

Senior Assistant Vice President
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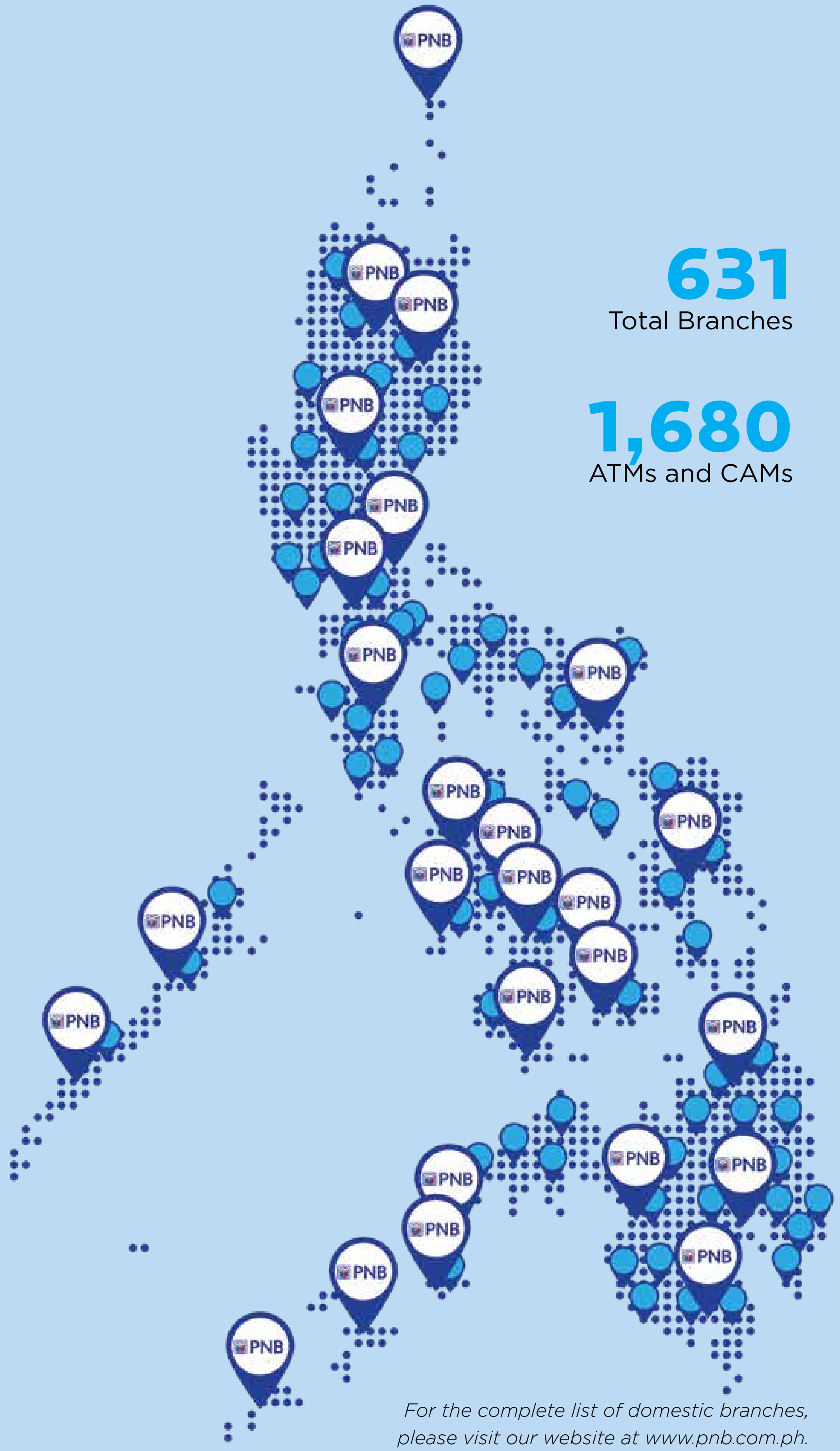

631
Total Branches

1,680
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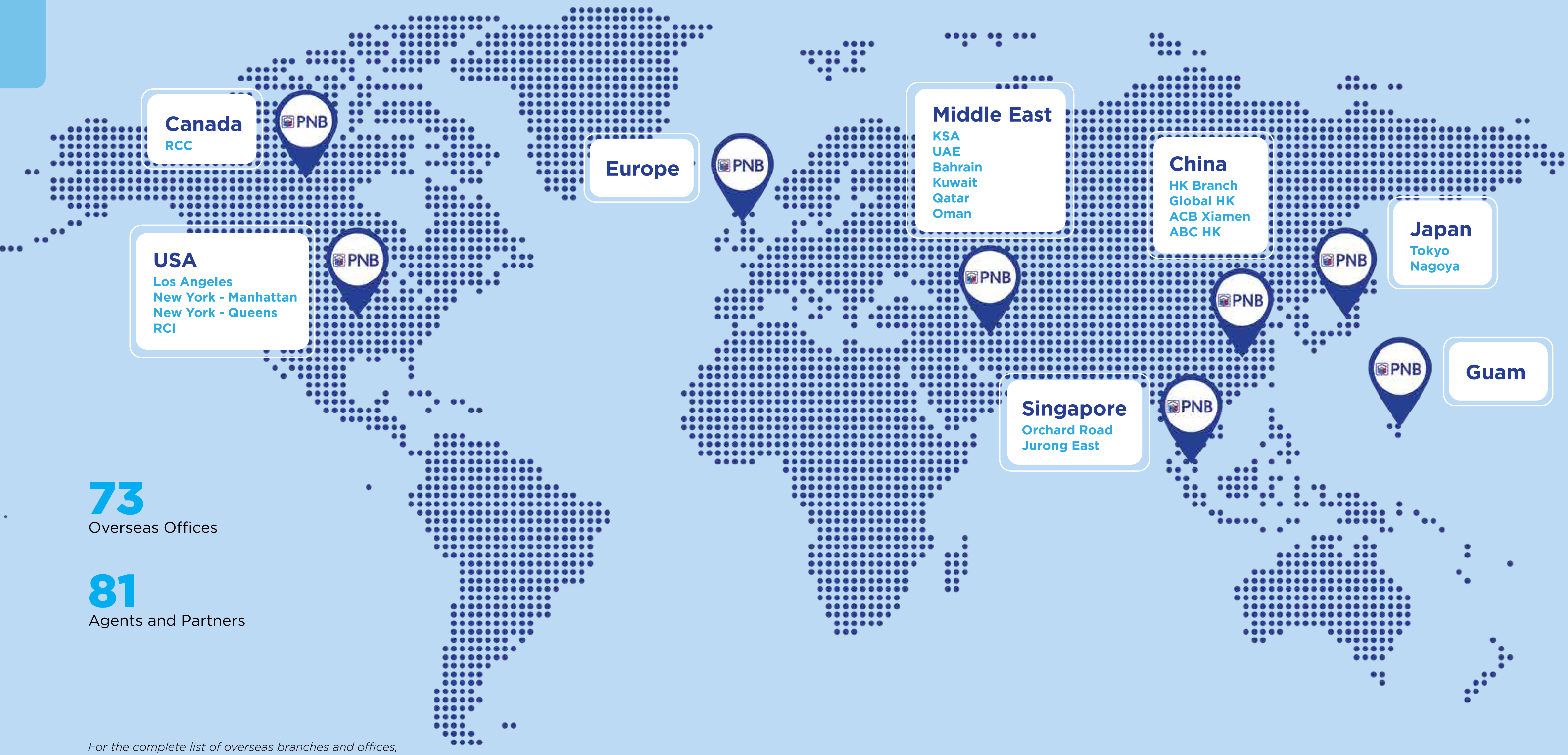

73
Overseas Offices

81
Agents and Partners

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General Manager

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Anelyn F Abiera
Operations Officer

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Cherie Liz Gabor
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PNB Mabolo Branch 2nd Flr. GPH Central Building, F. Cabahug St., Mabolo, Cebu
Tel. No: (032) 422-3103

ILOILO
Mezzanine Flr. PNB Iloilo Plaza Libertad Branch J.M Basa St., Iloilo City
Tel. No: (033) 328-1172

TACLOBAN
2/F PNB Tacloban Justice Romualdez Branch Justice Romualdez St., Tacloban City
Tel. No: (053) 523- 2814

MINDANAO

DAVAO
3F PNB Davao San Pedro CM Recto Branch San Pedro St. corner CM Recto, Davao City
Tel. No: (082) 305-4438

CAGAYAN DE ORO
2F PNB CDO-Limketkai Drive Branch, Limketkai Drive, Lapasan, Cagayan de Oro City, Misamis Oriental
Tel. No: (082) 231-6369 loc 088

ZAMBOANGA
2F PNB Zamboanga J.S. Alano Branch J. Alano St., Zamboanga City
Tel. No: (062) 991-0797

PNB DOMESTIC SUBSIDIARIES AND AFFILIATE

PNB Capital and Investment Corporation
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Pasay City 1300
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(02) 8 573-4293
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E-mail Add.:
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Felix Enrico R. Alfiler
Chairman

Gerry B. Valenciano
President & CEO

PNB-Mizuho Leasing and Finance Corporation
5th Floor, PNB Makati Center,
6754 Ayala Avenue, corner
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Tel No.: (02) 8 892-5555
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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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albanoym@pnb.com.ph

Edgar A. Cua
Chairman

Yolanda M. Albano
President

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Pasay City 1300
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(02) 8 526-3510
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Florido P. Casuela
Chairman

Manuel Antonio G. Lisbona
President & CEO

PNB-Mizuho Equipment Rentals Corporation
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Federico C. Pascual
Chairman

Atty. Jose German M. Licup
Officer-In-Charge

Allianz PNB Life Insurance, Inc.
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1226 Makati City
Tel No.: (02) 8 818-LIFE (5433)
(02) 8 818-HELP (4357)
Fax No.: (02) 8 818-2701
E-mail Add.:
customercare@allianzpnblife.ph

Lucio C. Tan
Chairman

Joseph Kumar Gross
President & CEO

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Audited Financial Statements and Management's Discussion and Analysis,
you may visit:
https://l.ead.me/2023PNBAnnualReport

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PNB

2023 Audited Financial Statements and Management's Discussion and Analysis

THINK AS ONE, DO AS ONE.

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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, 2023, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative to do so.

The Board of Directors is responsible for overseeing the Bank's financial reporting process.

The Board of Directors reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stockholders.

Sycip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Bank in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

EDGAR A. CUA
Chairman of the Board

FLORIDO P. CASUELA
President

FRANCIS B. ALBALATE
Executive Vice President and Chief Financial Officer

11 MAR 2024 PASAY CITY

SUBSCRIBED AND SWORN to before me this ___ day of March 2024 affiants exhibiting to me their Passport / SSS Identification Nos.

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Book No. X
Series of 2024

Atty. Jamie O. Real
Commission No. 23-13; Roll No. 68794
Notary Public in and for Pasay City until December 31, 202-
9th Floor PNB Financial Center
Pres. Diosdado Macapagal Blvd., Pasay City
PTR No. 8456119/Jan. 03, 2024/Pasay City
IBP Lifetime No. 018651/Dec. 11, 2017/Manila IV

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
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The Stockholders and the Board of Directors
Philippine National Bank

Report on the Consolidated and Parent Company Financial Statements

Opinion

We have audited the consolidated financial statements of Philippine National Bank and its Subsidiaries (the Group) and the parent company financial statements of Philippine National Bank (the Parent Company), which comprise the consolidated and parent company statements of financial position as at December 31, 2023 and 2022, 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, 2023, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Group and the Parent Company as at December 31, 2023 and 2022, and their financial performance and its cash flows for each of the three years in the period ended December 31, 2023 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audit 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 International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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 the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditor's 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 described 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 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 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, 2023 amounted to ₱42.6 billion for the Group and the Parent Company. Provision for credit losses in 2023 amounted to ₱5.7 billion and ₱5.5 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, 2023, the goodwill of the Group and the Parent Company amounted to ₱10.2 billion and ₱10.3 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 Treasury. 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.

Other Information

The other information consists of 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, 2023, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023 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 do 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 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 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 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 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 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 financial statements, including the disclosures, and whether the 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, actions taken to eliminate threats or safeguards applied.

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 Section 174 of the Manual of Regulations for Banks (MORB)

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 with Section 174 of the MORB 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 Leslie Anne G. Huang.

SYCIP GORRES VELAYO & CO.

Leslie Anne G. Huang

Leslie Anne G. Huang
Partner
CPA Certificate No. 134290
Tax Identification No. 238-044-991
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-150-2022, November 7, 2022, valid until November 6, 2025
PTR No. 10079947, January 5, 2024, Makati City

February 23, 2024

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

Statements of Financial Position

(In Thousands)

	Consolidated		Parent Company	
	December 31		December 31	
	2023	2022	**2023**	2022
ASSETS				
Cash and Other Cash Items	**₱21,151,391**	₱22,217,915	**₱21,052,526**	₱22,103,095
Due from Bangko Sentral ng Pilipinas (Notes 7 and 17)	**95,410,350**	94,701,360	**95,410,350**	94,701,360
Due from Other Banks (Note 33)	**21,243,856**	26,010,183	**13,626,624**	17,599,374
Interbank Loans Receivable (Notes 8 and 33)	**35,634,440**	16,290,101	**33,437,319**	14,734,743
Securities Held Under Agreements to Resell (Notes 8 and 35)	**69,694,538**	64,523,863	**69,694,538**	64,523,863
Trading and Investment Securities				
Financial Assets at Fair Value Through Profit or Loss (FVTPL) (Note 9)	**10,516,864**	7,347,201	**10,363,259**	7,195,685
Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI) (Note 9)	**164,531,492**	158,183,525	**164,136,971**	157,205,907
Investment Securities at Amortized Cost (Note 9)	**123,200,427**	110,467,960	**122,730,465**	110,328,678
Loans and Receivables (Notes 10 and 33)	**616,710,746**	593,099,915	**602,158,763**	577,995,018
Property and Equipment (Note 11)	**10,754,018**	11,973,547	**9,862,219**	10,619,033
Investments in Subsidiaries and an Associate (Note 12)	**3,199,124**	2,688,764	**20,567,070**	20,384,104
Investment Properties (Note 13)	**14,579,558**	13,794,986	**14,111,607**	13,264,820
Deferred Tax Assets (Note 30)	**6,981,726**	6,616,902	**6,929,669**	6,574,190
Intangible Assets (Note 14)	**1,301,726**	1,863,922	**1,214,890**	1,753,616
Goodwill (Note 14)	**10,184,843**	11,221,410	**10,325,201**	11,361,768
Other Assets (Note 15)	**5,454,301**	4,155,522	**4,752,685**	3,398,996
TOTAL ASSETS	**₱1,210,549,400**	₱1,145,157,076	**₱1,200,374,156**	₱1,133,744,250
LIABILITIES AND EQUITY				
LIABILITIES				
Deposit Liabilities (Notes 17 and 33)				
Demand	**₱228,405,865**	₱220,043,866	**₱228,144,045**	₱219,805,641
Savings	**541,009,449**	519,940,535	**540,063,571**	518,928,640
Time	**145,752,061**	112,113,308	**141,770,924**	108,766,087
Long Term Negotiable Certificates	**12,803,543**	19,130,012	**12,803,543**	19,130,012
	927,970,918	871,227,721	**922,782,083**	866,630,380
Financial Liabilities at FVTPL (Notes 18, 23 and 35)	**555,811**	1,039,776	**555,811**	1,039,776
Bills and Acceptances Payable (Notes 19, 33 and 35)	**20,162,603**	14,980,373	**20,162,603**	13,888,035
Lease Liabilities (Notes 29 and 33)	**3,832,884**	3,636,391	**3,723,316**	3,604,077
Accrued Taxes, Interest and Other Expenses (Note 20)	**10,465,373**	9,117,393	**10,049,650**	8,487,700
Bonds Payable (Note 21)	**41,490,871**	58,439,097	**41,490,871**	58,439,097
Income Tax Payable	**180,364**	983,051	**103,470**	916,235
Other Liabilities (Note 22)	**14,741,922**	15,827,640	**13,553,863**	14,093,805
	1,019,400,746	975,251,442	**1,012,421,667**	967,099,105
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)	**4,677,930**	4,929,242	**4,677,930**	4,929,242
Surplus (Note 25)	**91,979,317**	73,748,748	**92,174,169**	73,919,909
Net Unrealized Losses on Financial Assets at FVOCI (Notes 9 and 33)	**(1,722,653)**	(5,959,275)	**(1,722,653)**	(5,959,275)
Remeasurement Losses on Retirement Plan (Note 28)	**(2,728,542)**	(2,222,945)	**(2,728,542)**	(2,222,945)
Accumulated Translation Adjustment (Note 25)	**1,999,668**	2,314,447	**1,999,668**	2,314,447
Other Equity Reserves (Notes 12 and 25)	**248,830**	248,830	**390,517**	390,517
Share in Aggregate Reserves on Life Insurance Policies (Note 12)	**24,246**	136,096	**24,246**	136,096
Other Equity Adjustment	**13,959**	13,959	**–**	–
	187,639,909	166,356,256	**187,952,489**	166,645,145
NON-CONTROLLING INTERESTS (Note 12)	**3,508,745**	3,549,378	**–**	–
	191,148,654	169,905,634	**187,952,489**	166,645,145
TOTAL LIABILITIES AND EQUITY	**₱1,210,549,400**	₱1,145,157,076	**₱1,200,374,156**	₱1,133,744,250

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					
	2023	2022	2021	**2023**	2022	2021
INTEREST INCOME ON						
Loans and receivables (Notes 10 and 33)	**₱40,757,927**	₱34,424,531	₱34,157,780	**₱40,119,733**	₱33,794,036	₱33,449,961
Investment securities at amortized cost and FVOCI (Note 9)	**12,608,170**	8,154,922	5,963,594	**12,560,530**	8,143,092	5,962,614
Deposits with banks and others (Notes 7, 12 and 33)	**2,607,973**	1,417,661	1,248,155	**2,252,437**	1,330,052	1,219,996
Financial assets at FVTPL (Note 9)	**251,894**	292,685	632,492	**243,483**	284,251	565,447
Interbank loans receivable and securities held under agreements to resell (Note 8)	**3,368,565**	954,603	400,356	**3,360,981**	896,683	348,153
	59,594,529	45,244,402	42,402,377	**58,537,164**	44,448,114	41,546,171
INTEREST EXPENSE ON						
Deposit liabilities (Notes 17 and 33)	**13,005,646**	5,371,667	4,813,766	**12,971,817**	5,383,153	4,885,785
Bonds payable (Note 21)	**1,660,193**	2,111,192	2,231,863	**1,660,193**	2,111,192	2,231,863
Bills payable and other borrowings (Notes 19, 29 and 33)	**335,847**	433,973	511,921	**319,588**	363,544	425,080
	15,001,686	7,916,832	7,557,550	**14,951,598**	7,857,889	7,542,728
NET INTEREST INCOME	**44,592,843**	37,327,570	34,844,827	**43,585,566**	36,590,225	34,003,443
Service fees and commission income (Notes 26 and 33)	**6,591,256**	6,997,609	6,340,326	**5,754,883**	5,563,369	5,310,729
Service fees and commission expense	**1,266,613**	1,429,195	1,051,376	**1,150,389**	935,945	846,165
NET SERVICE FEES AND COMMISSION INCOME	**5,324,643**	5,568,414	5,288,950	**4,604,494**	4,627,424	4,464,564
OTHER OPERATING INCOME						
Net gains on sale or exchange of assets (Note 26)	**4,541,567**	7,775,154	981,462	**4,621,894**	7,770,001	974,024
Foreign exchange gains - net (Note 23)	**1,367,409**	1,608,281	743,549	**1,149,699**	1,149,444	623,493
Trading and investment securities gains (losses) - net (Notes 9 and 33)	**394,103**	(1,280,783)	731,572	**394,755**	(1,277,759)	600,580
Equity in net earnings (losses) of subsidiaries and an associate (Note 12)	**268,093**	(56,060)	50,789	**560,393**	747,341	(650,134)
Miscellaneous (Note 27)	**871,394**	1,136,692	1,070,047	**624,907**	721,433	759,826
TOTAL OTHER OPERATING INCOME	**7,442,566**	9,183,284	3,577,419	**7,351,648**	9,110,460	2,307,789
TOTAL OPERATING INCOME	**57,360,052**	52,079,268	43,711,196	**55,541,708**	50,328,109	40,775,796
PROVISION FOR IMPAIRMENT, CREDIT AND OTHER LOSSES (Note 16)	**5,923,054**	7,198,117	10,725,014	**5,700,264**	7,305,653	10,971,740
IMPAIRMENT IN VALUE OF GOODWILL (Note 14)	**1,036,567**	–	2,153,997	**1,036,567**	–	2,153,997
OPERATING EXPENSES						
Compensation and fringe benefits (Notes 25, 28 and 33)	**10,464,071**	9,762,776	9,985,822	**9,709,419**	9,012,641	9,274,801
Taxes and licenses (Note 30)	**4,852,190**	5,225,595	3,988,371	**4,778,102**	5,120,690	3,903,066
Depreciation and amortization (Note 11)	**3,976,069**	4,225,746	2,845,717	**3,720,234**	3,909,420	2,499,071
Occupancy and equipment-related costs (Note 29)	**916,735**	1,099,876	1,124,166	**797,259**	952,932	1,002,093
Miscellaneous (Note 27)	**8,218,171**	8,051,942	8,202,755	**7,948,947**	7,810,430	7,974,555
TOTAL OPERATING EXPENSES	**28,427,236**	28,365,935	26,146,831	**26,953,961**	26,806,113	24,653,586
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	**21,973,195**	16,515,216	37,970,597	**21,850,916**	16,216,343	36,296,323
PROVISION FOR INCOME TAX (Note 30)	**4,007,375**	4,931,228	5,545,194	**3,847,968**	4,684,025	5,012,561
NET INCOME FROM CONTINUING OPERATIONS	**17,965,820**	11,583,988	32,425,403	**18,002,948**	11,532,318	31,283,762
NET LOSS FROM DISCONTINUED OPERATIONS, NET OF TAX (Notes 12 and 36)	**–**	–	(735,365)	**–**	–	–
NET INCOME	**₱17,965,820**	₱11,583,988	₱31,690,038	**₱18,002,948**	₱11,532,318	₱31,283,762
ATTRIBUTABLE TO:						
Equity Holders of the Parent Company (Note 31)	**₱17,979,257**	₱11,532,318	₱31,630,626			
Non-controlling Interests	**(13,437)**	51,670	59,412			
	₱17,965,820	₱11,583,988	₱31,690,038			
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 31)	**₱11.78**	₱7.56	₱20.73	**₱11.80**	₱7.56	₱20.50
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company from Continuing Operations (Note 31)	**₱11.78**	₱7.56	₱21.21	**₱11.80**	₱7.56	₱20.50

See accompanying Notes to Financial Statements.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

Statements of Comprehensive Income

(In Thousands)

	Consolidated			Parent Company		
	Years Ended December 31					
	2023	2022	2021	**2023**	2022	2021
NET INCOME	**₱17,965,820**	₱11,583,988	₱31,690,038	**₱18,002,948**	₱11,532,318	₱31,283,762
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)	**2,505,660**	(4,764,711)	(3,178,301)	**2,485,994**	(4,754,670)	(3,158,391)
Share in changes in net unrealized losses on financial assets at FVOCI of subsidiaries and an associate (Notes 9 and 12)	**362,392**	(885,481)	(558,030)	**382,058**	(902,788)	(663,471)
	2,868,052	(5,650,192)	(3,736,331)	**2,868,052**	(5,657,458)	(3,821,862)
Accumulated translation adjustment	**(341,822)**	1,102,022	1,008,640	**(109,124)**	421,609	(117,264)
Share in changes in accumulated translation adjustment of subsidiaries and an associate (Note 12)	**–**	–	–	**(205,655)**	389,442	902,788
	2,526,230	(4,548,170)	(2,727,691)	**2,553,273**	(4,846,407)	(3,036,338)
Items that do not recycle to profit or loss in subsequent periods:						
Net change in unrealized gain (loss) on equity securities at FVOCI (Note 9)	**1,368,570**	394,654	(21,809)	**1,368,570**	401,920	63,722
Remeasurement gains (losses) on retirement plan (Note 28)	**(493,906)**	495,353	285,632	**(512,517)**	489,953	500,862
Share in changes in aggregate reserves (losses) on life insurance policies (Note 12)	**(111,850)**	762,490	412,444	**(111,850)**	762,490	412,444
Share in changes in remeasurement gains (losses) of subsidiaries and an associate (Note 12)	**(8,275)**	7,708	(1,482)	**6,920**	12,169	(216,477)
	754,539	1,660,205	674,785	**751,123**	1,666,532	760,551
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	**3,280,769**	(2,887,965)	(2,052,906)	**3,304,396**	(3,179,875)	(2,275,787)
TOTAL COMPREHENSIVE INCOME	**₱21,246,589**	₱8,696,023	₱29,637,132	**₱21,307,344**	₱8,352,443	₱29,007,975
ATTRIBUTABLE TO:						
Equity holders of the Parent Company	**₱21,283,653**	₱8,352,443	₱29,354,839			
Non-controlling interests	**(37,064)**	343,580	282,293			
	₱21,246,589	₱8,696,023	₱29,637,132			

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, 2023	**₱61,030,594**	**₱32,116,560**	**₱4,929,242**	**₱73,748,748**	**(₱5,959,275)**	**(₱2,222,945)**	**₱2,314,447**	**₱248,830**	**₱136,096**	**₱–**	**₱13,959**	**₱166,356,256**	**₱3,549,378**	**₱169,905,634**
Total comprehensive income (loss) for the year	–	–	–	**17,979,257**	**4,236,622**	**(505,597)**	**(314,779)**	–	**(111,850)**	–	–	**21,283,653**	**(37,064)**	**21,246,589**
Transfer to surplus reserves (Notes 10, 25 and 32)	–	–	**(251,312)**	**251,312**	–	–	–	–	–	–	–	–	–	–
Declaration of dividends by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	**(3,569)**	**(3,569)**
Balance at December 31, 2023	**₱61,030,594**	**₱32,116,560**	**₱4,677,930**	**₱91,979,317**	**(₱1,722,653)**	**(₱2,728,542)**	**₱1,999,668**	**₱248,830**	**₱24,246**	**₱–**	**₱13,959**	**₱187,639,909**	**₱3,508,745**	**₱191,148,654**
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 10, 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 10, 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

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 (Losses) on Life Insurance Policies (Note 12)	Reserves of a Disposal Group Held for Sale (Notes 12 and 36)	Total Equity
Balance at January 1, 2023	**₱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**
Total comprehensive income (loss) for the year	–	–	–	**18,002,948**	**4,236,622**	**(505,597)**	**(314,779)**	–	**(111,850)**	–	**21,307,344**
Transfer to surplus reserves (Notes 10, 25 and 32)	–	–	**(251,312)**	**251,312**	–	–	–	–	–	–	–
Balance at December 31, 2023	**₱61,030,594**	**₱32,106,560**	**₱4,677,930**	**₱92,174,169**	**(₱1,722,653)**	**(₱2,728,542)**	**₱1,999,668**	**₱390,517**	**₱24,246**	**₱–**	**₱187,952,489**
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 10, 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 10, 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

See accompanying Notes to Financial Statements.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

Statements of Cash Flows

(In Thousands)

	Consolidated			Parent Company		
	Years Ended December 31					
	2023	2022	2021	**2023**	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES						
Income from continuing operations before income tax	**₱21,973,195**	₱16,515,216	₱37,970,597	**₱21,850,916**	₱16,216,343	₱36,296,323
Loss from discontinued operations before income tax (Note 36)	–	–	(626,763)	–	–	–
Income before income tax	**21,973,195**	16,515,216	37,343,834	**21,850,916**	16,216,343	36,296,323
Adjustments for:						
Provision for impairment, credit and other losses (Note 16)	**5,923,054**	7,198,117	10,813,155	**5,700,264**	7,305,653	10,971,740
Net gains on sale or exchange of assets (Note 26)	**(4,541,567)**	(7,775,154)	(981,462)	**(4,621,894)**	(7,770,001)	(974,024)
Depreciation and amortization (Note 11)	**3,976,069**	4,225,746	2,894,759	**3,720,234**	3,909,420	2,499,071
Amortization of premium (discount) on investment securities	**(2,888,201)**	(935,770)	294,421	**(2,891,341)**	(936,131)	296,554
Impairment in value of goodwill (Note 14)	**1,036,567**	–	2,153,997	**1,036,567**	–	2,153,997
Unrealized foreign exchange losses (gains) on bonds, bills and acceptances payable	**(209,842)**	6,502,018	5,334,118	**(209,842)**	6,491,373	5,328,215
Net losses (gains) on financial assets at FVTPL (Note 9)	**(399,339)**	211,235	846,625	**(400,113)**	208,211	977,617
Equity in net losses (earnings) of subsidiaries and an associate (Note 12)	**(268,093)**	56,060	(50,789)	**(560,393)**	(747,341)	650,134
Amortization of transaction costs on borrowings (Notes 17 and 21)	**90,011**	105,480	116,898	**90,011**	105,480	116,898
Net losses (gains) on financial assets at FVOCI and investment securities at amortized cost (Note 9)	**5,236**	1,069,548	(1,540,192)	**5,358**	1,069,548	(1,578,197)
Accretion to interest income of loss on loan modifications	–	(369,152)	(351,502)	–	(369,152)	(351,502)
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)
Changes in operating assets and liabilities:						
Decrease (increase) in amounts of:						
Interbank loan receivable (Note 8)	**1,828,975**	(4,854,939)	(891,301)	**2,407,631**	(4,656,651)	(859,213)
Financial assets at FVTPL	**(2,770,324)**	3,609,221	11,812,813	**(2,767,461)**	3,606,381	9,959,744
Loans and receivables	**(32,170,920)**	4,448,687	(13,325,214)	**(32,262,933)**	4,995,515	(16,184,925)
Other assets	**(2,608,270)**	(243,158)	1,398,479	**(2,505,688)**	(1,340,408)	(368,189)
Increase (decrease) in amounts of:						
Financial liabilities at FVTPL	**(483,965)**	148,245	190,292	**(483,965)**	148,430	190,544
Deposit liabilities	**56,719,665**	(23,726,210)	4,603,064	**56,128,172**	(32,924,438)	5,943,796
Accrued taxes, interest and other expenses	**1,435,027**	1,518,737	246,627	**1,623,234**	1,139,793	681,686
Other liabilities	**(1,584,110)**	616,446	(7,663,779)	**(1,053,706)**	1,084,236	(1,511,065)
Net cash generated from (used in) operations	**45,063,168**	8,320,373	19,959,600	**44,805,051**	(2,463,739)	20,939,354
Income taxes paid	**(3,919,287)**	(2,050,109)	(2,285,669)	**(3,826,112)**	(1,802,246)	(1,841,579)
Net cash provided by (used in) operating activities	**41,143,881**	6,270,264	17,673,931	**40,978,939**	(4,265,985)	19,097,775
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from:						
Disposal/maturities of financial assets at FVOCI	**562,251,372**	643,902,197	212,560,360	**561,071,652**	643,888,779	210,574,683
Maturities/early redemptions of investment securities at amortized cost	**64,078,361**	141,160,199	39,790,071	**61,007,188**	141,171,532	39,085,249
Disposal of investment properties	**5,113,184**	6,844,641	293,738	**4,874,843**	6,842,374	214,782
Disposal of property and equipment	**1,295,493**	108,253	201,593	**1,022,920**	32,546	301,198
Disposal of investment in a subsidiary (Note 12)	–	–	1,001,558	–	–	1,001,558
Cash dividends from a subsidiary (Note 12)	–	–	–	**448,900**	1,092,000	–
Return of investment (Note 12)	–	–	–	–	7,500,000	–
Acquisitions of:						
Financial assets at FVOCI	**(562,081,002)**	(638,254,305)	(224,330,405)	**(561,446,524)**	(637,154,487)	(224,330,405)
Investment securities at amortized cost	**(76,625,183)**	(162,392,791)	(33,372,543)	**(73,223,330)**	(162,392,791)	(33,372,543)
Software cost (Note 14)	**(598,969)**	(881,572)	(655,455)	**(597,165)**	(848,426)	(612,515)
Property and equipment (Note 11)	**(419,859)**	(547,083)	(1,120,741)	**(407,645)**	(535,981)	(675,730)
Additional investments in an associate (Note 12)	–	(392,000)	(245,000)	–	(392,000)	(245,000)
Net cash used in investing activities	**(6,986,603)**	(10,452,461)	(5,876,824)	**(7,249,161)**	(796,454)	(8,058,723)

(Forward)

Statements of Cash Flows

(In Thousands)

	Consolidated			Parent Company		
	Years Ended December 31					
	2023	2022	2021	**2023**	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES						
Settlement of bills and acceptances payable	**(₱136,027,137)**	(₱277,002,294)	(₱273,753,842)	**(₱134,014,712)**	(₱274,908,050)	(₱272,556,037)
Proceeds from issuances of bills and acceptances payable	**140,964,503**	237,506,670	237,327,616	**140,044,415**	236,171,512	236,637,024
Payment of principal portion of lease liabilities (Note 29)	**(1,314,516)**	(1,113,225)	(1,231,287)	**(1,232,928)**	(1,068,038)	(1,213,912)
Settlement of bonds payable (Note 21)	**(16,560,000)**	–	(13,870,000)	**(16,560,000)**	–	(13,870,000)
Net cash used in financing activities	**(12,937,150)**	(40,608,849)	(51,527,513)	**(11,763,225)**	(39,804,576)	(51,002,925)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**21,220,128**	(44,791,046)	(39,730,406)	**21,966,553**	(44,867,015)	(39,963,873)
CASH AND CASH EQUIVALENTS AT BEGINNING 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
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	**21,151,391**	22,217,915	27,552,773	**21,052,526**	22,103,095	27,454,459
Due from Bangko Sentral ng Pilipinas	**95,410,350**	94,701,360	161,001,912	**95,410,350**	94,701,360	161,001,912
Due from other banks	**21,243,856**	26,010,183	27,222,083	**13,626,624**	17,599,374	19,324,000
Interbank loans receivable (Note 8)	**30,955,766**	9,782,452	30,453,378	**29,934,920**	8,824,713	29,042,376
Securities held under agreements to resell	**69,694,538**	64,523,863	15,796,673	**69,694,538**	64,523,863	15,796,673
	₱238,455,901	₱217,235,773	₱262,026,819	**₱229,718,958**	₱207,752,405	₱252,619,420
OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS						
Interest paid	**₱13,298,198**	₱7,312,461	₱7,690,053	**₱13,269,068**	₱7,256,130	₱7,670,243
Interest received	**55,438,281**	43,082,036	42,928,178	**54,445,224**	42,297,774	42,075,051
Dividends received	–	–	–	**448,900**	1,092,000	–

See accompanying Notes to Financial Statements.

Notes to Financial Statements

Amounts in Thousand Pesos except When Otherwise Indicated

1. Corporate Information

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

	2023	2022
LT Group, Inc. (LTG) (indirect ownership through its various holding companies)	**59.83%**	59.83%
PCD Nominee Corporation *	**14.44%**	15.85%
Other stockholders owning less than 10% each	**25.73%**	24.32%
	100.00%	100.00%

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

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

The Parent Company provides a full range of banking and other financial services, which include deposit-taking, lending, bills discounting, trade finance, foreign exchange dealings, treasury operations, wealth management, fund transfers, remittance and trust services. The Parent Company operates through its 631 and 651 domestic branches as of December 31, 2023 and 2022, respectively, as it continues to streamline its physical branch network through consolidation and expand customer reach via its digital channels. As of the same dates, the Parent Company has 73 and 72 overseas branches, representative offices, remittance centers and subsidiaries, 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, investment banking, leasing, stock brokerage and/or related services. The Parent Company and the subsidiaries are collectively referred hereinto as the Group.

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

2. Summary of Material 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 presentation currency is the PHP.

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 pronouncements effective as at January 1, 2023. 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 Philippine Accounting Standards (PAS) 1, *Presentation of Financial Statements*, and PFRS Practice Statement 2, *Disclosure Initiative – 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. The amendments have had an impact on the Group's disclosure of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's financial statements.

- 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.

- 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 such as leases. 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 12, *Income Taxes – International Tax Reform – Pillar Two Model Rules*
  The amendments have been introduced in response to the Base Eroson and Profit Sharing Pillar Two model rules of the Organization for Economic Cooperation and Development and include:
  - A mandatory temporary exemption to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
  - Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

  The mandatory temporary exemption – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after January 1, 2023 but not for any interim periods ending on or before December 31, 2023.

  The Group has reviewed its corporate structure in light of the introduction of Pillar Two Model Rules in the various jurisdictions in which it operates. The Group has determined that it is not subject to Pillar Two taxes since its effective tax rate is above 15% in all the jurisdictions in which it operates (except for domestic subsidiaries, which are not material to the Group).

  Therefore, as the related Pillar Two disclosures are not required, the amendments have no impact on the Group's consolidated financial statements.

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 capitalizes the costs incurred in connection with the issuance of debt securities (other than those 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.

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.

2.11.3 Reclassification of Financial Instruments

Subsequent to initial recognition, the Group may reclassify its financial assets only when there is a change in the business models for managing these financial assets. Reclassification of financial liabilities is not allowed.

2.11.4 Derecognition of Financial Instruments

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.

2.11.5 Impairment of Financial Assets

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.

2.11.6 Financial Guarantees and Undrawn Loan Commitments

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 'Impairment in value of goodwill'. 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 Share Issuance Costs

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.

<u>*2.15.1 Interest Income*</u>

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.

<u>*2.15.2 Service Fees and Commission Income*</u>

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 Fees*</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.

2.15.5 Gain on Sale or Exchange of Assets

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.

2.15.6 Other Income

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.

2.16 Expenditures

2.16.1 Borrowing Costs

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 deposit-taking activities and borrowing of funds.

2.16.2 Operating Expenses

This encompasses those expenses that arise in the course of the ordinary activities of the Group, as well as any losses incurred. These are recognized in the statement of income as they are incurred.

2.16.3 Taxes and Licenses

This includes all other taxes, local and national, including gross receipts taxes, documentary stamp taxes, real estate taxes, licenses and permit fees that are recognized when incurred.

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.

2.18 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 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, 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 PAS 7, *Statement of Cash Flows*, and PFRS 7, *Financial Instruments: Disclosures – Supplier Finance Arrangements*
  The amendments clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Early adoption is permitted, but will need to be disclosed.

  - 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 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 Philippine Financial and Sustainability Reporting Standards Council (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.

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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).

3.2 Accounting Estimates

3.2.1 Credit Losses on Financial Assets

The Group's ECL calculations are mainly derived from outputs of complex statistical models and expert judgment, with a number of underlying assumptions regarding the choice of variable inputs as well as their independencies. The Group considers the following elements of the ECL models, among others, as significant accounting judgments and estimates:

- segmentation of the portfolio, where the appropriate ECL approach and/or model is used, including whether assessments should be done individually or collectively;
- quantitative and qualitative criteria for determining whether there has been SICR as at a given reporting date and the corresponding transfers between stages;
- determination of expected life of the financial asset and expected recoveries from defaulted accounts;
- development of ECL models, including the various formulas and the choice of inputs;
- determination of correlations and interdependencies between risk factors, macroeconomic scenarios and economic inputs, such as inflation, policy rates and collateral values, and the resulting impact to PDs, LGDs and EADs; and
- selection of forward-looking information and determination of probability-weightings to derive the ECL.

In response to the changing credit environment due to the rising interest rates, inflation, and other 'black swan' events (such as geopolitical tensions and extreme El Niño phenomenon and other climate conditions) 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.

The Group revisits the segmentation of its portfolio based on industry vulnerability and resiliency assessment. The Group also reassesses the framework for macroeconomic overlay, incorporating 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 values of financial assets subject to ECL and for the details of the ECL.

3.2.2 Recognition of Deferred Tax Assets

Deferred tax assets are recognized for all unused tax losses and temporary differences to the extent that it is probable that future taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the availability of future taxable income in reference to financial forecast and tax strategies. The Group takes into consideration the loan portfolio and deposit growth rates in assessing its taxable income forecast.

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 of the rising interest rates, inflation, and other 'black swan' events (see further discussion of these events under *3.2.1 Credit Losses on Financial Assets*).

Refer to Note 30.3 for the carrying amount of recognized and unrecognized deferred tax assets.

3.2.3 Impairment of Goodwill

The Group conducts an annual review for any impairment in the value of goodwill. Goodwill is written down for impairment where the recoverable amount is insufficient to support its carrying value. The recoverable amount of the CGU is determined based on a VIU calculation, which considers the present value of cash flow projections from financial budgets approved by senior management and BOD of the Parent Company covering a three-year period. The assumptions used in the calculation of VIU are sensitive to estimates of future cash flows from business, interest margins, 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, 2023, 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

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 lending and 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 to significantly threaten the Bank's capital position to drop below its desired level; resulting in either an increase in risk-weighted assets or a reduction in earnings and/or qualifying capital which translate into a reduction in CAR by 20 basis points (bps).

On the other hand, risks that will potentially have an impact to the CAR by less than 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 Data Privacy Risk and Human Resource Risk.

Resulting from the assessments based on the premise identified above, the Bank agrees on and reviews on a regular basis the material risks that need focus using the three lines model. For the assessment period 2023-2025, 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 Internal Capital Adequacy Assessment Process (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. Information Security / Cyber Security / Data Privacy Risk
10. Information Technology
11. Human Resource Risk

The Risk Management Group (RMG) provides support 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 Asset/Liability Committee (ALCO) on capital management and the Board Strategy and 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.

4.2 Credit Risk

Credit risk is the non-recovery of credit exposures (on-and-off balance sheet exposures). Managing credit risk also involves monitoring of migration risk, concentration risk, country risk and settlement risk. The Group manages its credit risk at various levels (i.e., strategic level, portfolio level down to individual transaction).

The credit risk management of the entire loan portfolio is under the direct oversight of the ROC and Executive Committee. Credit risk assessment of individual borrower is performed by the business sector, remedial management group and credit management group. Risk management is embedded in the entire credit process, i.e., from credit origination to remedial management, as applicable.

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;
- 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 monitoring and reporting;
- 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.

4.2.1 Credit-Related Commitments
The exposures represent guarantees, standby letters of credit (LCs) issued by the Parent Company and documentary/commercial LCs which are written undertakings by the Parent Company. To mitigate this risk, the Parent Company requires hard collaterals for standby LC 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			
	2023			
	Maximum Exposure	Fair Value of Collateral	Net Exposure	Financial Effect of Collateral
Securities held under agreements to resell	₱69,694,538	₱57,785,321	₱11,909,217	₱57,785,321
Loans and receivables:				
Receivables from customers*:				
Corporates	543,916,216	273,902,143	449,262,028	94,654,188
Local government units (LGU)	2,196,034	–	2,196,034	–
Credit Cards	13,917,733	–	13,917,733	–
Retail small and medium enterprises (SME)	4,378,793	2,397,801	2,795,942	1,582,851
Housing Loans	23,772,977	22,519,180	12,306,138	11,466,839
Auto Loans	5,397,484	11,004,455	1,265,709	4,131,775
Others	10,660,220	5,751,145	6,683,514	3,976,706
Other receivables	12,465,631	–	12,465,631	–
	₱686,399,626	₱373,360,045	₱512,801,946	₱173,597,680

**Receivables from customers exclude residual value of the leased asset (Note 10).*

	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).*

	Parent Company			
	2023			
	Maximum Exposure	Fair Value of Collateral	Net Exposure	Financial Effect of Collateral
Securities held under agreements to resell	₱69,694,538	₱57,785,321	₱11,909,217	₱57,785,321
Loans and receivables:				
Receivables from customers:				
Corporates	530,880,927	253,218,981	448,830,738	82,050,189
LGU	2,196,034	–	2,196,034	–
Credit Cards	13,917,733	–	13,917,733	–
Retail SME	4,379,081	2,395,958	2,795,941	1,583,140
Housing Loans	23,013,792	21,089,659	12,306,138	10,707,654
Auto Loans	5,397,484	11,004,455	1,265,709	4,131,775
Others	10,572,322	5,535,712	6,683,515	3,888,807
Other receivables	11,801,390	–	11,801,390	–
	₱671,853,301	₱351,030,086	₱511,706,415	₱160,146,886

	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

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 2023				
	Loans and receivables*		**Trading and investment securities**	**Other financial assets****	**Total**
	Amount	**%**			
Philippines	**₱591,914,148**	**95.98**	**₱265,175,918**	**₱126,073,582**	**₱983,163,648**
Asia (excluding the Philippines)	**15,018,425**	**2.44**	**17,836,070**	**88,779,062**	**121,633,557**
USA and Canada	**6,846,096**	**1.11**	**2,869,744**	**6,479,262**	**16,195,102**
Other European Union Countries	**1,937,498**	**0.31**	**7,155,246**	**11,070**	**9,103,814**
Middle East	**58,267**	**0.01**	**3,877,003**	**3,132**	**3,938,402**
United Kingdom	**447,750**	**0.07**	**1,334,802**	**1,036,563**	**2,819,115**
Oceania	**482,904**	**0.08**	**–**	**2,770**	**485,674**
	₱616,705,088	**100.00**	**₱298,248,783**	**₱222,385,441**	**₱1,137,339,312**

**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 2022				
	Loans and receivables*		Trading and investment securities	Other financial assets**	Total
	Amount	%			
Philippines	₱552,755,901	93.23	₱237,143,001	₱120,952,612	₱910,851,514
Asia (excluding the Philippines)	26,641,314	4.49	21,914,099	36,745,688	85,301,101
United Kingdom	2,096,234	0.35	6,708,736	22,039,442	30,844,412
USA and Canada	8,707,036	1.47	8,378,067	13,190,193	30,275,296
Other European Union Countries	2,079,196	0.35	–	8,654,970	10,734,166
Middle East	66,026	0.01	1,854,783	10,145	1,930,954
Oceania	523,802	0.09	–	2,788	526,590
	₱592,869,509	100.00	₱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)*

	Parent Company 2023				
	Loans and receivables		**Trading and investment securities**	**Other financial assets***	**Total**
	Amount	**%**			
Philippines	**₱591,118,755**	**98.17**	**₱264,793,162**	**₱127,884,433**	**₱983,796,350**
Asia (excluding the Philippines)	**1,411,033**	**0.23**	**17,831,085**	**80,102,024**	**99,344,142**
USA and Canada	**6,804,220**	**1.13**	**2,399,782**	**4,563,214**	**13,767,216**
Other European Union Countries	**1,887,267**	**0.31**	**7,155,246**	**–**	**9,042,513**
Middle East	**58,267**	**0.01**	**3,877,003**	**2,478**	**3,937,748**
United Kingdom	**396,318**	**0.07**	**1,174,417**	**29**	**1,570,764**
Oceania	**482,903**	**0.08**	**–**	**–**	**482,903**
	₱602,158,763	**100.00**	**₱297,230,695**	**₱212,552,178**	**₱1,111,941,636**

**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
	Amount	%			
Philippines	₱550,597,430	95.26	₱236,170,294	₱122,538,534	₱909,306,258
Asia (excluding the Philippines)	14,013,140	2.42	21,911,976	28,306,396	64,231,512
United Kingdom	2,091,414	0.36	6,554,432	21,273,903	29,919,749
USA and Canada	8,624,015	1.49	8,238,785	12,349,620	29,212,420
Other European Union Countries	2,079,196	0.36	–	7,132,780	9,211,976
Middle East	66,026	0.01	1,854,783	9,567	1,930,376
Oceania	523,797	0.09	–	–	523,797
	₱577,995,018	100.00	₱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)*

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 2023				
	Loans and receivables*		**Trading and investment securities**	**Other financial assets*****	**Total**
	Amount	**%**			
Primary target industry:					
Financial intermediaries	**₱91,681,525**	**14.87**	**₱10,488,016**	**₱123,166,842**	**₱225,336,383**
Wholesale and retail	**115,293,880**	**18.70**	**–**	**–**	**115,293,880**
Electricity, gas and water	**83,771,939**	**13.58**	**16,561,739**	**–**	**100,333,678**
Manufacturing	**58,057,181**	**9.41**	**1,831**	**–**	**58,059,012**
Transport, storage and communication	**44,878,471**	**7.28**	**–**	**56**	**44,878,527**
Agriculture, hunting and forestry	**5,016,667**	**0.81**	**–**	**–**	**5,016,667**
Public administration and defense	**1,532,772**	**0.25**	**–**	**–**	**1,532,772**
Secondary target industry:					
Government	**2,182,895**	**0.35**	**229,288,990**	**99,168,727**	**330,640,612**
Real estate, renting and business activities	**106,896,515**	**17.33**	**9,226,998**	**13,866**	**116,137,379**
Construction	**31,039,992**	**5.03**	**–**	**–**	**31,039,992**
Others**	**76,353,251**	**12.38**	**32,681,209**	**35,950**	**109,070,410**
	₱616,705,088	**100.00**	**₱298,248,783**	**₱222,385,441**	**₱1,137,339,312**

**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				
	2022				
	Loans and receivables*		Trading and investment securities	Other financial assets***	Total
	Amount	%			
Primary target industry:					
Financial intermediaries	₱119,769,773	20.20	₱19,521,101	₱73,230,975	₱212,521,849
Wholesale and retail	87,945,351	14.83	–	–	87,945,351
Electricity, gas and water	77,714,165	13.11	9,306,111	–	87,020,276
Manufacturing	59,847,311	10.09	166,728	–	60,014,039
Transport, storage and communication	40,563,305	6.84	–	50	40,563,355
Agriculture, hunting and forestry	5,192,944	0.88	–	–	5,192,944
Public administration and defense	1,626,592	0.27	–	–	1,626,592
Secondary target industry:					
Government	2,794,558	0.47	196,640,202	127,597,960	327,032,720
Real estate, renting and business activities	92,957,909	15.68	14,283,283	13,884	107,255,076
Construction	27,005,540	4.56	–	–	27,005,540
Others**	77,452,061	13.06	36,081,261	752,969	114,286,291
	₱592,869,509	100.00	₱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)*

	Parent Company				
	2023				
	Loans and receivables		**Trading and investment securities**	**Other financial assets****	**Total**
	Amount	**%**			
Primary target industry:					
Financial intermediaries	**₱91,212,592**	**15.15**	**₱10,482,090**	**₱113,347,506**	**₱215,042,188**
Wholesale and retail	**109,258,099**	**18.14**	**–**	**–**	**109,258,099**
Electricity, gas and water	**83,771,939**	**13.91**	**16,561,739**	**–**	**100,333,678**
Manufacturing	**56,032,844**	**9.31**	**–**	**–**	**56,032,844**
Transport, storage and communication	**44,465,431**	**7.38**	**–**	**–**	**44,465,431**
Agriculture, hunting and forestry	**4,863,360**	**0.81**	**–**	**–**	**4,863,360**
Public administration and defense	**1,532,772**	**0.25**	**–**	**–**	**1,532,772**
Secondary target industry:					
Government	**2,182,895**	**0.36**	**228,528,393**	**99,168,727**	**329,880,015**
Real estate, renting and business activities	**103,358,190**	**17.16**	**8,977,434**	**–**	**112,335,624**
Construction	**30,981,430**	**5.15**	**–**	**–**	**30,981,430**
Others*	**74,499,211**	**12.37**	**32,681,039**	**35,945**	**107,216,195**
	₱602,158,763	**100.00**	**₱297,230,695**	**₱212,552,178**	**₱1,111,941,636**

**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
	Amount	%			
Primary target industry:					
Financial intermediaries	₱119,250,013	20.63	₱19,518,028	₱63,259,871	₱202,027,912
Wholesale and retail	82,372,415	14.25	–	–	82,372,415
Electricity, gas and water	77,715,031	13.45	9,306,111	–	87,021,142
Manufacturing	57,490,538	9.95	164,780	–	57,655,318
Transport, storage and communication	39,696,751	6.87	–	–	39,696,751
Agriculture, hunting and forestry	5,031,731	0.87	–	–	5,031,731
Public administration and defense	1,626,592	0.28	–	–	1,626,592
Secondary target industry:					
Government	2,770,555	0.48	196,519,177	127,597,960	326,887,692
Real estate, renting and business activities	89,266,907	15.44	13,141,082	–	102,407,989
Construction	26,938,899	4.66	–	–	26,938,899
Others*	75,835,586	13.12	36,081,092	752,969	112,669,647
	₱577,995,018	100.00	₱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).*

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
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, 2023 and 2022:

	Consolidated			
	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Subject to CRR				
Non-Retail – Corporate				
High	**₱220,424,136**	**₱7,449**	**₱–**	**₱220,431,585**
Standard	**240,184,925**	**6,625,961**	**–**	**246,810,886**
Substandard	**46,358,670**	**20,816,814**	**–**	**67,175,484**
Impaired	**–**	**–**	**32,477,009**	**32,477,009**
	506,967,731	**27,450,224**	**32,477,009**	**566,894,964**
Subject to Scoring and Unrated				
Non-Retail	**7,232,740**	**39,071**	**561,123**	**7,832,934**
Corporate	**5,049,454**	**10,066**	**497,906**	**5,557,426**
LGU	**2,183,286**	**29,005**	**63,217**	**2,275,508**
Retail	**43,676,730**	**863,802**	**10,876,864**	**55,417,396**
Auto Loans	**5,215,073**	**22,973**	**1,263,450**	**6,501,496**
Housing Loans	**20,089,818**	**248,682**	**7,962,437**	**28,300,937**
Retail SME	**4,163,286**	**151,785**	**1,067,047**	**5,382,118**
Credit Card	**14,208,553**	**440,362**	**583,930**	**15,232,845**
Others	**8,572,845**	**2,087,517**	**1,667,140**	**12,327,502**
	59,482,315	**2,990,390**	**13,105,127**	**75,577,832**
	₱566,450,046	**₱30,440,614**	**₱45,582,136**	**₱642,472,796**

	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

(Forward)

	Consolidated			
	2022			
	Stage 1	Stage 2	Stage 3	Total
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

	Parent Company			
	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Subject to CRR				
Non-Retail - Corporate				
High	₱212,827,838	₱–	₱–	₱212,827,838
Standard	235,059,187	6,625,961	–	241,685,148
Substandard	46,331,524	20,816,814	–	67,148,338
Impaired	–	–	32,450,434	32,450,434
	494,218,549	27,442,775	32,450,434	554,111,758
Subject to Scoring and Unrated				
Non-Retail	7,255,065	39,071	561,123	7,855,259
Corporate	5,071,779	10,066	497,906	5,579,751
LGU	2,183,286	29,005	63,217	2,275,508
Retail	42,940,643	863,802	10,830,680	54,635,125
Auto Loans	5,215,073	22,973	1,263,450	6,501,496
Housing Loans	19,353,830	248,682	7,921,406	27,523,918
Retail SME	4,163,187	151,785	1,061,894	5,376,866
Credit Card	14,208,553	440,362	583,930	15,232,845
Others	8,484,938	2,087,517	1,667,139	12,239,594
	58,680,646	2,990,390	13,058,942	74,729,978
	₱552,899,195	₱30,433,165	₱45,509,376	₱628,841,736

	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

The analysis of past due status of receivables from customers that are subject to scoring and unrated follows:

	Consolidated				
	2023				
	Less than 30 days	**31 to 90 days**	**91 to 180 days**	**More than 180 days**	**Total**
Housing Loans	₱165,082	₱198,072	₱229,491	₱7,628,653	₱8,221,298
Auto Loans	15,179	19,465	15,345	1,236,458	1,286,447
Retail SME	33,596	15,968	12,582	1,627,173	1,689,319
Credit Card	635,084	367,041	309,380	552,928	1,864,433
LGU	12,696	–	–	50,521	63,217
Others	27,096	35,749	203,642	1,599,257	1,865,744
Total	₱888,733	₱636,295	₱770,440	₱12,694,990	₱14,990,458

	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

	Parent Company				
	2023				
	Less than 30 days	**31 to 90 days**	**91 to 180 days**	**More than 180 days**	**Total**
Housing Loans	₱164,017	₱197,248	₱229,491	₱7,576,116	₱8,166,872
Auto Loans	15,179	19,465	15,345	1,236,458	1,286,447
Retail SME	33,596	4,985	12,287	1,042,248	1,093,116
Credit Card	635,084	367,041	309,380	552,928	1,864,433
LGU	12,696	–	–	50,521	63,217
Others	24,945	34,264	107,904	1,508,203	1,675,316
Total	₱885,517	₱623,003	₱674,407	₱11,966,474	₱14,149,401

	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

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					
	2023					
	Aaa to Aa3	**A1 to A3**	**Baa1 and below**	**Subtotal**	**Unrated**	**Total**
Due from BSP [1/]	**₱–**	**₱–**	**₱–**	**₱–**	**₱95,410,350**	**₱95,410,350**
Due from other banks	**3,421,092**	**13,010,926**	**4,012,095**	**20,444,113**	**809,641**	**21,253,754**
Interbank loans receivables	**8,816,134**	**22,454,811**	**–**	**31,270,945**	**4,371,540**	**35,642,485**
Securities held under agreements to resell	**21,931,098**	**22,580,867**	**25,196,725**	**69,708,690**	**–**	**69,708,690**
Financial assets at FVOCI						
Government securities	**1,526,582**	**3,542,452**	**119,142,990**	**124,212,024**	**160,386**	**124,372,410**
Private debt securities	**–**	**3,633,167**	**10,547,385**	**14,180,552**	**–**	**14,180,552**
Quoted equity securities	**–**	**–**	**170**	**170**	**1,049,025**	**1,049,195**
Unquoted equity securities	**–**	**–**	**–**	**–**	**24,929,335**	**24,929,335**
Investment securities at amortized cost						
Government securities	**476,340**	**7,029,234**	**96,971,058**	**104,476,632**	**56,750**	**104,533,382**
Private debt securities	**–**	**12,300,109**	**6,522,771**	**18,822,880**	**–**	**18,822,880**
Financial assets at amortized cost						
Loans and receivables - Others [2/]	**–**	**–**	**–**	**–**	**17,485,597**	**17,485,597**

[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					
	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).*

	Parent Company					
	2023					
	Aaa to Aa3	**A1 to A3**	**Baa1 and below**	**Subtotal**	**Unrated**	**Total**
Due from BSP [1/]	**₱–**	**₱–**	**₱–**	**₱–**	**₱95,410,350**	**₱95,410,350**
Due from other banks	**1,228,363**	**10,349,227**	**1,268,254**	**12,845,844**	**790,653**	**13,636,497**
Interbank loans receivables	**6,619,013**	**22,454,811**	**–**	**29,073,824**	**4,371,540**	**33,445,364**
Securities held under agreements to resell	**21,931,098**	**22,580,867**	**25,196,725**	**69,708,690**	**–**	**69,708,690**
Financial assets at FVOCI						
Government securities	**1,223,772**	**3,542,452**	**119,315,550**	**124,081,774**	**–**	**124,081,774**
Private debt securities	**–**	**3,604,452**	**10,547,385**	**14,151,837**	**–**	**14,151,837**
Quoted equity securities	**–**	**–**	**–**	**–**	**974,025**	**974,025**
Unquoted equity securities	**–**	**–**	**–**	**–**	**24,929,335**	**24,929,335**
Investment securities at amortized cost						
Government securities	**6,379**	**7,029,234**	**96,971,058**	**104,006,671**	**56,749**	**104,063,420**
Private securities	**–**	**12,300,109**	**6,522,771**	**18,822,880**	**–**	**18,822,880**
Financial assets at amortized cost						
Loans and receivables - Others [2/]	**–**	**–**	**–**	**–**	**16,547,558**	**16,547,558**

[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).*

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					
	2023					
	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	₱21,151,391	₱–	₱–	₱–	₱–	₱21,151,391
Due from BSP and other banks	120,467,205	–	–	–	–	120,467,205
Interbank loans receivable	28,531,370	5,489,107	967,360	1,023,160	–	36,010,997
Securities held under agreements to resell	69,812,071	–	–	–	–	69,812,071
Financial assets at FVTPL:						
Government securities	4,293,988	534,211	39,479	91,568	3,586,581	8,545,827
Private debt securities	–	29,925	18,982	994,562	662,057	1,705,526
Equity securities	2,771	–	–	–	–	2,771
Derivative assets:						
Gross contractual receivable	87,949,838	17,614,366	2,099,656	445,073	30,329	108,139,262
Gross contractual payable	(87,391,376)	(17,458,363)	(2,070,466)	(441,124)	(29,191)	(107,390,520)
Financial assets at FVOCI:						
Government securities	33,489,750	46,204,757	1,285,139	2,180,240	47,001,705	130,161,591
Private debt securities	938,132	1,112,484	1,987,338	2,370,435	9,479,822	15,888,211
Equity securities	1,411,318	–	–	–	24,567,213	25,978,531
Investment securities at amortized cost						
Government securities	6,209,327	4,081,976	5,719,142	4,000,317	124,961,338	144,972,100
Private debt securities	1,347,263	3,824,893	1,334,269	1,704,803	27,484,727	35,695,955
Financial assets at amortized cost:						
Receivables from customers	149,406,393	61,186,611	28,126,108	23,386,574	510,204,415	772,310,101
Other receivables	14,812,784	665,550	387,899	242,420	1,376,947	17,485,600
Other assets	383,478	–	–	–	18,779	402,257
Total financial assets	₱452,815,703	₱123,285,517	₱39,894,906	₱35,998,028	₱749,344,722	₱1,401,338,876
Financial Liabilities						
Deposit liabilities:						
Demand	₱229,771,379	₱–	₱–	₱–	₱–	₱229,771,379
Savings *	367,397,521	–	–	–	–	367,397,521
Time and LTNCDs *	190,633,688	98,114,877	16,667,382	19,935,772	14,354,806	339,706,525
Financial liabilities at FVTPL:						
Derivative liabilities:						
Gross contractual payable	53,574,196	7,507,070	3,406,282	673,361	–	65,160,909
Gross contractual receivable	(53,334,823)	(7,274,163)	(3,340,990)	(657,783)	–	(64,607,759)
Bills and acceptances payable	6,019,964	10,282,130	2,290,375	503,601	1,139,259	20,235,329
Bonds payable	–	15,134	–	42,762,166	–	42,777,300
Accrued interest payable and accrued other expenses payable	4,683,312	54,751	217,492	113,428	479,288	5,548,271
Other liabilities	8,054,665	2,755	–	76,930	1,215,351	9,349,701
Total financial liabilities	₱806,799,902	₱108,702,554	₱19,240,541	₱63,407,475	₱17,188,704	₱1,015,339,176

** High-yield savings accounts are included under time deposits*

	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

(Forward)

	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
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*

	Parent Company					
	2023					
	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	₱21,052,526	₱–	₱–	₱–	₱–	₱21,052,526
Due from BSP and other banks	109,049,601	–	–	–	–	109,049,601
Interbank loans receivable	27,292,838	4,711,253	733,840	1,023,160	–	33,761,091
Securities held under agreements to resell	69,812,071	–	–	–	–	69,812,071
Financial assets at FVTPL:						
Government securities	4,293,988	534,211	39,479	91,568	3,586,581	8,545,827
Private debt securities	–	28,463	17,295	991,188	509,839	1,546,785
Equity securities	–	–	–	–	–	–
Derivative assets:						
Gross contractual receivable	87,949,731	17,611,825	2,097,320	445,073	30,329	108,134,278
Gross contractual payable	(87,391,376)	(17,458,363)	(2,070,466)	(441,124)	(29,191)	(107,390,520)
Financial assets at FVOCI:						
Government securities	33,489,750	46,204,757	1,195,094	2,094,355	46,631,505	129,615,461
Private debt securities	938,132	1,112,051	1,986,905	2,369,485	9,443,984	15,850,557
Equity securities	1,336,148	–	–	–	24,567,213	25,903,361
Investment securities at amortized cost:						
Government securities	6,172,842	4,010,826	5,708,076	3,972,550	124,620,081	144,484,375
Private debt securities	1,347,262	3,824,893	1,334,269	1,704,803	27,484,727	35,695,954
Financial assets at amortized cost:						
Receivables from customers	145,196,835	57,624,975	27,195,621	21,636,212	506,344,765	757,998,408
Other receivables	14,282,566	649,818	2,968	240,464	1,371,742	16,547,558
Other assets	382,847	–	–	–	500	383,347
Total financial assets	₱435,205,761	₱118,854,709	₱38,240,401	₱34,127,734	₱744,562,075	₱1,370,990,680
Financial Liabilities						
Deposit liabilities:						
Demand	₱229,138,969	₱–	₱–	₱–	₱–	₱229,138,969
Savings *	366,321,763	–	–	–	–	366,321,763
Time and LTNCDs *	190,347,584	94,660,837	13,823,464	19,360,573	14,335,168	332,527,626

(Forward)

	Parent Company					
	2023					
	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	**₱53,574,196**	**₱7,507,070**	**₱3,406,282**	**₱673,361**	**₱–**	**₱65,160,909**
Gross contractual payable	**(53,334,823)**	**(7,274,163)**	**(3,340,990)**	**(657,765)**	**–**	**(64,607,741)**
Bills and acceptances payable	**6,019,964**	**10,282,130**	**2,290,375**	**503,601**	**1,139,258**	**20,235,328**
Bonds payable	**–**	**15,134**	**–**	**42,762,166**	**–**	**42,777,300**
Accrued interest payable and accrued other expenses payable	**4,689,505**	**21,230**	**46,193**	**44,728**	**478,314**	**5,279,970**
Other liabilities	**7,366,066**	**2,756**	**–**	**76,930**	**1,215,351**	**8,661,103**
Total financial liabilities	**₱804,123,224**	**₱105,214,994**	**₱16,225,324**	**₱62,763,594**	**₱17,168,091**	**₱1,005,495,227**

* *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
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*

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, 2023 and 2022, LCR reported to the BSP with certain adjustments is shown in the table below:

	Consolidated		**Parent Company**	
	2023	2022	**2023**	2022
LCR	**271.54%**	246.25%	**295.74%**	240.35%

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, 2023 and 2022, NSFR reported to the BSP with certain adjustments is shown in the table below (amounts, except ratios, are expressed in millions):

	Consolidated		**Parent Company**	
	2023	2022	**2023**	2022
Available stable funding	**₱894,199**	₱852,706	**₱884,747**	₱843,395
Required stable funding	**595,019**	621,402	**597,380**	621,765
NSFR	**150.28%**	137.22%	**148.10%**	135.65%

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. 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 parametric 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 historical movements. 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.

The VaR models undergo close monitoring and regular review of the model's parameters and assumptions to determine model quality.

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.

The tables below show the trading VaR (in millions):

Trading Portfolio	**Foreign Exchange***	**Interest Rate**	**Equities Price**	**Total VaR****
December 29, 2023	**₱3.99**	**₱86.63**	**₱0.00**	**₱90.62**
Average Daily	**9.26**	**133.08**	**0.00**	**142.34**
Highest	**33.27**	**313.88**	**0.00**	**320.92**
Lowest	**1.78**	**62.67**	**0.00**	**67.76**

* *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, 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*

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's 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 Parent Company's 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					
	2023					
	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	**₱58,150,792**	**₱9,072,894**	**₱3,369,531**	**₱8,901,479**	**₱37,159,510**	**₱116,654,206**
Interbank loans receivable and securities held under agreements to resell	**98,092,798**	**5,439,375**	**733,899**	**1,062,906**	**–**	**105,328,978**
Receivables from customers and other receivables - gross**	**161,955,806**	**49,845,326**	**28,901,960**	**39,616,354**	**104,403,594**	**384,723,040**
Total financial assets	**₱318,199,396**	**₱64,357,595**	**₱33,005,390**	**₱49,580,739**	**₱141,563,104**	**₱606,706,224**
Financial Liabilities*						
Deposit liabilities:						
Savings	**₱158,675,307**	**₱56,242,019**	**₱27,795,826**	**₱49,149,862**	**₱249,146,435**	**₱541,009,449**
Time***	**81,037,001**	**40,011,529**	**6,280,461**	**5,894,523**	**12,528,547**	**145,752,061**
Bonds payable	**–**	**–**	**–**	**41,490,871**	**–**	**41,490,871**
Bills and acceptances payable	**10,303,062**	**5,296,850**	**1,746,803**	**185,016**	**2,630,872**	**20,162,603**
Total financial liabilities	**₱250,015,370**	**₱101,550,398**	**₱35,823,090**	**₱96,720,272**	**₱264,305,854**	**₱748,414,984**
Repricing gap	**₱68,184,026**	**(₱37,192,803)**	**(₱2,817,700)**	**(₱47,139,533)**	**(₱122,742,750)**	**(₱141,708,760)**
Cumulative gap	**68,184,026**	**30,991,223**	**28,173,523**	**(18,966,010)**	**(141,708,760)**	

* *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					
	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*

	Parent Company					
	2023					
	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	**₱53,163,321**	**₱8,466,394**	**₱3,186,263**	**₱7,166,464**	**₱37,054,532**	**₱109,036,974**
Interbank loans receivable and securities held under repurchase agreement	**96,853,751**	**4,713,657**	**733,899**	**830,550**	**–**	**103,131,857**
Receivable from customers and other receivables - gross**	**161,955,806**	**49,845,326**	**28,901,960**	**39,616,354**	**104,403,594**	**384,723,040**
Total financial assets	**₱311,972,878**	**₱63,025,377**	**₱32,822,122**	**₱47,613,368**	**₱141,458,126**	**₱596,891,871**
Financial Liabilities*						
Deposit liabilities:						
Savings	**₱158,566,530**	**₱56,141,908**	**₱27,695,715**	**₱48,995,714**	**₱248,663,704**	**₱540,063,571**
Time***	**85,305,839**	**39,796,870**	**6,226,047**	**5,871,308**	**4,570,860**	**141,770,924**
Bonds payable	**–**	**–**	**–**	**41,490,871**	**–**	**41,490,871**
Bills and acceptances payable	**10,109,071**	**5,266,998**	**1,738,607**	**–**	**3,047,927**	**20,162,603**
Total financial liabilities	**₱253,981,440**	**₱101,205,776**	**₱35,660,369**	**₱96,357,893**	**₱256,282,491**	**₱743,487,969**
Repricing gap	**₱57,991,438**	**(₱38,180,399)**	**(₱2,838,247)**	**(₱48,744,525)**	**(₱114,824,365)**	**(₱146,596,098)**
Cumulative gap	**57,991,438**	**19,811,039**	**16,972,792**	**(31,771,733)**	**(146,596,098)**	

* *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					
	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*
** *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, 2023 and 2022:

	Consolidated			
	2023		2022	
	Statement of Income	**Equity**	Statement of Income	Equity
+50bps	**₱119,977**	**₱119,977**	(₱352,749)	(₱352,749)
-50bps	**(119,977)**	**(119,977)**	352,749	352,749
+100bps	**239,954**	**239,954**	(705,498)	(705,498)
-100bps	**(239,954)**	**(239,954)**	705,498	705,498

	Parent Company			
	2023		2022	
	Statement of Income	**Equity**	Statement of Income	Equity
+50bps	**₱66,058**	**₱66,058**	(₱372,994)	(₱372,994)
-50bps	**(66,058)**	**(66,058)**	372,994	372,994
+100bps	**132,116**	**132,116**	(745,988)	(745,988)
-100bps	**(132,116)**	**(132,116)**	745,988	745,988

In addition to EaR, the Parent Company also employs economic value-based measures that assess the present value of the expected net cash flows of assets and liabilities, particularly those that are interest-bearing, discounted to reflect market rates. At the same time that fluctuations in interest rates will affect the Parent Company's earnings, these will also have an impact on its net worth or capital position. In coming up with present values, the relevant risk-free rate shall be used to formulate discount factors. Resulting weighted net positions across tenors are aggregated to determine the Economic Value of Equity (EVE) per book and per major currency under different shock scenarios.

Delta EVE is the difference between the total net present value of expected asset and liability cash flows when discounted at prevailing market rates and when discounted against shocked interest rates. Delta EVE is computed based on several interest rate shock scenarios (e.g. parallel up, parallel down, short rates up, short rates down, steepening rates, flattening rates). The scenario with the most negative Delta EVE, pertaining to the highest decline in net present value, is compared to the medium to long-term Delta EVE trigger, which corresponds to a percentage of the Parent Company's Common Equity Tier 1 (CET1) capital.

As of December 31, 2023, the maximum negative Delta EVE is at ₱6.2 billion or 5.43% of CET1 capital coming from the steepening rates scenario.

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					
	2023			2022		
	USD	**Others***	**Total**	USD	Others*	Total
Assets						
COCI and due from BSP	**₱119,469**	**₱425,096**	**₱544,565**	₱84,087	₱220,965	₱305,052
Due from other banks	**11,638,822**	**3,863,354**	**15,502,176**	15,808,462	6,252,360	22,060,822
Interbank loans receivable and securities held under agreements to resell	**15,134,491**	**4,827,144**	**19,961,635**	1,055,631	1,963,052	3,018,683
Loans and receivables	**26,835,528**	**11,551,544**	**38,387,072**	27,845,651	9,647,963	37,493,614
Financial assets at FVTPL	**5,029**	**–**	**5,029**	631	1,708	2,339
Financial assets at FVOCI	**866,362**	**732,743**	**1,599,105**	836,677	1,359,428	2,196,105
Investment securities at amortized cost	**476,337**	**624,203**	**1,100,540**	145,145	512,077	657,222
Other assets	**11,779,548**	**1,030,816**	**12,810,364**	123,263	1,119,773	1,243,036
Total assets	**66,855,586**	**23,054,900**	**89,910,486**	45,899,547	21,077,326	66,976,873
Liabilities						
Deposit liabilities	**₱8,849,451**	**₱8,963,600**	**₱17,813,051**	₱8,239,094	₱7,994,078	₱16,233,172
Derivative liabilities	**1**	**–**	**1**	–	–	–
Bills and acceptances payable	**10,510,491**	**–**	**10,510,491**	11,984,358	16,950	12,001,308
Accrued interest payable	**86,808**	**21,671**	**108,479**	93,140	82,035	175,175
Other liabilities	**9,378,454**	**2,494,000**	**11,872,454**	26,256,370	2,199,950	28,456,320
Total liabilities	**28,825,205**	**11,479,271**	**40,304,476**	46,572,962	10,293,013	56,865,975
Net Exposure	**₱38,030,381**	**₱11,575,629**	**₱49,606,010**	(₱673,415)	₱10,784,313	₱10,110,898

* *Other currencies pertain to third currencies*

	Parent Company					
	2023			2022		
	USD	**Others***	**Total**	USD	Others*	Total
Assets						
COCI and due from BSP	**₱51,226**	**₱167,776**	**₱219,002**	₱67,296	₱212,487	₱279,783
Due from other banks	**6,136,432**	**1,144,815**	**7,281,247**	10,753,272	1,465,566	12,218,838
Interbank loans receivable and securities held under agreements to resell	**14,362,997**	**3,348,733**	**17,711,730**	722,689	725,368	1,448,057
Loans and receivables	**24,700,030**	**24,636**	**24,724,666**	24,638,723	38,217	24,676,940
Financial assets at FVTPL	**44**	**–**	**44**	216	–	216
Financial assets at FVOCI	**866,362**	**572,357**	**1,438,719**	836,677	1,205,124	2,041,801
Investment securities at amortized cost	**6,376**	**624,203**	**630,579**	5,863	512,077	517,940
Other assets	**11,745,510**	**–**	**11,745,510**	11,811,574	–	11,811,574
Total assets	**57,868,977**	**5,882,520**	**63,751,497**	48,836,310	4,158,839	52,995,149
Liabilities						
Deposit liabilities	**2,275,877**	**5,538,066**	**7,813,943**	2,280,526	4,472,986	6,753,512
Derivative liabilities	**1**	**–**	**1**	–	–	–
Bills and acceptances payable	**10,510,491**	**–**	**10,510,491**	11,927,528	–	11,927,528
Accrued interest payable	**54,986**	**1,499**	**56,485**	86,968	408	87,376
Other liabilities	**9,036,932**	**1,996,722**	**11,033,654**	25,952,250	1,841,698	27,793,948
Total liabilities	**21,878,287**	**7,536,287**	**29,414,574**	40,247,272	6,315,092	46,562,364
Net Exposure	**₱35,990,690**	**(₱1,653,767)**	**₱34,336,923**	₱8,589,038	(₱2,156,253)	₱6,432,785

* *Other currencies pertain to third currencies*

The exchange rates used to convert the Group and the Parent Company's US dollar-denominated assets and liabilities into Philippine peso were ₱55.37 to USD1.00 as of December 31, 2023 and ₱55.76 to USD1.00 as of December 31, 2022. 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, 2023 and 2022:

	2023			
	Consolidated		**Parent Company**	
	Statement of Income	**Equity**	**Statement of Income**	**Equity**
+1.00%	**₱371,640**	**(₱380,304)**	**₱351,243**	**(₱359,907)**
-1.00%	**(371,640)**	**380,304**	**(351,243)**	**359,907**

	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

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				
	2023				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Measured at fair value:					
Financial Assets					
Financial assets at FVTPL:					
Government securities	**₱8,174,405**	**₱2,633,602**	**₱5,540,803**	**₱–**	**₱8,174,405**
Private debt securities	**1,590,489**	**914,210**	**676,279**	**–**	**1,590,489**
Derivative assets	**749,199**	**–**	**749,199**	**–**	**749,199**
Equity securities	**2,771**	**2,771**	**–**	**–**	**2,771**
Financial assets at FVOCI:					
Government securities	**124,372,410**	**46,682,566**	**77,689,844**	**–**	**124,372,410**
Equity securities	**25,978,530**	**200,709**	**1,014,081**	**24,763,740**	**25,978,530**
Private debt securities	**14,180,552**	**6,944,140**	**7,236,412**	**–**	**14,180,552**
	₱175,048,356	**₱57,377,998**	**₱92,906,618**	**₱24,763,740**	**₱175,048,356**
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	**₱555,811**	**₱–**	**₱555,811**	**₱–**	**₱555,811**
Fair values are disclosed:					
Financial Assets					
Financial assets at amortized cost:					
Investment securities at amortized cost*	**₱123,200,427**	**₱24,840,676**	**₱98,730,596**	**₱–**	**₱123,571,272**
Receivables from customers**	**604,188,788**	**–**	**–**	**623,817,129**	**623,817,129**
	₱727,389,215	**₱24,840,676**	**₱98,730,596**	**₱623,817,129**	**₱747,388,401**
Nonfinancial Assets					
Investment property:					
Land***	**₱12,359,795**	**₱–**	**₱–**	**₱26,228,453**	**₱26,228,453**
Buildings and improvements***	**2,219,763**	**–**	**–**	**7,975,404**	**7,975,404**
	₱14,579,558	**₱–**	**₱–**	**₱34,203,857**	**₱34,203,857**
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	**₱145,752,061**	**₱–**	**₱–**	**₱145,538,240**	**₱145,538,240**
LTNCDs	**12,803,543**	**–**	**12,586,489**	**–**	**12,586,489**
Bonds payable	**41,490,871**	**–**	**40,625,938**	**–**	**40,625,938**
Bills payable	**10,607,626**	**–**	**–**	**10,559,411**	**10,559,411**
	₱210,654,101	**₱–**	**₱53,212,427**	**₱156,097,651**	**₱209,310,078**

* *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				
	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)*

	Parent Company				
	2023				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Measured at fair value:					
Financial Assets					
Financial assets at FVTPL:					
Government securities	**₱8,174,405**	**₱2,633,602**	**₱5,540,803**	**₱–**	**₱8,174,405**
Private debt securities	**1,444,641**	**768,361**	**676,280**	**–**	**1,444,641**
Derivative assets	**744,213**	**–**	**744,213**	**–**	**744,213**
Financial assets at FVOCI:					
Government securities	**124,081,774**	**46,219,370**	**77,862,404**	**–**	**124,081,774**
Equity securities	**25,903,360**	**200,539**	**939,081**	**24,763,740**	**25,903,360**
Private debt securities	**14,151,837**	**6,915,425**	**7,236,412**	**–**	**14,151,837**
	₱174,500,230	**₱56,737,297**	**₱92,999,193**	**₱24,763,740**	**₱174,500,230**
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	**₱555,811**	**₱–**	**₱555,811**	**₱–**	**₱555,811**

(Forward)

	Parent Company				
	2023				
	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*	**₱122,730,465**	**₱24,370,714**	**₱98,730,596**	**₱–**	**₱123,101,310**
Receivables from customers**	**590,301,047**	**–**	**–**	**609,930,601**	**609,930,601**
	₱713,031,512	**₱24,370,714**	**₱98,730,596**	**₱609,930,601**	**₱733,031,911**
Nonfinancial Assets					
Investment property:					
Land***	**₱11,807,630**	**₱–**	**₱–**	**₱25,628,608**	**₱25,628,608**
Buildings and improvements***	**2,303,976**	**–**	**–**	**7,806,117**	**7,806,117**
	₱14,111,606	**₱–**	**₱–**	**₱33,434,725**	**₱33,434,725**
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	**₱141,770,924**	**₱–**	**₱–**	**₱141,557,103**	**₱141,557,103**
LTNCDs	**12,803,543**	**–**	**12,586,489**	**–**	**12,586,489**
Bonds payable	**41,490,871**	**–**	**40,625,938**	**–**	**40,625,938**
Bills payable	**10,607,626**	**–**	**–**	**10,559,411**	**10,559,411**
	₱206,672,964	**₱–**	**₱53,212,427**	**₱152,116,514**	**₱205,328,941**

* *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
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)*

As of December 31, 2023 and 2022, 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, 2023 and 2022 and the range of values indicating the highest and lowest level input used in the valuation techniques.

	Significant Unobservable Input	2023 -2%	2023 +2%	2022 -2%	2022 +2%
Equity securities	Discount for lack of marketability	**₱588,436**	**(₱588,436)**	₱555,656	(₱555,656)

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:

	2023					
	Retail Banking	**Corporate Banking**	**Treasury**	**Others**	**Adjustments and Eliminations***	**Total**
Net interest margin						
Third party	**(₱717,463)**	**₱28,943,234**	**₱16,370,415**	**₱91,085**	**(₱94,428)**	**₱44,592,843**
Inter-segment	**28,959,163**	**(16,642,135)**	**(12,317,028)**	**–**	**–**	**–**
Net interest margin after inter-segment transactions	**28,241,700**	**12,301,099**	**4,053,387**	**91,085**	**(94,428)**	**44,592,843**
Other income	**5,053,691**	**6,180,122**	**1,433,814**	**1,580,429**	**(214,234)**	**14,033,822**
Segment revenue	**33,295,391**	**18,481,221**	**5,487,201**	**1,671,514**	**(308,662)**	**58,626,665**
Other expenses	**13,242,125**	**9,270,074**	**1,133,976**	**1,844,253**	**(308,662)**	**25,181,766**
Segment result	**₱20,053,266**	**₱9,211,147**	**₱4,353,225**	**(₱172,739)**	**₱–**	**33,444,899**
Unallocated expenses						**11,471,704**
Income before income tax						**21,973,195**
Income tax						**4,007,375**
Net income						**17,965,820**
Non-controlling interests						**(13,437)**
Net income for the year attributable to equity holders of the Parent Company						**₱17,979,257**
Other segment information:						
Capital expenditures	**₱348,679**	**₱147,739**	**₱5,350**	**₱141,085**	**₱–**	**₱642,853**
Unallocated capital expenditures						**375,975**
Total capital expenditures						**₱1,018,828**
Depreciation and amortization	**₱1,182,493**	**₱424,316**	**₱19,483**	**₱293,714**	**₱–**	**₱1,920,006**
Unallocated depreciation and amortization						**2,056,063**
Total depreciation and amortization						**₱3,976,069**
Provision for (reversal of) impairment, credit and other losses	**₱160,141**	**₱5,804,991**	**(₱69,600)**	**₱27,522**	**₱–**	**₱5,923,054**

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

	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

(Forward)

	2022					
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
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 expenditures						1,205,888
Total capital expenditures						₱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

	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
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 expenditures						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 impairment, credit and other losses	₱4,355,124	₱8,171,174	(₱600,974)	₱953,687	₱–	₱12,879,011

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

	As of December 31, 2023					
	Retail Banking	**Corporate Banking**	**Treasury**	**Others**	**Adjustments and Eliminations***	**Total**
Segment assets	**₱681,077,435**	**₱296,973,331**	**₱162,833,376**	**₱91,208,829**	**(₱21,543,571)**	**₱1,210,549,400**
Segment liabilities	**₱655,716,486**	**₱277,504,592**	**₱73,979,402**	**₱34,548,168**	**(₱22,347,902)**	**₱1,019,400,746**

** 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
Segment liabilities	₱680,567,910	₱227,645,082	₱21,889,505	₱93,262,996	(₱48,114,051)	₱975,251,442

**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**	
	2023	2022	**2023**	2022	**2023**	2022
Philippines	**₱483,441,271**	₱536,693,910	**₱981,819,485**	₱930,350,192	**₱46,642,445**	₱43,941,525
Asia (excluding Philippines)	**15,782,479**	18,796,243	**31,573,388**	33,199,104	**–**	–
USA and Canada	**2,486,207**	2,079,055	**5,895,426**	11,598,988	**–**	–
United Kingdom	**328**	797	**112,447**	103,158	**–**	–
	₱501,710,285	₱557,570,005	**₱1,019,400,746**	₱975,251,442	**₱46,642,445**	₱43,941,525

** Gross of allowance for impairment and credit losses (Note 16) and unearned and other deferred income (Note 10)*

	Capital Expenditures			**Revenues**		
	2023	2022	2021	**2023**	2022	2021
Philippines	**₱1,015,634**	₱1,394,685	₱1,728,280	**₱69,828,059**	₱59,259,052	₱83,243,604
Asia (excluding Philippines)	**2,173**	33,178	45,649	**2,639,017**	1,221,488	1,561,499
USA and Canada	**1,021**	792	2,267	**1,042,962**	839,476	694,003
United Kingdom	**–**	–	–	**118,313**	105,279	106,259
	₱1,018,828	₱1,428,655	₱1,776,196	**₱73,628,351**	₱61,425,295	₱85,605,365

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**	
	2023	2022	**2023**	2022
Demand deposit (Note 17)	**₱78,372,794**	₱74,701,360	**₱78,372,794**	₱74,701,360
Overnight deposit facility (ODF)	**15,000,000**	5,000,000	**15,000,000**	5,000,000
Term deposit facility (TDF)	**2,037,556**	15,000,000	**2,037,556**	15,000,000
	₱95,410,350	₱94,701,360	**₱95,410,350**	₱94,701,360

In 2023, 2022 and 2021, interest income on amounts due from BSP of the Group and the Parent Company amounted to ₱1.8 bilion, ₱1.2 billion and ₱1.2 billion, respectively, with interest rates ranging from:

	2023	2022	2021
ODF	**5.00% - 6.00%**	1.50% - 5.00%	1.50% - 2.00%
TDF	**6.28% - 6.75%**	1.66% - 6.43%	1.60% - 2.02%

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:

	2023	2022	2021
Peso-denominated	**5.5% - 6.4%**	1.5% - 6.4%	1.0% - 2.0%
Foreign currency-denominated	**0.9% - 6.1%**	0.4% - 5.3%	0.0% - 1.5%

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

	Consolidated		**Parent Company**	
	2023	2022	**2023**	2022
Interbank loans receivable	**₱35,642,485**	₱16,291,470	**₱33,445,364**	₱14,736,112
Less: Allowance for credit losses (Note 16)	**8,045**	1,369	**8,045**	1,369
	35,634,440	16,290,101	**33,437,319**	14,734,743
Less: Interbank loans receivable not considered as cash and cash equivalents	**4,678,674**	6,507,649	**3,502,399**	5,910,030
	₱30,955,766	₱9,782,452	**₱29,934,920**	₱8,824,713

8.2 Securities Held Under Agreements to Resell

Securities held under agreements to resell bear interest ranging from 4.20% to 7.00% in 2023, from 2.00% to 5.50% in 2022, and from 1.50% to 2.50% in 2021. As of December 31, 2023 and 2022, allowance for credit losses on securities held under agreements to resell amounted to ₱14.2 million and ₱2.2 million, respectively (refer to Note 16.2).

The fair value of the treasury bills pledged under these agreements as of December 31, 2023 and 2022 amounted to ₱57.8 billion and ₱64.3 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 2023, 2022 and 2021, interest income on interbank loans receivable and securities held under agreements to resell amounted to ₱3.4 billion, ₱954.6 million, and ₱400.4 million, respectively, for the Group and ₱3.4 billion, ₱896.7 million, and ₱348.2 million, respectively, for the Parent Company.

9. Trading and Investment Securities

This account consists of:

	Consolidated		**Parent Company**	
	2023	2022	**2023**	2022
Financial assets at FVTPL	**₱10,516,864**	₱7,347,201	**₱10,363,259**	₱7,195,685
Financial assets at FVOCI	**164,531,492**	158,183,525	**164,136,971**	157,205,907
Investment securities at amortized cost	**123,200,427**	110,467,960	**122,730,465**	110,328,678
	₱298,248,783	₱275,998,686	**₱297,230,695**	₱274,730,270

9.1 Financial Assets at FVTPL

This account consists of:

	Consolidated		**Parent Company**	
	2023	2022	**2023**	2022
Government securities	**₱8,174,405**	₱4,371,671	**₱8,174,405**	₱4,371,671
Private debt securities	**1,590,489**	1,610,681	**1,444,641**	1,464,186
Derivative assets (Notes 23 and 35)	**749,199**	1,361,951	**744,213**	1,359,828
Equity securities	**2,771**	2,898	**–**	–
	₱10,516,864	₱7,347,201	**₱10,363,259**	₱7,195,685

The nominal interest rates of debt securities at FVTPL of the Group and the Parent Company range from:

	2023	2022	2021
Government securities	**1.4% - 8.6%**	1.4% - 8.0%	1.4% - 9.5%
Private debt securities	**2.8% - 8.8%**	4.9% - 6.9%	4.9% - 6.9%

9.2 Financial Assets at FVOCI

This account consists of:

	Consolidated		**Parent Company**	
	2023	2022	**2023**	2022
Government securities (Note 19)	**₱124,372,410**	₱117,939,783	**₱124,081,774**	₱117,660,744
Private debt securities (Note 19)	**14,180,552**	15,430,870	**14,151,837**	15,179,345
Equity securities				
Quoted	**1,049,195**	792,216	**974,025**	734,046
Unquoted (Note 33)	**24,929,335**	24,020,656	**24,929,335**	23,631,772
	₱164,531,492	₱158,183,525	**₱164,136,971**	₱157,205,907

Unquoted equity securities include the Parent Company's retained 49.00% interest in PNB Holdings Corporation (PNB Holdings) amounting to ₱24.6 billion and ₱23.2 billion as of December 31, 2023 and 2022, 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, being a non-listed company, by referring to a number of recent initial public offerings of comparative entities.

The effective interest rates of debt securities at FVOCI of the Group and the Parent Company range from:

	2023	2022	2021
Government securities	**0.2% - 19.1%**	0.2% - 26.2%	0.1% - 18.3%
Private debt securities	**0.5% - 6.4%**	0.5% - 6.4%	0.4% - 6.9%

As of December 31, 2023 and 2022, 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 ₱6.5 billion and ₱2.5 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**	
	2023	2022	**2023**	2022
Balance at the beginning of the year	**(₱5,959,275)**	(₱703,737)	**(₱5,959,275)**	(₱703,737)
Changes in fair values:				
Debt securities	**2,581,505**	(5,808,581)	**2,558,481**	(5,799,196)
Equity securities	**1,368,570**	394,654	**1,368,570**	401,920
Reversals of credit losses (Note 16)	**(75,912)**	(12,566)	**(72,676)**	(12,069)
Realized losses (gains)	**(122)**	1,058,318	**–**	1,058,318
Share in net unrealized gains (losses) of subsidiaries and an associate (Note 12)	**362,392**	(885,481)	**382,058**	(902,788)
	(1,722,842)	(5,957,393)	**(1,722,842)**	(5,957,552)
Income tax effect (Note 30)	**189**	(1,882)	**189**	(1,723)
	(₱1,722,653)	(₱5,959,275)	**(₱1,722,653)**	(₱5,959,275)

As of December 31, 2023 and 2022, the allowance for credit losses on debt securities at FVOCI (included in 'Net unrealized losses on financial assets at FVOCI') amounted to ₱109.0 million and ₱121.6 million, respectively, for the Group, and ₱46.8 million and ₱119.5 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**	
	2023	2022	**2023**	2022
Government securities (Notes 19 and 32)	**₱104,533,382**	₱78,197,433	**₱104,063,420**	₱78,058,151
Private debt securities	**18,822,880**	36,118,377	**18,822,880**	36,118,377
	123,356,262	114,315,810	**122,886,300**	114,176,528
Less allowance for credit losses (Note 16)	**155,835**	3,847,850	**155,835**	3,847,850
	₱123,200,427	₱110,467,960	**₱122,730,465**	₱110,328,678

The effective interest rates of investment securities at amortized cost of the Group and the Parent Company range from:

	2023	2022	2021
Government securities	**0.8% - 7.5%**	0.8% - 7.5%	0.1% - 7.4%
Private debt securities	**1.0% - 8.3%**	0.8% - 8.3%	0.4% - 6.9%

In 2023 and 2022, movements in allowance for expected credit losses on investment securities at amortized cost are mostly driven by newly originated assets which mostly remained in Stage 1.

As of December 31, 2023 and 2022, 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 with corresponding carrying value of the same amount (refer to Note 19.1). As of December 31, 2023 and 2022, government securities with carrying values of ₱1.8 billion and ₱1.6 billion, respectively, are deposited with the BSP in compliance with trust regulations (refer to Note 32).

As of December 31, 2023, the Group set aside government securities booked under 'Investment securities at amortized cost' with total carrying value of ₱363.3 million as liquidity cover for 50.0% of the outstanding balances of electronic money (e-money) products in compliance with BSP Circular 1166, *Amendments to the Regulations on Electronic Money and the Operations of Electronic Money Issuers in the Philippines*. This is on top of the fund held in trust to cover for the other 50.0% of the outstanding e-money balances (refer to Note 15).

9.4 Interest Income on Investment Securities at Amortized Cost and FVOCI

This account consists of:

	Consolidated			**Parent Company**		
	2023	2022	2021	**2023**	2022	2021
Continuing operations:						
Financial assets at FVOCI	**₱5,509,001**	₱4,442,846	₱2,698,223	**₱5,468,097**	₱4,432,605	₱2,698,419
Investment securities at amortized cost	**7,099,169**	3,712,076	3,265,371	**7,092,433**	3,710,487	3,264,195
	12,608,170	8,154,922	5,963,594	**12,560,530**	8,143,092	5,962,614
Discontinued operations (Note 36):						
Financial assets at FVOCI	**–**	–	11,135	**–**	–	–
Investment securities at amortized cost	**–**	–	8,695	**–**	–	–
	–	–	19,830	**–**	–	–
	₱12,608,170	₱8,154,922	₱5,983,424	**₱12,560,530**	₱8,143,092	₱5,962,614

9.5 Trading and Investment Securities Gains (Losses) - net

This account consists of:

	Consolidated			**Parent Company**		
	2023	2022	2021	**2023**	2022	2021
Financial assets at FVTPL						
Government securities	**₱411,828**	(₱146,580)	₱–	**₱411,828**	(₱146,580)	₱–
Private debt securities	**(12,928)**	(64,458)	(825,476)	**(12,280)**	(61,631)	(954,145)
Equity securities	**(170)**	(197)	2,323	**(44)**	–	–
Derivatives (Note 23)	**609**	–	(23,472)	**609**	–	(23,472)
Financial assets at FVOCI						
Private debt securities	**122**	(1,058,318)	30,057	**–**	(1,058,318)	30,057
Government securities	**–**	–	1,510,133	**–**	–	1,510,133
Equity securities	**–**	–	2	**–**	–	2
Investment securities at amortized cost	**(5,358)**	(11,230)	38,005	**(5,358)**	(11,230)	38,005
	₱394,103	(₱1,280,783)	₱731,572	**₱394,755**	(₱1,277,759)	₱600,580

Trading gains (losses) 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 2023	Consolidated 2022	Parent Company 2023	Parent Company 2022
Receivables from customers:				
Loans and discounts	₱607,065,797	₱579,484,209	₱593,955,389	₱567,288,274
Credit card receivables	15,232,845	14,382,681	15,232,845	14,382,681
Customers' liabilities on acceptances (Note 19)	9,533,137	7,272,876	9,533,137	7,272,876
Customers' liabilities on letters of credit and trust receipts	8,688,649	10,378,461	8,559,900	10,248,556
Bills purchased (Note 22)	1,949,627	1,220,029	1,560,465	935,960
Lease contracts receivable (Note 29)	8,399	873,878	–	–
	642,478,454	613,612,134	628,841,736	600,128,347
Other receivables:				
Accrued interest receivable	8,179,147	6,911,100	8,007,891	6,807,292
Accounts receivable	5,180,198	5,478,103	4,468,991	4,380,640
Sales contract receivables	3,760,162	6,240,309	3,722,879	6,198,127
Miscellaneous	366,090	559,099	347,797	539,032
	17,485,597	19,188,611	16,547,558	17,925,091
	659,964,051	632,800,745	645,389,294	618,053,438
Less: Unearned and other deferred income	681,399	756,049	663,303	612,582
Allowance for credit losses (Note 16)	42,571,906	38,944,781	42,567,228	39,445,838
	₱616,710,746	₱593,099,915	₱602,158,763	₱577,995,018

Included in 'Surplus reserves' is the amount of ₱3.9 billion and ₱4.2 billion as of December 31, 2023 and 2022, respectively, which pertains to the excess of 1.00% general loan loss provisions over the computed ECL for Stage 1 accounts as prescribed by BSP Circular 1011, *Guidelines on the Adoption of PFRS 9* (refer to Note 25.3).

Below is the reconciliation of loans and receivables as to classes:

Consolidated 2023

	Corporate Loans	LGU	Credit Cards	Retail SMEs	Housing Loans	Auto Loans	Other Loans	Other Receivables	Total
Receivables from customers:									
Loans and discounts	₱553,835,945	₱2,275,508	₱–	₱5,313,357	₱28,300,937	₱6,501,496	₱10,838,554	₱–	₱607,065,797
Credit card receivables	–	–	15,232,845	–	–	–	–	–	15,232,845
Customers' liabilities on acceptances (Note 19)	9,533,137	–	–	–	–	–	–	–	9,533,137
Customers' liabilities on letters of credit and trust receipts	8,531,369	–	–	63,517	–	–	93,763	–	8,688,649
Bills purchased (Note 22)	551,939	–	–	2,503	–	–	1,395,185	–	1,949,627
Lease contracts receivable (Note 29)	–	–	–	8,399	–	–	–	–	8,399
	572,452,390	2,275,508	15,232,845	5,387,776	28,300,937	6,501,496	12,327,502	–	642,478,454
Other receivables:									
Accrued interest receivable	–	–	–	–	–	–	–	8,179,147	8,179,147
Accounts receivable	–	–	–	–	–	–	–	5,180,198	5,180,198
Sales contract receivables (Note 33)	–	–	–	–	–	–	–	3,760,162	3,760,162
Miscellaneous	–	–	–	–	–	–	–	366,090	366,090
	572,452,390	2,275,508	15,232,845	5,387,776	28,300,937	6,501,496	12,327,502	17,485,597	659,964,051
Less: Unearned and other deferred income	254,664	9,183	–	15,728	(354)	(1,287)	402,252	1,213	681,399
Allowance for credit losses (Note 16)	28,281,510	70,291	1,315,112	987,597	4,528,314	1,105,299	1,265,030	5,018,753	42,571,906
	₱543,916,216	₱2,196,034	₱13,917,733	₱4,384,451	₱23,772,977	₱5,397,484	₱10,660,220	₱12,465,631	₱616,710,746

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

Parent Company 2023

	Corporate Loans	LGU	Credit Cards	Retail SMEs	Housing Loans	Auto Loans	Other Loans	Other Receivables	Total
Receivables from customers:									
Loans and discounts	₱541,592,975	₱2,275,508	₱–	₱5,310,846	₱27,523,918	₱6,501,496	₱10,750,646	₱–	₱593,955,389
Credit card receivables	–	–	15,232,845	–	–	–	–	–	15,232,845
Customers' liabilities on acceptances (Note 19)	9,533,137	–	–	–	–	–	–	–	9,533,137
Customers' liabilities on letters of credit and trust receipts	8,402,620	–	–	63,517	–	–	93,763	–	8,559,900
Bills purchased (Note 22)	162,777	–	–	2,503	–	–	1,395,185	–	1,560,465
	559,691,509	2,275,508	15,232,845	5,376,866	27,523,918	6,501,496	12,239,594	–	628,841,736
Other receivables:									
Accrued interest receivable	–	–	–	–	–	–	–	8,007,891	8,007,891
Accounts receivable	–	–	–	–	–	–	–	4,468,991	4,468,991
Sales contract receivables	–	–	–	–	–	–	–	3,722,879	3,722,879
Miscellaneous	–	–	–	–	–	–	–	347,797	347,797
	559,691,509	2,275,508	15,232,845	5,376,866	27,523,918	6,501,496	12,239,594	16,547,558	645,389,294
Less: Unearned and other deferred income	237,284	9,183	–	15,019	(361)	(1,287)	402,252	1,213	663,303
Allowance for credit losses (Note 16)	28,573,298	70,291	1,315,112	982,766	4,510,487	1,105,299	1,265,020	4,744,955	42,567,228
	₱530,880,927	₱2,196,034	₱13,917,733	₱4,379,081	₱23,013,792	₱5,397,484	₱10,572,322	₱11,801,390	₱602,158,763

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

10.2 Lease Contract Receivables

An analysis of the Group's lease contract receivables follows:

	Consolidated 2023	Consolidated 2022
Minimum lease payments		
Due within one year	**₱7**	₱446,485
Due beyond one year but not over five years	**2,734**	196,987
	2,741	643,472
Residual value of leased equipment		
Due within one year	**5,658**	107,634
Due beyond one year but not over five years	–	122,772
	5,658	230,406
Gross investment in lease contract receivables (Note 29)	**₱8,399**	₱873,878

10.3 Interest Income on Loans and Receivables

As of December 31, 2023 and 2022, 69.6% and 69.5%, respectively, of the total receivables from customers of the Group were subject to interest repricing. As of December 31, 2023 and 2022, 70.6% and 70.5%, respectively, of the total receivables from customers of the Parent Company were subject to interest repricing. Remaining receivables carry annual fixed interest rates ranging from 1.0% to 9.0% in 2023, 2022 and 2021 for foreign currency-denominated receivables, and from 1.1% to 31.5% in 2023, 2022 and 2021 for peso-denominated receivables.

Sales contract receivables bear fixed interest rates per annum ranging from 5.0% to 20.2% in 2023, 4.2% to 20.2% in 2022 and from 3.3% to 21.0% in 2021.

11. Property and Equipment

11.1 Details of Property and Equipment

The composition of and movements in property and equipment follow:

Consolidated 2023

	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	₱5,141,182	₱3,687,368	₱8,401,453	₱596,131	₱318,387	₱1,910,242	₱5,827,262	₱25,882,025
Additions	–	30,186	347,062	–	–	42,611	1,425,032	1,844,891
Disposals	(133,753)	(134,384)	(943,887)	–	–	(12,296)	–	(1,224,320)
Transfers/others	(75,412)	(5,939)	(21,944)	(2,599)	(2,768)	(60,632)	(1,307,244)	(1,476,538)
Balance at end of year	4,932,017	3,577,231	7,782,684	593,532	315,619	1,879,925	5,945,050	25,026,058
Accumulated Depreciation and Amortization								
Balance at beginning of year	–	2,253,174	6,031,338	79,837	–	1,899,884	2,475,358	12,739,591
Depreciation and amortization	–	179,089	1,045,155	6,039	–	108,134	1,311,843	2,650,260
Disposals	–	(38,760)	(590,285)	–	–	(12,296)	–	(641,341)
Transfers/others	–	(246)	(209,122)	(1,185)	–	(126,321)	(1,272,888)	(1,609,762)
Balance at end of year	–	2,393,257	6,277,086	84,691	–	1,869,401	2,514,313	13,138,748
Allowance for Impairment Losses (Note 16)	539,725	593,567	–	–	–	–	–	1,133,292
Net Book Value at End of Year	₱4,392,292	₱590,407	₱1,505,598	₱508,841	₱315,619	₱10,524	₱3,430,737	₱10,754,018

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

Parent Company 2023

	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	₱5,141,182	₱3,610,134	₱6,533,522	₱318,387	₱1,801,393	₱6,262,643	₱23,667,261
Additions	–	30,186	335,769	–	41,690	1,292,130	1,699,775
Disposals	(133,753)	(134,384)	(121,735)	–	–	–	(389,872)
Transfers/others	(75,411)	(5,565)	(23,402)	(2,768)	(61,886)	(1,302,533)	(1,471,565)
Balance at end of year	4,932,018	3,500,371	6,724,154	315,619	1,781,197	6,252,240	23,505,599
Accumulated Depreciation and Amortization							
Balance at beginning of year	–	2,237,967	4,898,086	–	1,800,558	2,942,730	11,879,341
Depreciation and amortization	–	177,908	905,604	–	105,509	1,263,995	2,453,016
Disposals	–	(38,760)	(121,262)	–	–	–	(160,022)
Transfers/others	–	(52)	(257,392)	–	(126,342)	(1,278,461)	(1,662,247)
Balance at end of year	–	2,377,063	5,425,036	–	1,779,725	2,928,264	12,510,088
Allowance for Impairment Losses (Note 16)	539,725	593,567	–	–	–	–	1,133,292
Net Book Value at End of Year	₱4,392,293	₱529,741	₱1,299,118	₱315,619	₱1,472	₱3,323,976	₱9,862,219

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

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, 2023 and 2022.

Certain property and equipment of the Parent Company with carrying amount of ₱90.0 million and ₱75.6 million are temporarily idle as of December 31, 2023 and 2022, respectively. As of December 31, 2023 and 2022, property and equipment of the Parent Company with gross carrying amount of ₱14.3 billion and ₱12.6 billion are fully depreciated but are still being used.

Gain (loss) on disposal of property and equipment in 2023, 2022 and 2021 amounted to ₱712.5 million, ₱34.9 million, and ₱8.4 million, respectively, for the Group and ₱793.1 million, ₱32.0 million and (₱0.8 million), respectively, for the Parent Company (refer to Note 26.2).

11.2 Depreciation and Amortization

This account consists of:

	Consolidated			Parent Company		
	2023	2022	2021	**2023**	2022	2021
Continuing operations:						
Depreciation						
Property and equipment (Note 33)	**₱2,650,260**	₱2,672,548	₱2,137,954	**₱2,453,016**	₱2,410,802	₱1,836,175
Investment properties (Note 13)	**191,153**	152,917	76,575	**167,339**	128,095	55,337
Chattel mortgage properties	**10,495**	6,375	2,717	**–**	–	–
Amortization of intangible assets (Note 14)	**1,124,161**	1,393,906	628,471	**1,099,879**	1,370,523	607,559
	3,976,069	4,225,746	2,845,717	**3,720,234**	3,909,420	2,499,071
Discontinued operations (Note 36):						
Investment properties	**–**	–	42,450	**–**	–	–
Property and equipment	**–**	–	6,592	**–**	–	–
	–	–	49,042	**–**	–	–
	₱3,976,069	₱4,225,746	₱2,894,759	**₱3,720,234**	₱3,909,420	₱2,499,071

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 properties' amounting to ₱4.2 billion.

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 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 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	Percentage of Ownership Indirect
Subsidiaries					
Allied Integrated Holdings, Inc. (AIHI)	Holding Company	Philippines	PHP	**100.00**	–
PNB Capital and Investment Corporation (PNB Capital)	Investment	- do -	PHP	**100.00**	–
PNB Securities, Inc. (PNB Securities)	Securities Brokerage	- do -	PHP	**100.00**	–
PNB Corporation – Guam [(a)]	Remittance	USA	USD	**100.00**	–
PNB International Investments Corporation (PNB IIC)	Investment	- do -	USD	**100.00**	–
PNB Remittance Centers, Inc. (PNB RCI) [(b)]	Remittance	- do -	USD	**–**	**100.00**
PNB RCI Holding Co. Ltd. (PNB RHCL) [(c)]	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 (PMERC) [(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. (OHBVI) [(g)]	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*
(g) *Controlled through the Parent Company's 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*

The details of this account follow:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Investment in Subsidiaries				
ACB	**₱–**	₱–	**₱6,087,520**	₱6,087,520
AIHI	**–**	–	**3,435,041**	3,435,041
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**	16,272,610
Investment in an Associate – APLII	**3,365,089**	3,365,089	**3,365,089**	3,365,089
Accumulated equity in net earnings (losses) of subsidiaries and an associate:				
Balance at beginning of year	**158,879**	214,939	**(281,942)**	(237,283)
Equity in net earnings (losses) for the year	**268,093**	(56,060)	**560,393**	747,341
Cash dividends declared by a subsidiary	**–**	–	**(448,900)**	(792,000)
	426,972	158,879	**(170,449)**	(281,942)
Accumulated share in:				
Aggregate reserves on life insurance policies	**24,246**	136,096	**24,246**	136,096
Net unrealized losses on financial assets at FVOCI (Note 9)	**(617,015)**	(979,407)	**(586,895)**	(968,953)
Accumulated translation adjustments	**–**	–	**1,565,092**	1,770,747
Remeasurement gains (losses) on retirement plan	**(168)**	8,107	**97,377**	90,457
	(592,937)	(835,204)	**1,099,820**	1,028,347
	₱3,199,124	₱2,688,764	**₱20,567,070**	₱20,384,104

In 2002, the Parent Company underwent a quasi-reorganization which was approved by the SEC on November 7, 2002. As of December 31, 2023 and 2022, 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 of investee companies, 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

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.

AIHI's corporate term ended on December 31, 2022 but, as provided by law, it will continue to exist as a body corporate for another three years to generally wind up its affairs, including the disposal of its properties and distribution of its assets.

12.2 Investment in PNB Capital

On October 27, 2023 and December 16, 2022, the BOD of PNB Capital approved the declaration of cash dividends amounting to ₱448.9 million and ₱792.0 million, which were subsequently paid to the Parent Company on December 27, 2023 and December 22, 2022, respectively.

12.3 Investment in PMLFC

On June 24, 2022, the BOD of the Parent Company approved the amendment to the Articles of Incorporation of PMLFC, shortening its corporate term to March 31, 2024. 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 up the 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. On the other hand, on November 22, 2023, the SEC approved the amendment to the Articles of Incorporation of PMERC, the wholly-owned subsidiary of PMLFC, to shorten its corporate term to December 31, 2024. To date, the winding-up process for both PMLFC and PMERC is ongoing and expected to be completed in 2024.

In 2023 and 2022, PMLFC transferred to the Parent Company certain receivables via direct purchase or assignment. The Parent Company also accepted in 2023 certain properties of PMLFC and PMERC as partial settlement of their outstanding loans with the Parent Company. Such loans were eventually written off as of December 31, 2023 (refer to Note 33.1).

As of December 31, 2023 and 2022, 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 ₱144.2 million and ₱95.5 million in 2023 and 2022, respectively, representing its share in the accumulated net losses of PMLFC. Further, the Parent Company recognized provision for liability amounting to nil and ₱649.7 million relating to the undrawn loan commitments of PMLFC as of December 31, 2023 and 2022, respectively, recorded under 'Other liabilities' in the statement of financial position (refer to Notes 22 and 33).

12.4 Investment in PNB Holdings

As of December 31, 2020, PNB owns all of the 2,551,000 shares issued by PNB Holdings, with par value of ₱100 per share. 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 Note 11.3).

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 2021 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 2021 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; and
- 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. These 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; and
- 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 to the Parent Company, 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, with the excess of the purchase price over the carrying value of the proportionate interest of ₱344.7 million treated as an equity transaction in the consolidated financial statements of the Group as 'Other equity reserves'.

In 2021, the Parent Company completed the sale of its shares in PNB Gen, recognizing loss on sale amounting to ₱149.5 million and ₱134.9 million for the Group and the Parent Company, respectively, which was recorded under 'Gain on loss of control of subsidiaries - net'. Also in 2021, the Parent Company received interest income of ₱14.1 million from ABIC for this transaction.

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	**2023**	2022	**2023**	2022	**2023**	2022
ABCHKL	Banking	**49.00%**	49.00%	**₱2,230,261**	₱2,179,752	**₱71,784**	₱79,115
OHBVI	Holding Company	**72.22%**	72.22%	**1,095,965**	1,079,035	**24,332**	1,239

The following table presents financial information of ABCHKL (unaudited) as of December 31, 2023 and 2022:

	2023	2022
Statement of Financial Position		
Current assets	**₱10,285,643**	₱9,548,596
Non-current assets	**2,043,382**	2,282,698
Current liabilities	**7,177,792**	6,616,975
Non-current liabilities	**668,288**	834,454
Statement of Comprehensive Income		
Revenues	**₱477,646**	₱415,387
Expenses	**331,148**	253,928
Net income	**146,498**	161,459
Total comprehensive income	**110,472**	502,413

(Forward)

	2023	2022
Statement of Cash Flows		
Net cash provided by (used in) operating activities	**(₱804,162)**	₱610,988
Net cash provided by investing activities	**35,392**	21,293

The following table presents financial information of OHBVI (unaudited) as of December 31, 2023 and 2022:

	2023	2022
Statement of Financial Position		
Current assets	**₱1,517,493**	₱1,494,051
Statement of Comprehensive Income		
Revenues/Net income/Total comprehensive income	**₱33,692**	₱1,715
Statement of Cash Flows		
Net cash provided by operating activities	**₱23,442**	₱129,062

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 (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 (unaudited) as of December 31, 2023 and 2022 follows:

	2023	2022
Current assets	**₱2,181,489**	₱1,452,894
Noncurrent assets	**113,166,291**	90,446,895
Total assets	**115,347,780**	91,899,789
Current liabilities	**1,404,749**	1,535,802
Noncurrent liabilities	**110,327,928**	87,928,050
Total liabilities	**111,732,677**	89,463,852
Net assets	**3,615,103**	2,435,937
Percentage of ownership of the Group	**44%**	44%
Share in the net assets of the associate	**₱1,590,645**	₱1,071,812

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 (unaudited) in 2023 and 2022 follows:

	2023	2022
Revenues	**₱6,867,294**	₱4,344,038
Costs and expenses	**6,257,991**	4,486,380
Net income (loss)	**609,303**	(142,342)
Other comprehensive loss	**(357,591)**	(262,006)
Total comprehensive income (loss)	**₱251,712**	(₱404,348)
Group's share in comprehensive income (loss)	**₱110,753**	(₱177,913)

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	
	2023	2022	**2023**	2022
Foreclosed or acquired in settlement of loans	**₱14,399,995**	₱13,615,263	**₱13,932,044**	₱13,085,097
Held for lease	**179,563**	179,723	**179,563**	179,723
Total	**₱14,579,558**	₱13,794,986	**₱14,111,607**	₱13,264,820

The composition of and movements in this account follow:

	Consolidated 2023		
	Land	**Buildings and Improvements**	**Total**
Cost			
Beginning balance	**₱14,471,137**	**₱3,337,560**	**₱17,808,697**
Additions	**1,475,118**	**1,498,014**	**2,973,132**
Disposals	**(1,689,521)**	**(336,100)**	**(2,025,621)**
Transfers/others	**5,800**	**(34,037)**	**(28,237)**
Balance at end of year	**14,262,534**	**4,465,437**	**18,727,971**
Accumulated Depreciation			
Balance at beginning of year	–	**1,838,042**	**1,838,042**
Depreciation (Note 11)	–	**191,153**	**191,153**
Disposals	–	**(199,165)**	**(199,165)**
Transfers/others	–	**(517)**	**(517)**
Balance at end of year	–	**1,829,513**	**1,829,513**
Allowance for Impairment Losses (Note 16)	**1,902,739**	**416,161**	**2,318,900**
Net Book Value at End of Year	**₱12,359,795**	**₱2,219,763**	**₱14,579,558**

	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

	Parent Company 2023		
	Land	**Buildings and Improvements**	**Total**
Cost			
Beginning balance	**₱13,915,473**	**₱3,188,687**	**₱17,104,160**
Additions	**1,475,118**	**1,498,014**	**2,973,132**
Disposals	**(1,689,521)**	**(336,100)**	**(2,025,621)**
Transfers/others	**8,588**	**1,610**	**10,198**
Balance at end of year	**13,709,658**	**4,352,211**	**18,061,869**
Accumulated Depreciation			
Balance at beginning of year	–	**1,688,372**	**1,688,372**
Depreciation (Note 11)	–	**167,339**	**167,339**
Disposals	–	**(199,165)**	**(199,165)**
Transfers/others	–	**(483)**	**(483)**
Balance at end of year	–	**1,656,063**	**1,656,063**
Allowance for Impairment Losses (Note 16)	**1,902,027**	**392,172**	**2,294,199**
Net Book Value at End of Year	**₱11,807,631**	**₱2,303,976**	**₱14,111,607**

	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

Foreclosed properties of the Parent Company still subject to redemption period by the borrowers amounted to ₱581.7 million and ₱199.9 million, as of December 31, 2023 and 2022, respectively.

The total recoverable value of investment properties of the Group and the Parent Company that were impaired amounted to ₱9.6 billion and ₱7.4 billion as of December 31, 2023 and 2022, 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.

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 ₱33.0 million, ₱29.2 million and ₱28.2 million in 2023, 2022, and 2021, respectively. Direct operating expenses on investment properties that did not generate rental income included under 'Litigation and assets acquired expenses', amounted to ₱397.6 million, ₱208.3 million and ₱173.3 million in 2023, 2022, and 2021, respectively (refer to Note 27.2).

14. Goodwill and Intangible Assets

These accounts consist of:

	Consolidated 2023				
	Intangible Assets with Finite Lives				
	CDI	**CRI**	**Software Cost**	**Total**	**Goodwill**
Cost					
Balance at beginning of year	**₱1,897,789**	**₱391,943**	**₱5,480,963**	**₱7,770,695**	**₱11,221,410**
Additions	–	–	**598,969**	**598,969**	–
Impairment in value	–	–	–	–	**(1,036,567)**
Others	–	–	**(40,185)**	**(40,185)**	–
Balance at end of year	**1,897,789**	**391,943**	**6,039,747**	**8,329,479**	**10,184,843**
Accumulated Amortization					
Balance at beginning of year	**1,877,757**	**391,943**	**3,637,073**	**5,906,773**	–
Amortization (Note 11)	**20,032**	–	**1,104,129**	**1,124,161**	–
Others	–	–	**(3,181)**	**(3,181)**	–
Balance at end of year	**1,897,789**	**391,943**	**4,738,021**	**7,027,753**	–
Net Book Value at End of Year	**₱–**	**₱–**	**₱1,301,726**	**₱1,301,726**	**₱10,184,843**

	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

	Parent Company 2023				
	Intangible Assets with Finite Lives				
	CDI	**CRI**	**Software Cost**	**Total**	**Goodwill**
Cost					
Balance at beginning of year	**₱1,897,789**	**₱391,943**	**₱6,423,046**	**₱8,712,778**	**₱11,361,768**
Additions	–	–	**597,165**	**597,165**	–
Impairment in value	–	–	–	–	**(1,036,567)**
Others	–	–	**(36,496)**	**(36,496)**	–
Balance at end of year	**1,897,789**	**391,943**	**6,983,715**	**9,273,447**	**10,325,201**
Accumulated Amortization					
Balance at beginning of year	**1,877,757**	**391,943**	**4,689,462**	**6,959,162**	–
Amortization (Note 11)	**20,032**	–	**1,079,847**	**1,099,879**	–
Others	–	–	**(484)**	**(484)**	–
Balance at end of year	**1,897,789**	**391,943**	**5,768,825**	**8,058,557**	–
Net Book Value at End of Year	**₱–**	**₱–**	**₱1,214,890**	**₱1,214,890**	**₱10,325,201**

	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

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, 2023 and 2022 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 2023 and 2021, the goodwill impairment test performed by the Parent Company resulted in an impairment in value of ₱1.0 billion in the Treasury CGU and ₱2.2 billion in the Corporate Banking CGU, respectively, with the recoverable amounts being lower than their carrying amounts.

As of December 31, 2023 and 2022, goodwill for each CGU amounted to:

	2023			2022		
	Gross carrying amount	**Accumulated impairment in value**	**Net carrying amount**	Gross carrying amount	Accumulated impairment in value	Net carrying amount
Retail Banking	**₱6,110,312**	**₱–**	**₱6,110,312**	₱6,110,312	₱–	₱6,110,312
Corporate Banking	**4,190,365**	**2,153,997**	**2,036,368**	4,190,365	2,153,997	2,036,368
Treasury	**3,074,730**	**1,036,567**	**2,038,163**	3,074,730	–	3,074,730
	₱13,375,407	**₱3,190,564**	**₱10,184,843**	₱13,375,407	₱2,153,997	₱11,221,410

After the goodwill impairment test, as of December 31, 2023 and 2022, management believes that no reasonably possible change in any of the key assumptions discussed below would cause the carrying value of the goodwill to materially exceed its recoverable amount.

The recoverable amounts of the CGUs have been determined on the basis of the VIU calculation using the discounted cash flows (DCF) model. The DCF model uses earnings projections based on financial budgets approved by senior management and the BOD of the Parent Company covering a three-year period and are discounted to their present value. Estimating future earning involves judgment which takes into account past and actual performance and expected developments in the respective markets and in the overall macro-economic environment.

The following rates were applied to the cash flow projections:

	2023			2022		
	Retail Banking	**Corporate Banking**	**Treasury**	Retail Banking	Corporate Banking	Treasury
Pre-tax discount rate	**11.92%**	**11.92%**	**10.06%**	13.23%	13.23%	11.23%
Projected growth rate	**5.30%**	**5.30%**	**5.30%**	5.50%	5.50%	5.50%

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 has been determined based on cost of equity for the Retail and Corporate Banking CGUs and weighted average cost of capital (WACC) for the Treasury CGU. WACC is computed by multiplying the cost of equity and the post-tax cost of debt by their relevant weights using debt-equity mix of comparable listed banks, and adding the products together. The cost of equity is derived using the capital asset pricing model which is comprised of a market risk premium, risk-free interest rate and the beta factor, all of which were obtained from external sources of information. The post-tax cost of debt is comprised of the risk-free interest rate and the Group's credit spread, after applying the prevailing corporate income tax.

15. Other Assets

This account consists of:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Financial				
Fund for electronic money products	**₱350,000**	₱–	**₱350,000**	₱–
Returned checks and other cash items	**28,298**	46,253	**28,298**	46,253
Security deposits (Note 33)	**18,279**	18,309	**–**	–
Miscellaneous	**5,680**	5,769	**5,049**	5,207
	402,257	70,331	**383,347**	51,460
Nonfinancial				
Deferred charges (Note 33)	**2,065,324**	1,477,860	**2,060,909**	1,472,352
Creditable withholding taxes	**1,309,256**	856,206	**1,098,777**	612,550
Real estate inventories held under development (Note 33)	**519,448**	728,752	**519,448**	728,752
Documentary stamps on hand	**471,092**	317,932	**470,537**	317,378
Prepaid expenses	**362,254**	340,243	**305,023**	276,417
Chattel mortgage properties - net of depreciation	**304,817**	211,619	**304,817**	82,012
Stationeries and supplies	**99,536**	81,073	**99,283**	80,838
Other investments	**26,335**	26,276	**22,609**	22,517
Miscellaneous (Note 28)	**929,602**	1,087,070	**523,505**	779,767
	6,087,664	5,127,031	**5,404,908**	4,372,583
	6,489,921	5,197,362	**5,788,255**	4,424,043
Less allowance for credit and impairment losses (Note 16)	**1,035,620**	1,041,840	**1,035,570**	1,025,047
	₱5,454,301	₱4,155,522	**₱4,752,685**	₱3,398,996

'Fund for electronic money products' represents the fund set up held in trust by the Parent Company's Trust Banking Group (TBG) for the specific purpose of liquidation of balances of e-money products of the Group in compliance with BSP Circular 1166. Such amount held in the trust account shall not fall below the required minimum balance of at least 50.0% of the outstanding e-money balances. The remaining 50.0% are covered by government securities booked under 'Investment securities at amortized cost' amounting to ₱363.3 million as of December 31, 2023 (refer to Note 9.3).

'Deferred charges' include the share of the Group in the cost of transportation equipment acquired under the Group's car plan which are amortized monthly over five years.

'Real estate inventories held under development' represent 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, 2023 and 2022, accumulated depreciation on the chattel mortgage properties amounted to ₱337.6 million and ₱229.1 million, respectively, for the Group and ₱337.6 million and ₱215.3 million, respectively, for the Parent Company. As of December 31, 2023 and 2022, the total recoverable value of certain chattel mortgage properties of the Group and the Parent Company that were impaired is at ₱1.2 million.

'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		
	2023	2022	2021	**2023**	2022	2021
Continuing operations:						
Provision for credit losses	**₱5,613,112**	₱7,159,781	₱10,980,450	**₱5,390,322**	₱7,171,812	₱11,220,504
Provision for (reversal of) impairment and other losses	**309,942**	38,336	(255,436)	**309,942**	133,841	(248,764)
	5,923,054	7,198,117	10,725,014	**5,700,264**	7,305,653	10,971,740
Discontinued operations (Note 36):						
Provision for credit and impairment losses	**–**	–	88,141	**–**	–	–
	₱5,923,054	₱7,198,117	₱10,813,155	**₱5,700,264**	₱7,305,653	₱10,971,740

16.2 Allowance for Impairment and Credit Losses

Changes in the allowance for credit losses on financial assets follow:

	Consolidated 2023						
	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**	**Total**
Balance at beginning of year	**₱2,188**	**₱9,898**	**₱1,369**	**₱121,585**	**₱3,847,850**	**₱38,944,781**	**₱42,927,671**
Provisions (reversals)	**11,964**	**–**	**6,676**	**(75,912)**	**(15,770)**	**5,686,178**	**5,613,136**
Accounts charged-off	**–**	**–**	**–**	**–**	**(3,676,245)**	**(1,418,830)**	**(5,095,075)**
Transfers and others	**–**	**–**	**–**	**–**	**–**	**(640,223)**	**(640,223)**
Balance at end of year	**₱14,152**	**₱9,898**	**₱8,045**	**₱45,673**	**₱155,835**	**₱42,571,906**	**₱42,805,509**

	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

	Parent Company 2023						
	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**	**Total**
Balance at beginning of year	**₱2,188**	**₱9,873**	**₱1,369**	**₱119,452**	**₱3,847,850**	**₱39,445,838**	**₱43,426,570**
Provisions (reversals)	**11,964**	**–**	**6,676**	**(72,676)**	**(15,770)**	**5,460,128**	**5,390,322**
Accounts charged-off	**–**	**–**	**–**	**–**	**(3,676,245)**	**(1,418,830)**	**(5,095,075)**
Loan settlement through dacion and assignment (Note 33)	**–**	**–**	**–**	**–**	**–**	**(1,404,582)**	**(1,404,582)**
Transfers and others	**–**	**–**	**–**	**–**	**–**	**484,674**	**484,674**
Balance at end of year	**₱14,152**	**₱9,873**	**₱8,045**	**₱46,776**	**₱155,835**	**₱42,567,228**	**₱42,801,909**

	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

Movements in the allowance for impairment and other losses on non-financial assets follow:

	Consolidated							
	2023				2022			
	Property and Equipment	**Investment Properties**	**Other Assets**	**Total**	Property and Equipment	Investment Properties	Other Assets	Total
Balance at beginning of year	**₱1,168,887**	**₱2,175,669**	**₱1,041,840**	**₱4,386,396**	₱1,168,887	₱2,204,822	₱1,068,716	₱4,442,425
Provisions (reversals)	**(38)**	**166,099**	**143,881**	**309,942**	–	33,299	5,037	38,336
Disposals	**(35,557)**	**(27,151)**	**(248)**	**(62,956)**	–	(55,884)	(10,077)	(65,961)
Transfers and others	**–**	**4,283**	**(149,853)**	**(145,570)**	–	(6,568)	(21,836)	(28,404)
Balance at end of year	**₱1,133,292**	**₱2,318,900**	**₱1,035,620**	**₱4,487,812**	₱1,168,887	₱2,175,669	₱1,041,840	₱4,386,396

	Parent Company							
	2023				2022			
	Property and Equipment	**Investment Properties**	**Other Assets**	**Total**	Property and Equipment	Investment Properties	Other Assets	Total
Balance at beginning of year	**₱1,168,887**	**₱2,150,968**	**₱1,025,047**	**₱4,344,902**	₱1,168,887	₱2,175,670	₱1,045,572	₱4,390,129
Provisions (reversals)	**(38)**	**166,099**	**143,881**	**309,942**	–	33,299	100,542	133,841
Disposals	**(35,557)**	**(27,151)**	**(248)**	**(62,956)**	–	(55,884)	(3,725)	(59,609)
Transfers and others	**–**	**4,283**	**(133,110)**	**(128,827)**	–	(2,117)	(117,342)	(119,459)
Balance at end of year	**₱1,133,292**	**₱2,294,199**	**₱1,035,570**	**₱4,463,061**	₱1,168,887	₱2,150,968	₱1,025,047	₱4,344,902

The reconciliation of allowance for loans and receivables are shown below:

	Consolidated							
	2023				2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Corporate Loans								
Beginning Balance	**₱1,455,038**	**₱5,954,356**	**₱17,270,216**	**₱24,679,610**	₱459,223	₱859,753	₱24,311,397	₱25,630,373
Transfers to Stage 1	**22,816**	**(22,816)**	**–**	**–**	124,442	(122,231)	(2,211)	–
Transfers to Stage 2	**(572,482)**	**647,566**	**(75,084)**	**–**	(13,026)	7,561,264	(7,548,238)	–
Transfers to Stage 3	**(331,606)**	**(3,394,552)**	**3,726,158**	**–**	(2,707)	(181,214)	183,921	–
Provisions (reversals)	**1,200,421**	**(289,526)**	**2,718,659**	**3,629,554**	887,106	(2,163,216)	5,165,128	3,889,018
Accounts charged off	**–**	**–**	**(27,654)**	**(27,654)**	–	–	(48,784)	(48,784)
Loan settlement through dacion (Note 33)	**–**	**–**	**–**	**–**	–	–	(4,580,430)	(4,580,430)
Other movements	**–**	**–**	**–**	**–**	–	–	(210,567)	(210,567)
Ending Balance	**1,774,187**	**2,895,028**	**23,612,295**	**28,281,510**	1,455,038	5,954,356	17,270,216	24,679,610
LGU								
Beginning Balance	**472**	**8,471**	**65,694**	**74,637**	265	10,632	67,798	78,695
Provisions (reversals)	**(81)**	**(1,787)**	**(2,478)**	**(4,346)**	207	(2,161)	(2,104)	(4,058)
Ending Balance	**391**	**6,684**	**63,216**	**70,291**	472	8,471	65,694	74,637
Credit Cards								
Beginning Balance	**491,509**	**83,742**	**712,977**	**1,288,228**	61,472	26,686	2,319,769	2,407,927
Transfers to Stage 1	**22,578**	**(16,917)**	**(5,661)**	**–**	14,583	(5,637)	(8,946)	–
Transfers to Stage 2	**(17,425)**	**17,465**	**(40)**	**–**	(1,666)	2,188	(522)	–
Transfers to Stage 3	**(25,370)**	**(12,031)**	**37,401**	**–**	(2,726)	(3,171)	5,897	–
Provisions	**37,154**	**37,624**	**844,677**	**919,455**	419,846	63,676	411,234	894,756
Accounts charged off	**–**	**–**	**(892,571)**	**(892,571)**	–	–	(2,014,455)	(2,014,455)
Ending Balance	**508,446**	**109,883**	**696,783**	**1,315,112**	491,509	83,742	712,977	1,288,228
Retail SMEs								
Beginning Balance	**200,621**	**26,631**	**1,337,812**	**1,565,064**	156,723	16,002	1,643,255	1,815,980
Transfers to Stage 1	**110**	**–**	**(110)**	**–**	15,101	(386)	(14,715)	–
Transfers to Stage 2	**(1,051)**	**2,229**	**(1,178)**	**–**	(51,349)	51,549	(200)	–
Transfers to Stage 3	**–**	**(80,052)**	**80,052**	**–**	(736)	(1,050)	1,786	–

(Forward)

Consolidated

	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Provisions (reversals)	(₱11,015)	₱61,308	₱463,438	₱513,731	₱80,882	(₱39,484)	₱402,656	₱444,054
Accounts charged off	–	–	(401,774)	(401,774)	–	–	(694,970)	(694,970)
Other movements	–	–	(689,424)	(689,424)	–	–	–	–
Ending Balance	188,665	10,116	788,816	987,597	200,621	26,631	1,337,812	1,565,064
Housing Loans								
Beginning Balance	447,670	115,108	3,785,067	4,347,845	256,953	54,367	3,121,446	3,432,766
Transfers to Stage 1	43,356	(6,424)	(36,932)	–	527,271	(17,691)	(509,580)	–
Transfers to Stage 2	(30,074)	43,180	(13,106)	–	(5,794)	71,159	(65,365)	–
Transfers to Stage 3	(260,638)	(124,595)	385,233	–	(33,977)	(26,337)	60,314	–
Provisions (reversals)	325,582	19,928	(165,041)	180,469	(296,783)	33,610	1,178,252	915,079
Ending Balance	525,896	47,197	3,955,221	4,528,314	447,670	115,108	3,785,067	4,347,845
Auto Loans								
Beginning Balance	20,844	2,253	1,497,222	1,520,319	8,996	2,166	1,467,584	1,478,746
Transfers to Stage 1	600	(131)	(469)	–	85,614	(671)	(84,943)	–
Transfers to Stage 2	(476)	525	(49)	–	(197)	5,619	(5,422)	–
Transfers to Stage 3	(21,039)	(10,155)	31,194	–	(350)	(1,213)	1,563	–
Provisions (reversals)	25,764	8,194	(401,452)	(367,494)	(73,219)	(3,648)	124,794	47,927
Accounts charged off	–	–	(47,526)	(47,526)	–	–	(6,354)	(6,354)
Ending Balance	25,693	686	1,078,920	1,105,299	20,844	2,253	1,497,222	1,520,319
Other Loans								
Beginning Balance	15,750	78,197	1,168,060	1,262,007	242,940	8,236	716,032	967,208
Transfers to Stage 1	1,364	(244)	(1,120)	–	302,607	(3,134)	(299,473)	–
Transfers to Stage 2	(148,740)	216,224	(67,484)	–	(50)	27,615	(27,565)	–
Transfers to Stage 3	(42,076)	(6,097)	48,173	–	(506)	(2,527)	3,033	–
Provisions (reversals)	245,496	(23,372)	(219,101)	3,023	(529,241)	48,007	788,680	307,446
Accounts charged off	–	–	–	–	–	–	(12,647)	(12,647)
Ending Balance	71,794	264,708	928,528	1,265,030	15,750	78,197	1,168,060	1,262,007
Other Receivables								
Beginning Balance	87,993	148,230	3,970,848	4,207,071	81,507	33,359	3,414,200	3,529,066
Transfers to Stage 1	162	(138)	(24)	–	26	(5)	(21)	–
Transfers to Stage 2	(4,115)	4,177	(62)	–	(758)	10,530	(9,772)	–
Transfers to Stage 3	(3,463)	(421,743)	425,206	–	(4,861)	(15,475)	20,336	–
Provisions	50,698	306,790	454,298	811,786	12,079	119,821	528,402	660,302
Accounts charged off	–	–	(49,305)	(49,305)	–	–	(8,626)	(8,626)
Loan settlement through dacion (Note 33)	–	–	–	–	–	–	(11,313)	(11,313)
Other movements	–	–	49,201	49,201	–	–	37,642	37,642
Ending Balance	131,275	37,316	4,850,162	5,018,753	87,993	148,230	3,970,848	4,207,071
Total Loans and Receivables								
Beginning 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
Transfers to Stage 1	90,986	(46,670)	(44,316)	–	1,069,644	(149,755)	(919,889)	–
Transfers to Stage 2	(774,363)	931,366	(157,003)	–	(72,840)	7,729,924	(7,657,084)	–
Transfers to Stage 3	(684,192)	(4,049,225)	4,733,417	–	(45,863)	(230,987)	276,850	–
Provisions (reversals)	1,874,019	119,159	3,693,000	5,686,178	500,877	(1,943,395)	8,597,042	7,154,524
Accounts charged off	–	–	(1,418,830)	(1,418,830)	–	–	(2,785,836)	(2,785,836)
Loan settlement through dacion (Note 33)	–	–	–	–	–	–	(4,591,743)	(4,591,743)
Other movements	–	–	(640,223)	(640,223)	–	–	(172,925)	(172,925)
Ending Balance	₱3,226,347	₱3,371,618	₱35,973,941	₱42,571,906	₱2,719,897	₱6,416,988	₱29,807,896	₱38,944,781

Parent Company

	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Corporate Loans								
Beginning Balance	₱1,671,731	₱5,954,139	₱18,336,117	₱25,961,987	₱798,447	₱848,687	₱25,253,746	₱26,900,880
Transfers to Stage 1	22,816	(22,816)	–	–	124,373	(122,162)	(2,211)	–
Transfers to Stage 2	(572,482)	647,566	(75,084)	–	(13,026)	7,561,264	(7,548,238)	–
Transfers to Stage 3	(331,606)	(3,394,552)	3,726,158	–	(2,707)	(181,214)	183,921	–
Provisions (reversals)	858,154	(289,309)	3,049,732	3,618,577	764,644	(2,152,436)	5,373,591	3,985,799
Accounts charged off	–	–	(27,654)	(27,654)	–	–	(48,784)	(48,784)
Loan settlement through dacion and assignment (Note 33)	–	–	(1,404,582)	(1,404,582)	–	–	(4,580,430)	(4,580,430)
Other movements	--	--	424,970	424,970	–	–	(295,478)	(295,478)
Ending Balance	1,648,613	2,895,028	24,029,657	28,573,298	1,671,731	5,954,139	18,336,117	25,961,987
LGU								
Beginning Balance	472	8,471	65,694	74,637	265	10,632	67,798	78,695
Provisions (reversals)	(81)	(1,787)	(2,478)	(4,346)	207	(2,161)	(2,104)	(4,058)
Ending Balance	391	6,684	63,216	70,291	472	8,471	65,694	74,637
Credit Cards								
Beginning Balance	491,509	83,742	712,977	1,288,228	61,472	26,686	2,319,769	2,407,927
Transfers to Stage 1	22,578	(16,917)	(5,661)	–	14,583	(5,637)	(8,946)	–
Transfers to Stage 2	(17,425)	17,465	(40)	–	(1,666)	2,188	(522)	–
Transfers to Stage 3	(25,370)	(12,031)	37,401	–	(2,726)	(3,171)	5,897	–
Provisions	37,154	37,624	844,677	919,455	419,846	63,676	411,234	894,756
Accounts charged off	–	–	(892,571)	(892,571)	–	–	(2,014,455)	(2,014,455)
Ending Balance	508,446	109,883	696,783	1,315,112	491,509	83,742	712,977	1,288,228

(Forward)

Parent Company

	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Retail SMEs								
Beginning Balance	₱182,003	₱23,329	₱798,798	₱1,004,130	₱151,201	₱3,712	₱498,101	₱653,014
Transfers to Stage 1	110	–	(110)	–	14,744	(29)	(14,715)	–
Transfers to Stage 2	(1,051)	2,229	(1,178)	–	(50,978)	51,178	(200)	–
Transfers to Stage 3	–	(80,052)	80,052	–	(305)	(780)	1,085	–
Provisions (reversals)	7,603	64,599	308,208	380,410	67,341	(30,752)	314,527	351,116
Accounts charged off	–	–	(401,774)	(401,774)	–	–	–	–
Ending Balance	188,665	10,105	783,996	982,766	182,003	23,329	798,798	1,004,130
Housing Loans								
Beginning Balance	445,982	114,780	3,776,024	4,336,786	₱240,858	₱54,367	₱3,119,744	₱3,414,969
Transfers to Stage 1	43,356	(6,424)	(36,932)	–	527,271	(17,691)	(509,580)	–
Transfers to Stage 2	(30,074)	43,180	(13,106)	–	(5,666)	71,031	(65,365)	–
Transfers to Stage 3	(260,638)	(124,595)	385,233	–	(15,874)	(26,337)	42,211	–
Provisions (reversals)	325,990	20,256	(172,545)	173,701	(300,607)	33,410	1,189,014	921,817
Ending Balance	524,616	47,197	3,938,674	4,510,487	445,982	114,780	3,776,024	4,336,786
Auto Loans								
Beginning Balance	20,844	2,253	1,497,222	1,520,319	8,996	2,166	1,467,584	1,478,746
Transfers to Stage 1	600	(131)	(469)	–	85,614	(671)	(84,943)	–
Transfers to Stage 2	(476)	525	(49)	–	(197)	5,619	(5,422)	–
Transfers to Stage 3	(21,039)	(10,155)	31,194	–	(350)	(1,213)	1,563	–
Provisions (reversals)	25,764	8,194	(401,452)	(367,494)	(73,219)	(3,648)	124,794	47,927
Accounts charged off	–	–	(47,526)	(47,526)	–	–	(6,354)	(6,354)
Ending Balance	25,693	686	1,078,920	1,105,299	20,844	2,253	1,497,222	1,520,319
Other Loans								
Beginning Balance	15,739	64,561	1,181,666	1,261,966	242,936	8,236	703,090	954,262
Transfers to Stage 1	1,364	(244)	(1,120)	–	302,597	(3,134)	(299,463)	–
Transfers to Stage 2	(148,740)	216,224	(67,484)	–	(50)	27,615	(27,565)	–
Transfers to Stage 3	(42,076)	(6,097)	48,173	–	(506)	(2,527)	3,033	–
Provisions (reversals)	245,497	(9,736)	(232,707)	3,054	(529,238)	34,371	802,571	307,704
Ending Balance	71,784	264,708	928,528	1,265,020	15,739	64,561	1,181,666	1,261,966
Other Receivables								
Beginning Balance	34,342	37,308	3,926,135	3,997,785	45,243	32,820	3,259,421	3,337,484
Transfers to Stage 1	162	(138)	(24)	–	26	(5)	(21)	–
Transfers to Stage 2	(4,115)	4,177	(62)	–	(758)	10,530	(9,772)	–
Transfers to Stage 3	(3,463)	(421,743)	425,206	–	(4,861)	(15,475)	20,336	–
Provisions (reversals)	(4,261)	413,289	327,743	736,771	(5,308)	9,438	656,172	660,302
Accounts charged off	–	–	(49,305)	(49,305)	–	–	(8,626)	(8,626)
Loan settlement through dacion (Note 33)	–	–	–	–	–	–	(11,313)	(11,313)
Other movements	–	–	59,704	59,704	–	–	19,938	19,938
Ending Balance	22,665	32,893	4,689,397	4,744,955	34,342	37,308	3,926,135	3,997,785
Total Loans and Receivables								
Beginning Balance	2,862,622	6,288,583	30,294,633	39,445,838	1,549,418	987,306	36,689,253	39,225,977
Transfers to Stage 1	90,986	(46,670)	(44,316)	–	1,069,208	(149,329)	(919,879)	–
Transfers to Stage 2	(774,363)	931,366	(157,003)	–	(72,341)	7,729,425	(7,657,084)	–
Transfers to Stage 3	(684,192)	(4,049,225)	4,733,417	–	(27,329)	(230,717)	258,046	–
Provisions (reversals)	1,495,820	243,130	3,721,178	5,460,128	343,666	(2,048,102)	8,869,799	7,165,363
Accounts charged off	–	–	(1,418,830)	(1,418,830)	–	–	(2,078,219)	(2,078,219)
Loan settlement through dacion and assignment (Note 33)	–	–	(1,404,582)	(1,404,582)	–	–	(4,591,743)	(4,591,743)
Other movements	–	–	484,674	484,674	–	–	(275,540)	(275,540)
Ending Balance	₱2,990,873	₱3,367,184	₱36,209,171	₱42,567,228	₱2,862,622	₱6,288,583	₱30,294,633	₱39,445,838

16.3 Gross Carrying Amounts of Loans and Receivables

Movements of the gross carrying amounts of loans and receivables are shown below:

Consolidated

	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Corporate Loans								
Beginning 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
Newly originated assets which remained in Stage 1 at yearend	256,828,762	–	–	256,828,762	122,147,585	–	–	122,147,585
Newly originated assets which moved to Stages 2 and 3 at yearend	–	12,486,650	7,244,151	19,730,801	–	4,634,768	3,170,272	7,805,040
Transfers to Stage 1	20,808,870	(20,808,870)	–	–	2,158,216	(2,153,301)	(4,915)	–
Transfers to Stage 2	(2,438,133)	2,776,640	(338,507)	–	(25,259,322)	53,397,854	(28,138,532)	–
Transfers to Stage 3	(851,326)	(5,941,406)	6,792,732	–	(1,160,805)	(2,473,557)	3,634,362	–
Accounts charged off	–	–	(27,654)	(27,654)	–	–	(48,784)	(48,784)
Loan settlement through dacion (Note 33)	–	–	–	–	–	–	(5,958,906)	(5,958,906)
Collections and other movements	(202,085,864)	(34,664,547)	(8,579,380)	(245,329,791)	(132,121,107)	(4,705,073)	(197,381)	(137,023,561)
Ending Balance	511,739,263	27,482,301	32,976,162	572,197,726	439,476,954	73,633,834	27,884,820	540,995,608

(Forward)

	Consolidated							
	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
LGU								
Beginning Balance	₱2,753,214	₱35,320	₱56,658	₱2,845,192	₱4,216,332	₱46,154	₱57,227	₱4,319,713
Newly originated assets which remained in Stage 1 at yearend	–	–	–	–	35,962	–	–	35,962
Collections and other movements	(569,928)	(7,181)	(1,758)	(578,867)	(1,499,080)	(10,834)	(569)	(1,510,483)
Ending Balance	2,183,286	28,139	54,900	2,266,325	2,753,214	35,320	56,658	2,845,192
Credit Cards								
Beginning Balance	13,157,391	315,914	909,376	14,382,681	10,468,937	269,413	2,418,595	13,156,945
Newly originated assets which remained in Stage 1 at yearend	1,165,134	–	–	1,165,134	998,216	–	–	998,216
Newly originated assets which moved to Stages 2 and 3 at yearend	–	29,616	18,927	48,543	–	39,134	20,775	59,909
Transfers to Stage 1	69,818	(62,026)	(7,792)	–	71,224	(61,373)	(9,851)	–
Transfers to Stage 2	(325,428)	325,528	(100)	–	(218,986)	219,544	(558)	–
Transfers to Stage 3	(424,262)	(52,755)	477,017	–	(309,359)	(40,798)	350,157	–
Accounts charged off	–	–	(892,571)	(892,571)	–	–	(2,014,455)	(2,014,455)
Collections and other movements	565,900	(115,915)	79,073	529,058	2,147,359	(110,006)	144,713	2,182,066
Ending Balance	14,208,553	440,362	583,930	15,232,845	13,157,391	315,914	909,376	14,382,681
Retail SMEs								
Beginning Balance	3,995,703	342,969	1,961,582	6,300,254	6,432,116	159,012	2,747,777	9,338,905
Newly originated assets which remained in Stage 1 at yearend	3,924,066	–	–	3,924,066	1,238,722	–	–	1,238,722
Newly originated assets which moved to Stages 2 and 3 at yearend	–	112,457	72,686	185,143	–	130,105	111,941	242,046
Transfers to Stage 1	4,227	–	(4,227)	–	23,795	(6,761)	(17,034)	–
Transfers to Stage 2	(21,867)	31,237	(9,370)	–	(16,610)	17,943	(1,333)	–
Transfers to Stage 3	–	(119,106)	119,106	–	(14,693)	(12,200)	26,893	–
Accounts charged off	–	–	(401,774)	(401,774)	–	–	(694,970)	(694,970)
Collections and other movements	(3,748,760)	(216,101)	(670,780)	(4,635,641)	(3,667,627)	54,870	(211,692)	(3,824,449)
Ending Balance	4,153,369	151,456	1,067,223	5,372,048	3,995,703	342,969	1,961,582	6,300,254
Housing Loans								
Beginning Balance	18,886,113	673,099	9,029,811	28,589,023	20,002,043	486,743	10,428,783	30,917,569
Newly originated assets which remained in Stage 1 as at yearend	3,153,824	–	–	3,153,824	1,992,738	–	–	1,992,738
Newly originated assets which moved to Stages 2 and 3 at yearend	–	14,017	48,035	62,052	–	47,129	50,829	97,958
Transfers to Stage 1	1,234,984	(167,456)	(1,067,528)	–	2,075,863	(155,598)	(1,920,265)	–
Transfers to Stage 2	(160,577)	225,036	(64,459)	–	(417,363)	651,867	(234,504)	–
Transfers to Stage 3	(819,808)	(407,824)	1,227,632	–	(1,240,805)	(238,698)	1,479,503	–
Collections and other movements	(2,163,666)	(88,190)	(1,251,752)	(3,503,608)	(3,526,363)	(118,344)	(774,535)	(4,419,242)
Ending Balance	20,130,870	248,682	7,921,739	28,301,291	18,886,113	673,099	9,029,811	28,589,023
Auto Loans								
Beginning Balance	5,017,858	102,192	1,970,284	7,090,334	5,868,366	162,915	2,733,492	8,764,773
Newly originated assets which remained in Stage 1 at yearend	2,513,456	–	–	2,513,456	1,746,814	–	–	1,746,814
Newly originated assets which moved to Stages 2 and 3 at yearend	–	4,842	4,158	9,000	–	21,772	17,342	39,114
Transfers to Stage 1	78,374	(17,998)	(60,376)	–	343,352	(46,882)	(296,470)	–
Transfers to Stage 2	(15,461)	16,928	(1,467)	–	(121,463)	144,467	(23,004)	–
Transfers to Stage 3	(83,541)	(33,541)	117,082	–	(227,317)	(87,418)	314,735	–
Accounts charged off	–	–	(47,526)	(47,526)	–	–	(6,354)	(6,354)
Collections and other movements	(2,294,326)	(49,450)	(718,705)	(3,062,481)	(2,591,894)	(92,662)	(769,457)	(3,454,013)
Ending Balance	5,216,360	22,973	1,263,450	6,502,783	5,017,858	102,192	1,970,284	7,090,334
Other Loans								
Beginning Balance	9,131,926	1,546,924	1,976,100	12,654,950	7,321,531	367,134	1,165,984	8,854,649
Newly originated assets which remained in Stage 1 at yearend	6,201,837	–	–	6,201,837	3,478,963	–	–	3,478,963
Newly originated assets which moved to Stages 2 and 3 at yearend	–	1,244,295	39,581	1,283,876	–	969,907	27,777	997,684
Transfers to Stage 1	38,851	(7,370)	(31,481)	–	774,098	(43,098)	(731,000)	–
Transfers to Stage 2	(619,725)	836,675	(216,950)	–	(12,420)	181,997	(169,577)	–
Transfers to Stage 3	(141,647)	(20,036)	161,683	–	(1,057,002)	(2,473,557)	3,530,559	–
Accounts charged off	–	–	–	–	–	–	(12,647)	(12,647)
Collections and other movements	(6,423,599)	(1,513,010)	(278,804)	(8,215,413)	(1,373,244)	2,544,541	(1,834,996)	(663,699)
Ending Balance	8,187,643	2,087,478	1,650,129	11,925,250	9,131,926	1,546,924	1,976,100	12,654,950
Other Receivables								
Beginning Balance	15,069,109	289,229	3,828,316	19,186,654	14,609,695	(1,203,874)	3,461,903	16,867,724
Newly originated assets which remained in Stage 1 at yearend	1,334,540	–	–	1,334,540	714,679	–	–	714,679
Newly originated assets which moved to Stages 2 and 3 at yearend	–	49,057	126,499	175,556	–	52,632	35,331	87,963
Transfers to Stage 1	123,622	(118,182)	(5,440)	–	14,435	(5,955)	(8,480)	–
Transfers to Stage 2	(23,562)	24,591	(1,029)	–	(162,383)	270,582	(108,199)	–
Transfers to Stage 3	(9,949)	(925,493)	935,442	–	(16,131)	(50,442)	66,573	–
Accounts charged off	–	–	(49,305)	(49,305)	–	–	(8,626)	(8,626)
Loan settlement through dacion (Note 33)	–	–	–	–	–	–	(13,656)	(13,656)
Collections and other movements	(5,363,285)	950,839	1,249,385	(3,163,061)	(91,186)	1,226,286	403,470	1,538,570

(Forward)

	Consolidated							
	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Ending Balance	₱11,130,475	₱270,041	₱6,083,868	₱17,484,384	₱15,069,109	₱289,229	₱3,828,316	₱19,186,654
Total Loans and Receivables								
Beginning 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
Newly originated assets which remained in Stage 1 at yearend	275,121,619	–	–	275,121,619	132,353,679	–	–	132,353,679
Newly originated assets which moved to Stages 2 and 3 at yearend	–	13,940,934	7,554,037	21,494,971	–	5,895,447	3,434,267	9,329,714
Transfers to Stage 1	22,358,746	(21,181,902)	(1,176,844)	–	5,460,983	(2,472,968)	(2,988,015)	–
Transfers to Stage 2	(3,604,753)	4,236,635	(631,882)	–	(26,208,547)	54,884,254	(28,675,707)	–
Transfers to Stage 3	(2,330,533)	(7,500,161)	9,830,694	–	(4,026,112)	(5,376,670)	9,402,782	–
Accounts charged off	–	–	(1,418,830)	(1,418,830)	–	–	(2,785,836)	(2,785,836)
Loan settlement through dacion (Note 33)	–	–	–	–	–	–	(5,972,562)	(5,972,562)
Collections and other movements	(222,083,528)	(35,703,555)	(10,172,721)	(267,959,804)	(142,723,142)	(1,211,222)	(3,240,447)	(147,174,811)
Ending Balance	₱576,949,819	₱30,731,432	₱51,601,401	₱659,282,652	₱507,488,268	₱76,939,481	₱47,616,947	₱632,044,696

	Parent Company							
	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Corporate Loans								
Beginning 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
Newly originated assets which remained in Stage 1 at yearend	249,130,331	–	–	249,130,331	115,715,916	–	–	115,715,916
Newly originated assets which moved to Stages 2 and 3 at yearend	–	12,486,650	7,244,151	19,730,801	–	4,616,638	3,170,128	7,786,766
Transfers to Stage 1	20,808,870	(20,808,870)	–	–	2,181,944	(2,177,029)	(4,915)	–
Transfers to Stage 2	(2,438,133)	2,776,640	(338,507)	–	(25,259,322)	53,397,854	(28,138,532)	–
Transfers to Stage 3	(851,326)	(5,941,406)	6,792,732	–	(1,057,002)	(2,473,557)	3,530,559	–
Accounts charged off	–	–	(27,654)	(27,654)	–	–	(48,784)	(48,784)
Loan settlement through dacion and assignment (Note 33)	–	–	(1,404,582)	(1,404,582)	–	–	(5,958,906)	(5,958,906)
Collections and other movements	(195,107,142)	(34,655,099)	(8,245,169)	(238,007,410)	(128,846,725)	(4,626,775)	1,144,160	(132,329,340)
Ending Balance	499,062,930	27,447,702	32,943,593	559,454,225	427,520,330	73,589,787	28,922,622	530,032,739
LGU								
Beginning Balance	2,753,214	35,320	56,658	2,845,192	4,216,332	46,154	57,227	4,319,713
Newly originated assets which remained in Stage 1 at yearend	–	–	–	–	35,962	–	–	35,962
Collections and other movements	(569,928)	(7,181)	(1,758)	(578,867)	(1,499,080)	(10,834)	(569)	(1,510,483)
Ending Balance	2,183,286	28,139	54,900	2,266,325	2,753,214	35,320	56,658	2,845,192
Credit Cards								
Beginning Balance	13,157,391	315,914	909,376	14,382,681	10,468,937	269,413	2,418,595	13,156,945
Newly originated assets which remained in Stage 1 at yearend	1,165,134	–	–	1,165,134	998,216	–	–	998,216
Newly originated assets which moved to Stages 2 and 3 at yearend	–	29,616	18,927	48,543	–	39,134	20,775	59,909
Transfers to Stage 1	69,818	(62,026)	(7,792)	–	71,224	(61,373)	(9,851)	–
Transfers to Stage 2	(325,428)	325,528	(100)	–	(218,986)	219,544	(558)	–
Transfers to Stage 3	(424,262)	(52,755)	477,017	–	(309,359)	(40,798)	350,157	–
Accounts charged off	–	–	(892,571)	(892,571)	–	–	(2,014,455)	(2,014,455)
Collections and other movements	565,900	(115,915)	79,073	529,058	2,147,359	(110,006)	144,713	2,182,066
Ending Balance	14,208,553	440,362	583,930	15,232,845	13,157,391	315,914	909,376	14,382,681
Retail SMEs								
Beginning Balance	3,544,176	317,549	1,078,655	4,940,380	5,193,066	53,425	1,157,488	6,403,979
Newly originated assets which remained in Stage 1 at yearend	3,924,066	–	–	3,924,066	1,238,487	–	–	1,238,487
Newly originated assets which moved to Stages 2 and 3 at yearend	–	112,457	72,686	185,143	–	118,816	34,130	152,946
Transfers to Stage 1	4,227	–	(4,227)	–	18,280	(1,246)	(17,034)	–
Transfers to Stage 2	(21,867)	31,237	(9,370)	–	(11,941)	13,274	(1,333)	–
Transfers to Stage 3	–	(119,106)	119,106	–	(12,020)	(11,609)	23,629	–
Accounts charged off	–	–	(401,774)	(401,774)	–	–	–	–
Collections and other movements	(3,297,349)	(190,664)	202,045	(3,285,968)	(2,881,696)	144,889	(118,225)	(2,855,032)
Ending Balance	4,153,253	151,473	1,057,121	5,361,847	3,544,176	317,549	1,078,655	4,940,380
Housing Loans								
Beginning Balance	18,020,708	640,238	9,002,446	27,663,392	19,118,020	486,743	10,417,506	30,022,269
Newly originated assets which remained in Stage 1 at yearend	3,046,281	–	–	3,046,281	1,898,095	–	–	1,898,095
Newly originated assets which moved to Stages 2 and 3 at yearend	–	14,017	48,035	62,052	–	17,655	50,829	68,484
Transfers to Stage 1	1,234,984	(167,456)	(1,067,528)	–	2,076,403	(156,138)	(1,920,265)	–
Transfers to Stage 2	(160,577)	225,036	(64,459)	–	(417,145)	651,867	(234,722)	–
Transfers to Stage 3	(819,808)	(378,350)	1,198,158	–	(1,196,361)	(238,698)	1,435,059	–
Collections and other movements	(1,967,397)	(84,803)	(1,195,246)	(3,247,446)	(3,458,304)	(121,191)	(745,961)	(4,325,456)
Ending Balance	19,354,191	248,682	7,921,406	27,524,279	18,020,708	640,238	9,002,446	27,663,392

(Forward)

	Parent Company							
	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Auto Loans								
Beginning Balance	**₱5,017,858**	**₱102,192**	**₱1,970,284**	**₱7,090,334**	₱5,868,366	₱162,915	₱2,733,492	₱8,764,773
Newly originated assets which remained in Stage 1 at yearend	**2,513,456**	**–**	**–**	**2,513,456**	1,746,814	–	–	1,746,814
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**4,842**	**4,158**	**9,000**	–	21,772	17,342	39,114
Transfers to Stage 1	**78,374**	**(17,998)**	**(60,376)**	**–**	343,352	(46,882)	(296,470)	–
Transfers to Stage 2	**(15,461)**	**16,928**	**(1,467)**	**–**	(121,463)	144,467	(23,004)	–
Transfers to Stage 3	**(83,541)**	**(33,541)**	**117,082**	**–**	(227,317)	(87,418)	314,735	–
Accounts charged off	**–**	**–**	**(47,526)**	**(47,526)**	–	–	(6,354)	(6,354)
Collections and other movements	**(2,294,326)**	**(49,450)**	**(718,705)**	**(3,062,481)**	(2,591,894)	(92,662)	(769,457)	(3,454,013)
Ending Balance	**5,216,360**	**22,973**	**1,263,450**	**6,502,783**	5,017,858	102,192	1,970,284	7,090,334
Other Loans								
Beginning Balance	**9,039,529**	**1,546,924**	**1,976,100**	**12,562,553**	5,855,851	367,134	1,152,059	7,375,044
Newly originated assets which remained in Stage 1 at yearend	**6,201,837**	**–**	**–**	**6,201,837**	3,478,963	–	–	3,478,963
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**1,244,295**	**39,581**	**1,283,876**	–	969,907	27,777	997,684
Transfers to Stage 1	**38,851**	**(7,370)**	**(31,481)**	**–**	773,086	(43,098)	(729,988)	–
Transfers to Stage 2	**(616,273)**	**833,223**	**(216,950)**	**–**	(12,420)	181,997	(169,577)	–
Transfers to Stage 3	**(141,647)**	**(20,036)**	**161,683**	**–**	(1,057,002)	(2,473,557)	3,530,559	–
Collections and other movements	**(6,422,562)**	**(1,509,558)**	**(278,804)**	**(8,210,924)**	1,051	2,544,541	(1,834,730)	710,862
Ending Balance	**8,099,735**	**2,087,478**	**1,650,129**	**11,837,342**	9,039,529	1,546,924	1,976,100	12,562,553
Other Receivables								
Beginning Balance	**13,979,637**	**279,963**	**3,663,985**	**17,923,585**	13,007,324	515,733	3,291,871	16,814,928
Newly originated assets which remained in Stage 1 at yearend	**1,334,540**	**–**	**–**	**1,334,540**	714,679	–	–	714,679
Newly originated assets which moved to Stages 2 and 3 as at year-end	**–**	**49,057**	**126,499**	**175,556**	–	52,632	35,331	87,963
Transfers to Stage 1	**123,622**	**(118,182)**	**(5,440)**	**–**	14,435	(5,955)	(8,480)	–
Transfers to Stage 2	**(23,562)**	**24,591**	**(1,029)**	**–**	(162,383)	270,582	(108,199)	–
Transfers to Stage 3	**(9,949)**	**(925,493)**	**935,442**	**–**	(16,131)	(50,442)	66,573	–
Accounts charged off	**–**	**–**	**(49,305)**	**(49,305)**	–	–	(8,626)	(8,626)
Loan settlement through dacion (Note 33)	**–**	**–**	**–**	**–**	–	–	(13,656)	(13,656)
Collections and other movements	**(4,954,468)**	**956,421**	**1,160,016**	**(2,838,031)**	421,713	(502,587)	409,171	328,297
Ending Balance	**10,449,820**	**266,357**	**5,830,168**	**16,546,345**	13,979,637	279,963	3,663,985	17,923,585
Total Loans and Receivables								
Beginning 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
Newly originated assets which remained in Stage 1 at yearend	**267,315,645**	**–**	**–**	**267,315,645**	125,827,132	–	–	125,827,132
Newly originated assets which moved to Stages 2 and 3 as at year-end	**–**	**13,940,934**	**7,554,037**	**21,494,971**	–	5,836,554	3,356,312	9,192,866
Transfers to Stage 1	**22,358,746**	**(21,181,902)**	**(1,176,844)**	**–**	5,478,724	(2,491,721)	(2,987,003)	–
Transfers to Stage 2	**(3,601,301)**	**4,233,183**	**(631,882)**	**–**	(26,203,660)	54,879,585	(28,675,925)	–
Transfers to Stage 3	**(2,330,533)**	**(7,470,687)**	**9,801,220**	**–**	(3,875,192)	(5,376,079)	9,251,271	–
Accounts charged off	**–**	**–**	**(1,418,830)**	**(1,418,830)**	–	–	(2,078,219)	(2,078,219)
Loan settlement through dacion and assignment (Note 33)	**–**	**–**	**(1,404,582)**	**(1,404,582)**	–	–	(5,972,562)	(5,972,562)
Effect of collections and other movements	**(214,047,272)**	**(35,656,249)**	**(8,998,548)**	**(258,702,069)**	(136,707,576)	(2,774,625)	(1,770,898)	(141,253,099)
Ending Balance	**₱562,728,128**	**₱30,693,166**	**₱51,304,697**	**₱644,725,991**	₱493,032,843	₱76,827,887	₱47,580,126	₱617,440,856

17. Deposit Liabilities

17.1 Regulatory Reserve Requirements

As of December 31, 2023 and 2022, peso deposit liabilities are subject to reserves equivalent to 9.50% and 12.00%, respectively, while peso-denominated LTNCDs are subject to reserves equivalent to 4.00%.

Available reserves booked under 'Due from BSP' amounted to ₱78.4 billion and ₱74.7 billion as of December 31, 2023 and 2022, respectively (refer to Note 7).

17.2 LTNCDs

LTNCDs issued by the Parent Company consist of:

Issue Date	Maturity Date	Face Value	Coupon Rate	Interest Repayment Terms	Carrying Value 2023	Carrying Value 2022
October 11, 2019	April 11, 2025	₱4,600,000	4.38%	Quarterly	**₱4,591,288**	₱4,584,136
February 27, 2019	August 27, 2024	8,220,000	5.75%	Quarterly	**8,212,255**	8,198,193
October 26, 2017	April 26, 2023	6,350,000	3.88%	Quarterly	**–**	6,347,683
		₱19,170,000			**₱12,803,543**	₱19,130,012

17.3 Interest Expense on Deposit Liabilities

This account consists of:

	Consolidated			Parent Company		
	2023	2022	2021	2023	2022	2021
Savings	**₱6,989,245**	₱1,589,891	₱1,942,687	**₱6,984,663**	₱1,605,241	₱2,014,705
Time	**5,036,686**	2,437,557	1,411,973	**5,010,322**	2,434,206	1,411,974
LTNCDs	**776,034**	1,140,954	1,269,356	**776,034**	1,140,954	1,269,356
Demand	**203,681**	203,265	189,750	**200,798**	202,752	189,750
	₱13,005,646	₱5,371,667	₱4,813,766	**₱12,971,817**	₱5,383,153	₱4,885,785

As of December 31, 2023 and 2022, noninterest-bearing deposit liabilities amounted to ₱27.1 billion and ₱27.8 billion, respectively, for the Group, and ₱27.0 billion and ₱27.7 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		
	2023	2022	2021	2023	2022	2021
Peso-denominated	**0.10% - 7.50%**	0.10% - 6.12%	0.10% - 6.75%	**0.10% - 7.50%**	0.10% - 6.12%	0.10% - 5.00%
Foreign currency-denominated	**0.10% - 6.10%**	0.00% - 5.50%	0.01% - 3.00%	**0.10% - 6.10%**	0.00% - 5.50%	0.01% - 3.00%

In 2023, 2022 and 2021, interest expense on LTNCDs for both the Group and the Parent Company includes amortization of transaction costs amounting to ₱23.5 million, ₱29.6 million and ₱33.4 million, respectively. Unamortized transaction costs of the LTNCDs amounted to ₱16.5 million and ₱40.0 million as of December 31, 2023 and 2022, respectively.

18. Financial Liabilities at Fair Value Through Profit or Loss

As of December 31, 2023 and 2022, this account consists of currency forwards and spots with negative fair values amounting to ₱0.6 billion and ₱1.0 billion, respectively, for the Group and 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	
	2023	2022	**2023**	2022
Bills payable to:				
Foreign banks	**₱10,607,231**	₱6,665,834	**₱10,607,231**	₱6,609,593
BSP and local banks (Note 33)	**395**	1,036,491	**395**	395
	10,607,626	7,702,325	**10,607,626**	6,609,988
Acceptances outstanding (Note 10)	**9,554,977**	7,278,048	**9,554,977**	7,278,047
	₱20,162,603	₱14,980,373	**₱20,162,603**	₱13,888,035

As of December 31, 2023 and 2022, bills payable with a carrying amount of ₱10.1 billion and ₱6.6 billion are secured by a pledge of financial assets at FVOCI with fair values of ₱6.5 billion and ₱2.5 billion, respectively, and investment securities at amortized cost with carrying values and fair values of ₱5.5 billion (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		
	2023	2022	2021	**2023**	2022	2021
Continuing operations:						
Lease liabilities (Note 29)	**₱171,570**	₱171,885	₱112,591	**₱168,285**	₱170,692	₱107,052
Bills payable	**129,031**	229,600	391,404	**118,534**	163,385	315,097
Others	**35,246**	32,488	7,926	**32,769**	29,467	2,931
	335,847	433,973	511,921	**319,588**	363,544	425,080
Discontinued operations (Note 36):						
Lease liabilities	**–**	–	3,528	**–**	–	–
	₱335,847	₱433,973	₱515,449	**₱319,588**	₱363,544	₱425,080

Bills payable of the Group and the Parent Company earn annual fixed interest rates ranging from:

	2023	2022	2021
Peso-denominated	**6.0% - 6.8%**	1.9% - 5.5%	1.0% - 2.0%
Foreign currency-denominated	**0.0% - 5.4%**	0.3% - 4.3%	0.1% - 1.2%

20. Accrued Taxes, Interest and Other Expenses

This account consists of:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Accrued taxes and other expenses	**₱8,037,426**	₱8,131,353	**₱7,660,923**	₱7,523,206
Accrued interest (Note 33)	**2,427,947**	986,040	**2,388,727**	964,494
	₱10,465,373	₱9,117,393	**₱10,049,650**	₱8,487,700

Accrued taxes and other expenses consist of:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Financial liabilities:				
Promotional expenses	**₱1,708,628**	₱1,354,700	**₱1,531,463**	₱1,354,700
Information technology-related expenses	**617,853**	583,844	**617,853**	583,844
Rent and utilities payable	**339,271**	501,319	**332,363**	494,591
Professional fees	**282,993**	262,753	**237,985**	236,466
Repairs and maintenance	**171,579**	160,350	**171,579**	159,976
	3,120,324	2,862,966	**2,891,243**	2,829,577
Nonfinancial liabilities:				
Monetary value of leave credits	**1,846,704**	1,532,890	**1,805,054**	1,490,640
PDIC insurance premiums	**1,055,331**	879,310	**1,039,853**	863,832
Other taxes and licenses	**889,776**	854,359	**878,562**	724,002
Employee benefits	**206,970**	583,136	**177,333**	561,179
Other expenses	**918,321**	1,418,692	**868,878**	1,053,976
	4,917,102	5,268,387	**4,769,680**	4,693,629
	₱8,037,426	₱8,131,353	**₱7,660,923**	₱7,523,206

'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 2023	Carrying Value 2022
June 27, 2019	September 27, 2024	USD750,000	3.28%	Semi-annually	**₱41,490,871**	₱41,722,415
April 26, 2018	April 27, 2023	300,000	4.25%	Semi-annually	**–**	16,716,682
		USD1,050,000			**₱41,490,871**	₱58,439,097

The Parent Company's issued bonds are fixed-rate medium-term senior notes, which are drawdowns from its Medium Term Note Programme (the MTN Programme) 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 issuances are listed in the Singapore Exchange Securities Trading Limited.

As of December 31, 2023 and 2022, the unamortized transaction costs of bonds payable amounted to ₱26.3 million and ₱92.8 million, respectively. In 2023 and 2022, amortization of transaction costs amounting to ₱66.5 million and ₱75.9 million, were charged to 'Interest expense on bonds payable' in the statements of income.

22. Other Liabilities

This account consists of:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Financial				
Accounts payable	**₱2,988,517**	₱5,036,170	**₱2,661,756**	₱4,564,107
Bills purchased - contra (Note 10)	**1,362,515**	877,767	**1,362,515**	877,767
Manager's checks and demand drafts outstanding	**1,296,191**	1,548,448	**1,296,191**	1,548,448
Dormant credits	**1,280,886**	1,591,380	**1,215,351**	1,553,892
Due to other banks (Note 33)	**744,625**	276,770	**509,915**	82,132
Margin deposits and cash letters of credit	**686,130**	224,033	**673,639**	211,196
Accounts payable - electronic money	**628,449**	315,290	**628,449**	315,290
Payment order payable	**221,340**	220,949	**221,340**	220,949
Deposits on lease contracts	**76,028**	75,129	**76,028**	30,364
Transmission liability	**49,101**	40,280	**–**	–
Deposit for keys on safety deposit boxes	**15,919**	16,167	**15,919**	16,167
	9,349,701	10,222,383	**8,661,103**	9,420,312
Nonfinancial				
Due to Treasurer of the Philippines	**1,444,009**	891,709	**1,444,009**	891,709
Provisions (Notes 12 and 34)	**1,068,215**	1,107,015	**992,950**	1,367,067
Deferred revenue - Credit card-related	**672,373**	646,361	**672,373**	646,361
Deferred revenue - Bancassurance (Note 12)	**427,274**	500,474	**427,274**	500,474
Withholding tax payable	**374,139**	310,530	**370,340**	309,363
Retirement benefit liability (Note 28)	**281,585**	384,838	**269,390**	382,449
Deferred tax liabilities (Note 30)	**166,091**	165,721	**–**	–
SSS, Philhealth, Employer's compensation premiums and Pag-IBIG contributions payable	**54,638**	48,081	**54,617**	47,797
Miscellaneous	**903,897**	1,550,528	**661,807**	528,273
	5,392,221	5,605,257	**4,892,760**	4,673,493
	₱14,741,922	₱15,827,640	**₱13,553,863**	₱14,093,805

'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 2023 and 2022, 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, 2023 and 2022 and are not indicative of either market risk or credit risk (amounts in thousands, except average forward rate).

	Consolidated 2023			
	Assets	**Liabilities**	**Average Forward Rate***	**Notional Amount***
Currency forwards and spots:				
BUY:				
JPY	**₱90,263**	**₱190,651**	**USD0.01**	**17,322,000**
USD	**40,763**	**351,871**	**1.00**	**1,344,799**
SGD	**456**	**–**	**0.76**	**11**
SELL:				
USD	**615,180**	**7,147**	**1.00**	**1,661,278**
HKD	**2,493**	**1**	**0.13**	**345,477**
GBP	**44**	**395**	**1.27**	**1,970**
SGD	**–**	**2,840**	**0.76**	**863**
EUR	**–**	**2,006**	**1.11**	**3,300**
CAD	**–**	**405**	**0.76**	**800**
PHP	**–**	**300**	**0.02**	**830,850**
NZD	**–**	**195**	**0.63**	**400**
	₱749,199	**₱555,811**		

**The notional amounts pertain to original currencies.*

	Consolidated 2022			
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
Currency forwards and spots:				
BUY:				
USD	₱749,512	₱760,764	USD1.00	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	1.00	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	0.02	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 pertain to original currencies.*

	Parent Company 2023			
	Assets	**Liabilities**	**Average Forward Rate***	**Notional Amount***
Currency forwards and spots:				
BUY:				
USD	**₱38,270**	**₱351,871**	**USD1.00**	**1,300,926**
JPY	**90,263**	**190,651**	**0.01**	**17,322,000**
SGD	**456**	**–**	**0.76**	**11**
SELL:				
USD	**615,180**	**7,147**	**0.02**	**1,661,278**
SGD	**–**	**2,840**	**0.76**	**863**
EUR	**–**	**2,006**	**1.11**	**3,300**
CAD	**–**	**405**	**0.76**	**800**
GBP	**44**	**395**	**1.27**	**1,970**
PHP	**–**	**300**	**0.02**	**830,850**
NZD	**–**	**195**	**0.63**	**400**
HKD	**–**	**1**	**0.13**	**2,700**
	₱744,213	**₱555,811**		

**The notional amounts pertain to original currencies.*

	Parent Company 2022			
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
Currency forwards and spots:				
BUY:				
USD	₱748,234	₱760,764	USD1.00	1,225,921
SGD	303	–	0.74	7
EUR	–	57,543	1.06	67,540
SELL:				
USD	603,979	65	1.00	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	0.02	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 pertain to original currencies.*

The rollforward analysis of net derivative assets in 2023 and 2022 follows:

	Consolidated		**Parent Company**	
	2023	2022	**2023**	2022
Balance at the beginning of the 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
Changes in fair value				
Currency forwards and spots*	**(135,968)**	(147,028)	**(136,672)**	(147,028)
Interest rate swaps and warrants**	**609**	–	**609**	–
	(135,359)	(147,028)	**(136,063)**	(147,028)
Net availments (settlements)	**6,573**	(4,317)	**4,413**	(3,615)
Balance at end of year:				
Derivative assets	**749,198**	1,361,951	**744,213**	1,359,828
Derivative liabilities	**555,811**	1,039,776	**555,811**	1,039,776
	₱193,387	₱322,175	**₱188,402**	₱320,052

* *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					
	2023			2022		
	Less than Twelve Months	**Over Twelve Months**	**Total**	Less than Twelve Months	Over Twelve Months	Total
Financial Assets						
Cash and other cash items	**₱21,151,391**	**₱–**	**₱21,151,391**	₱22,217,915	₱–	₱22,217,915
Due from BSP	**95,410,350**	**–**	**95,410,350**	94,701,360	–	94,701,360
Due from other banks	**21,253,754**	**–**	**21,253,754**	26,020,081	–	26,020,081
Interbank loans receivable (Note 8)	**35,642,485**	**–**	**35,642,485**	16,291,470	–	16,291,470
Securities held under agreements to resell (Note 8)	**69,708,690**	**–**	**69,708,690**	64,526,051	–	64,526,051
Financial assets at FVTPL (Note 9)	**10,516,864**	**–**	**10,516,864**	7,347,201	–	7,347,201
Financial assets at FVOCI (Note 9)	**112,174,065**	**52,357,427**	**164,531,492**	86,697,820	71,485,705	158,183,525
Investment securities at amortized cost (Note 9)	**21,997,197**	**101,359,065**	**123,356,262**	35,359,598	78,956,212	114,315,810
Loans and receivables (Note 10)	**311,983,380**	**347,975,013**	**659,958,393**	225,461,251	407,109,088	632,570,339
Other assets (Note 15)	**383,478**	**18,779**	**402,257**	51,331	19,000	70,331
	700,221,654	**501,710,284**	**1,201,931,938**	578,674,078	557,570,005	1,136,244,083
Nonfinancial Assets						
Property and equipment (Note 11)	**–**	**25,026,058**	**25,026,058**	–	25,882,025	25,882,025
Investment in an associate (Note 12)	**–**	**3,199,124**	**3,199,124**	–	2,688,764	2,688,764
Investment properties (Note 13)	**–**	**18,727,971**	**18,727,971**	–	17,808,697	17,808,697
Deferred tax assets (Note 30)	**–**	**6,981,726**	**6,981,726**	–	6,616,902	6,616,902
Goodwill (Note 14)	**–**	**10,184,843**	**10,184,843**	–	11,221,410	11,221,410
Intangible assets (Note 14)	**–**	**8,329,479**	**8,329,479**	–	7,770,695	7,770,695
Residual value of leased assets (Note 10)	**5,658**	**–**	**5,658**	107,634	122,772	230,406
Other assets (Note 15)	**4,517,656**	**1,570,008**	**6,087,664**	2,945,525	2,181,506	5,127,031
	4,523,314	**74,019,209**	**78,542,523**	3,053,159	74,292,771	77,345,930
Less: Allowance for impairment and credit losses (Note 16)			**47,247,648**			47,192,482
Unearned and other deferred income (Note 10)			**681,399**			756,049
Accumulated depreciation and amortization (Notes 11, 13 and 14)			**21,996,014**			20,484,406
			₱1,210,549,400			₱1,145,157,076
Financial Liabilities						
Deposit liabilities (Note 17)	**₱917,137,058**	**₱10,833,860**	**₱927,970,918**	₱850,430,921	₱20,796,800	₱871,227,721
Financial liabilities at FVTPL (Note 18)	**555,811**	**–**	**555,811**	1,039,776	–	1,039,776
Bills and acceptances payable (Note 19)	**19,047,156**	**1,115,447**	**20,162,603**	11,867,176	3,113,197	14,980,373
Accrued interest payable (Note 20)	**2,426,973**	**974**	**2,427,947**	980,446	5,594	986,040
Accrued other expenses payable (Note 20)	**3,120,324**	**–**	**3,120,324**	2,384,652	478,314	2,862,966
Bonds payable (Note 21)	**41,490,871**	**–**	**41,490,871**	16,716,682	41,722,415	58,439,097
Other liabilities (Note 22)	**8,134,350**	**1,215,351**	**9,349,701**	8,437,866	1,784,517	10,222,383
	991,912,543	**13,165,632**	**1,005,078,175**	891,857,519	67,900,837	959,758,356
Nonfinancial Liabilities						
Lease liabilities (Note 29)	**815,279**	**3,017,605**	**3,832,884**	709,214	2,927,177	3,636,391
Accrued taxes and other expenses (Note 20)	**3,529,374**	**1,387,728**	**4,917,102**	3,069,330	2,199,057	5,268,387
Income tax payable	**180,364**	**–**	**180,364**	983,051	–	983,051
Other liabilities (Note 22)	**2,188,421**	**3,203,800**	**5,392,221**	2,727,209	2,878,048	5,605,257
	6,713,438	**7,609,133**	**14,322,571**	7,488,804	8,004,282	15,493,086
	₱998,625,981	**₱20,774,765**	**₱1,019,400,746**	₱899,346,323	₱75,905,119	₱975,251,442

	Parent Company					
	2023			2022		
	Less than Twelve Months	**Over Twelve Months**	**Total**	Less than Twelve Months	Over Twelve Months	Total
Financial Assets						
Cash and other cash items	**₱21,052,526**	**₱–**	**₱21,052,526**	₱22,103,095	₱–	₱22,103,095
Due from BSP	**95,410,350**	**–**	**95,410,350**	94,701,360	–	94,701,360
Due from other banks	**13,636,497**	**–**	**13,636,497**	17,609,247	–	17,609,247
Interbank loans receivable (Note 8)	**33,445,364**	**–**	**33,445,364**	14,736,112	–	14,736,112
Securities held under agreements to resell (Note 8)	**69,708,690**	**–**	**69,708,690**	64,526,051	–	64,526,051
Financial assets at FVTPL (Note 9)	**10,363,259**	**–**	**10,363,259**	7,195,685	–	7,195,685
Financial assets at FVOCI (Note 9)	**112,186,240**	**51,950,731**	**164,136,971**	86,716,076	70,489,831	157,205,907
Investment securities at amortized cost (Note 9)	**21,859,529**	**101,026,771**	**122,886,300**	35,359,598	78,816,930	114,176,528
Loans and receivables (Note 10)	**301,689,657**	**343,699,637**	**645,389,294**	214,331,618	403,721,820	618,053,438
Other assets (Note 15)	**382,847**	**500**	**383,347**	49,981	1,479	51,460
	679,734,959	**496,677,639**	**1,176,412,598**	557,328,823	553,030,060	1,110,358,883
Nonfinancial Assets						
Property and equipment (Note 11)	**–**	**23,505,599**	**23,505,599**	–	23,667,261	23,667,261
Investment in subsidiaries and an associate (Note 12)	**–**	**20,567,070**	**20,567,070**	–	20,384,104	20,384,104
Investment properties (Note 13)	**–**	**18,061,869**	**18,061,869**	–	17,104,160	17,104,160
Deferred tax assets (Note 30)	**–**	**6,929,669**	**6,929,669**	–	6,574,190	6,574,190
Goodwill (Note 14)	**–**	**10,325,201**	**10,325,201**	–	11,361,768	11,361,768
Intangible assets (Note 14)	**–**	**8,836,155**	**8,836,155**	–	8,712,778	8,712,778
Other assets (Note 15)	**3,839,071**	**1,565,837**	**5,404,908**	2,328,923	2,043,660	4,372,583
	3,839,071	**89,791,400**	**93,630,471**	2,328,923	89,847,921	92,176,844
Less: Allowance for impairment and credit losses (Note 16)			**47,218,194**			47,652,020
Unearned and other deferred income (Note 10)			**663,302**			612,582
Accumulated amortization and depreciation (Notes 11, 13 and 14)			**21,787,417**			20,526,875
			₱1,200,374,156			₱1,133,744,250
Financial Liabilities						
Deposit liabilities (Note 17)	**₱912,423,822**	**₱10,358,261**	**₱922,782,083**	₱846,551,824	₱20,078,556	₱866,630,380
Financial liabilities at FVTPL (Note 18)	**555,811**	**–**	**555,811**	1,039,776	–	1,039,776
Bills and acceptances payable (Note 19)	**19,047,156**	**1,115,447**	**20,162,603**	10,818,915	3,069,120	13,888,035
Accrued interest payable (Note 20)	**2,388,727**	**–**	**2,388,727**	964,494	–	964,494
Accrued other expenses payable (Note 20)	**2,891,243**	**–**	**2,891,243**	2,351,263	478,314	2,829,577
Bonds payable (Note 21)	**41,490,871**	**–**	**41,490,871**	16,716,682	41,722,415	58,439,097
Other liabilities (Note 22)	**7,445,752**	**1,215,351**	**8,661,103**	7,666,525	1,753,787	9,420,312
	986,243,382	**12,689,059**	**998,932,441**	886,109,479	67,102,192	953,211,671
Nonfinancial Liabilities						
Lease liabilities (Note 29)	**770,705**	**2,952,611**	**3,723,316**	676,900	2,927,177	3,604,077
Accrued taxes and other expenses (Note 20)	**3,381,952**	**1,387,728**	**4,769,680**	2,507,506	2,186,123	4,693,629
Income tax payable	**103,470**	**–**	**103,470**	916,235	–	916,235
Other liabilities (Note 22)	**1,759,137**	**3,133,623**	**4,892,760**	1,531,794	3,141,699	4,673,493
	6,015,264	**7,473,962**	**13,489,226**	5,632,435	8,254,999	13,887,434
	₱992,258,646	**₱20,163,021**	**₱1,012,421,667**	₱891,741,914	₱75,357,191	₱967,099,105

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. Further, in July 2014, the SEC approved the Parent Company's Articles of Incorporation for the increase in authorized capital by 500,000,000 common shares to 1,750,000,001.

The Parent Company's shares are listed in the PSE. As of December 31, 2023 and 2022, the Parent Company had 36,081 and 36,192 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, 2023 and 2022, 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 (refer to Note 12), 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:

	2023	2022
Reserves under BSP Circular 1011 (Note 10)	**₱3,912,672**	₱4,218,928
Reserves for trust business (Note 32)	**660,258**	630,314
Reserves for self-insurance	**105,000**	80,000
	₱4,677,930	₱4,929,242

'Reserves under BSP Circular 1011' represents the appropriation for the excess of 1% 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 was April 27, 2017 when the fair value of the centennial bonus shares was at ₱65.20. In 2021, the Parent Company awarded 306 thousand centennial bonus shares and applied the settlement of the awards against 'Other equity reserves' amounting to ₱29.0 million.

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.

As of December 31, 2023 and 2022, CAR reported to the BSP with certain adjustments is shown in the table below (amounts, except ratios, are expressed in millions):

	2023		2022	
Consolidated	**Actual**	**Required**	Actual	Required
CET1 Capital (Gross)	**₱182,490**		₱158,834	
Less: Regulatory Adjustments to CET1	**47,253**		48,221	
CET1 Capital (Net) / Tier 1 Capital	**135,237**		110,613	
Add: Tier 2 Capital	**6,822**		6,109	
Total qualifying capital	**₱142,059**	**₱80,251**	₱116,722	₱75,873
Total risk-weighted assets	**₱802,506**		₱758,730	
CET1 / Tier 1 capital ratio	**16.85%**		14.58%	
Total capital ratio	**17.70%**		15.38%	

	2023		2022	
Parent Company	**Actual**	**Required**	Actual	Required
CET1 Capital (Gross)	**₱178,004**		₱154,537	
Less: Regulatory Adjustments to CET1	**64,326**		61,587	
CET1 Capital (Net) / Tier 1 Capital	**113,678**		92,950	
Add: Tier 2 Capital	**6,602**		5,878	
Total qualifying capital	**₱120,280**	**₱77,514**	₱98,828	₱73,356
Total risk-weighted assets	**₱775,138**		₱733,556	
CET1 / Tier 1 capital ratio	**14.67%**		12.67%	
Total capital ratio	**15.52%**		13.47%	

BSP regulations set out a minimum CET1 ratio of 6.0% and Tier 1 capital ratio of 7.5%; capital conservation buffer of 2.5% comprised of CET1 capital; and total CAR of 10.0%.

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, 2023 and 2022, BLR reported to the BSP with certain adjustments is shown in the table below (amounts, except ratios, are expressed in millions):

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Tier 1 capital	**₱135,237**	₱110,613	**₱113,678**	₱92,950
Total exposure measure	**1,242,728**	1,176,190	**1,213,940**	1,150,463
BLR	**10.88%**	9.40%	**9.36%**	8.08%

BLR is computed based on RAP.

26. Other Operating Income

26.1 Service Fees and Commission Income

This account consists of:

	Consolidated			Parent Company		
	2023	2022	2021	**2023**	2022	2021
Continuing operations:						
Deposit-related	**₱1,773,546**	₱1,585,441	₱1,326,692	**₱1,773,546**	₱1,585,441	₱1,326,692
Loan-related	**1,098,218**	1,122,258	1,432,909	**1,086,777**	1,114,379	1,425,149
Credit card-related	**816,028**	669,862	697,962	**816,028**	669,862	697,962
Remittance (Note 33)	**674,873**	680,875	652,262	**353,722**	357,161	351,392
Interchange fees	**647,084**	458,456	383,271	**647,084**	458,456	383,271
Bancassurance (Note 22)	**476,056**	873,039	495,512	**476,056**	873,039	495,512
Underwriting fees	**433,172**	1,032,640	511,032	–	–	–
Trust fees (Note 32)	**373,721**	317,782	319,422	**373,721**	317,782	319,422
Miscellaneous	**298,558**	257,256	521,264	**227,949**	187,249	311,329
	6,591,256	6,997,609	6,340,326	**5,754,883**	5,563,369	5,310,729
Discontinued operations:						
Miscellaneous (Note 36)	–	–	110	–	–	–
	₱6,591,256	₱6,997,609	₱6,340,436	**₱5,754,883**	₱5,563,369	₱5,310,729

'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		
	2023	2022	2021	**2023**	2022	2021
Net gains from sale of investment properties	**₱3,048,616**	₱5,703,909	₱15,192	**₱3,048,387**	₱5,701,642	₱8,268
Net gains (losses) from sale of property and equipment (Note 11)	**712,514**	34,913	8,399	**793,070**	32,027	(789)
Net gains from sale of other assets	**313,864**	241,807	52,206	**313,864**	241,807	60,880
Net gains from foreclosure and repossession of investment properties	**238,112**	1,751,739	138,697	**238,112**	1,751,739	138,697
Net gains from sale of receivables	**228,461**	42,786	766,968	**228,461**	42,786	766,968
	₱4,541,567	₱7,775,154	₱981,462	**₱4,621,894**	₱7,770,001	₱974,024

27. Miscellaneous Income and Expenses

27.1 Miscellaneous Income

This account consists of:

	Consolidated			Parent Company		
	2023	2022	2021	**2023**	2022	2021
Continuing operations:						
Rental income (Notes 29 and 33)	**₱257,758**	₱275,865	₱513,904	**₱133,392**	₱47,345	₱211,775
Recoveries	**215,834**	303,435	85,164	**215,178**	221,253	84,463
Income from assets acquired	**74,074**	95,736	183,173	**74,074**	95,736	183,173
Dividends	**50,833**	51,211	63,608	**11,189**	11,139	23,584
Others	**272,895**	410,445	224,198	**191,074**	345,960	256,831
	871,394	1,136,692	1,070,047	**624,907**	721,433	759,826
Discontinued operations (Note 36):						
Rental income	–	–	375,556	–	–	–
Others	–	–	111,401	–	–	–
	–	–	486,957	–	–	–
	₱871,394	₱1,136,692	₱1,557,004	**₱624,907**	₱721,433	₱759,826

'Others' consist of income from wire transfers, tellers' overages, and loan-related penalty payments received by the Group, and other income relating to loans, credit card and trade transactions.

27.2 Miscellaneous Expenses

This account consists of:

	Consolidated			Parent Company		
	2023	2022	2021	**2023**	2022	2021
Continuing operations:						
Insurance	**₱2,000,871**	₱1,778,214	₱1,997,478	**₱1,985,502**	₱1,763,300	₱1,983,103
Secretarial, janitorial and messengerial	**1,939,219**	1,790,422	1,682,794	**1,929,196**	1,779,543	1,669,906
Information technology	**1,001,111**	1,193,975	1,304,930	**968,654**	1,165,865	1,283,294
Marketing expenses	**794,060**	1,070,147	719,070	**787,800**	1,063,239	713,832
Litigation and assets acquired expenses (Note 13)	**662,610**	373,740	395,386	**661,214**	373,549	394,534
Travelling	**331,658**	339,868	284,484	**325,628**	333,898	280,090
Management and other professional fees	**274,788**	279,363	294,090	**225,202**	220,880	245,853

(Forward)

	Consolidated			Parent Company		
	2023	2022	2021	**2023**	2022	2021
Common use service area (CUSA) charges (Note 33)	**₱220,143**	₱188,770	₱–	**₱220,143**	₱188,770	₱–
Stationery and supplies	**217,194**	269,669	269,813	**208,160**	260,333	261,679
Value-added tax on leases	**187,479**	141,988	88,116	**187,479**	141,988	88,116
Postage, telephone and cable	**153,964**	156,800	151,560	**124,527**	127,895	124,270
Repairs and maintenance	**49,585**	79,303	70,375	**49,585**	79,303	70,375
Freight	**45,676**	41,599	42,418	**45,666**	41,547	42,320
Entertainment, amusement and recreation (EAR) (Note 30)	**30,031**	154,987	189,098	**16,778**	145,423	181,251
Fuel and lubricants	**14,620**	16,301	14,172	**11,232**	13,751	11,477
Others (Note 33)	**295,162**	176,796	698,971	**202,181**	111,146	624,455
	8,218,171	8,051,942	8,202,755	**7,948,947**	7,810,430	7,974,555
Discontinued operations:						
Management and other professional fees (Note 33)	**–**	–	109,776	**–**	–	–
Insurance	**–**	–	10,363	**–**	–	–
Information technology	**–**	–	2,906	**–**	–	–
Marketing expenses	**–**	–	2,236	**–**	–	–
Secretarial, janitorial and messengerial	**–**	–	1,620	**–**	–	–
Postage, telephone and cable	**–**	–	751	**–**	–	–
Travelling	**–**	–	508	**–**	–	–
Stationery and supplies	**–**	–	449	**–**	–	–
Fuel and lubricants	**–**	–	411	**–**	–	–
EAR	**–**	–	142	**–**	–	–
Others	**–**	–	2,832	**–**	–	–
	–	–	131,994	**–**	–	–
	₱8,218,171	₱8,051,942	₱8,334,749	**₱7,948,947**	₱7,810,430	₱7,974,555

'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	
	2023	2022	**2023**	2022
Retirement benefit liability (included in 'Other liabilities') (Note 22)	**₱281,585**	₱384,838	**₱269,390**	₱382,449
Net plan assets (included in 'Other assets - miscellaneous') (Note 15)	**17,283**	5,988	**–**	–
	₱264,302	₱378,850	**₱269,390**	₱382,449

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 latest actuarial valuations for these retirement plans were made as of December 31, 2023.

The following table shows the actuarial assumptions as of December 31, 2023 and 2022 used in determining the retirement benefit obligation of the Group:

	Consolidated		Parent Company			
			Regular Plans		EIP	
	2023	2022	**2023**	2022	**2023**	2022
Discount rate	**6.03% - 7.15%**	6.92% - 7.15%	**6.03%**	6.92%	**6.03%**	6.93%
Salary rate increase	**5.00% - 10.00%**	6.00% - 10.00%	**5.00%**	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 changes in the present value obligation and fair value of plan assets are as follows:

Consolidated 2023

	January 1, 2023	Net benefit costs *: Current service cost	Past service cost	Net interest	Settlement loss	Subtotal	Benefits paid	Remeasurements in other comprehensive income: 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, 2023
Present value of pension obligation	₱8,262,548	₱518,273	₱–	₱569,815	₱508	₱1,088,596	(₱909,969)	₱–	₱313,674	(₱21,975)	₱376,350	₱–	₱8,817,525
Fair value of plan assets	7,883,698	–	–	545,884	–	545,884	(909,969)	(123,225)	–	–	(123,225)	1,156,835	8,553,223
	₱378,850	₱518,273	₱–	₱23,931	₱508	₱542,712	₱–	₱123,225	₱313,674	(₱21,975)	₱499,575	(₱1,156,835)	₱264,302

Net benefit costs are included in 'Compensation and fringe benefits' in the statements of income

Consolidated 2022

	January 1, 2022	Net benefit costs *: Current service cost	Past service cost	Net interest	Settlement loss	Subtotal	Benefits paid	Remeasurements in other comprehensive income: 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	₱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

In 2023, as part of the winding down of PMLFC, it has settled its obligations to all plan members under its defined benefit retirement plan, recognizing settlement loss amounting to ₱0.5 million.

Parent Company 2023

	January 1, 2023	Net benefit costs *: Current service cost	Past service cost	Net interest	Subtotal	Benefits paid	Remeasurements in other comprehensive income: 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, 2023
Present value of pension obligation	₱8,205,717	₱508,794	₱–	₱566,258	₱1,075,052	(₱899,272)	₱–	₱407,223	(₱22,524)	₱384,699	₱–	₱8,766,198
Fair value of plan assets	7,823,268	–	–	542,152	542,152	(899,272)	(120,898)	–	–	(120,898)	1,151,558	8,496,808
	₱382,449	₱508,794	₱–	₱24,106	₱532,900	₱–	₱120,898	₱407,223	(₱22,524)	₱505,597	(₱1,151,558)	₱269,390

Net benefit costs are included in 'Compensation and fringe benefits' in the statements of income

Parent Company 2022

	January 1, 2022	Net benefit costs *: Current service cost	Past service cost	Net interest	Subtotal	Benefits paid	Remeasurements in other comprehensive income: 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

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 Group and the Parent Company expect to contribute ₱610.0 million and ₱594.8 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, 2023 is 14 years.

Shown below is the maturity analysis of the undiscounted benefit payments:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Less than one year	**₱2,006,787**	₱1,715,711	**₱2,006,149**	₱1,715,118
More than one year to five years	**5,561,003**	5,337,983	**5,536,660**	5,313,181
More than five years to 10 years	**4,216,312**	4,452,313	**4,181,267**	4,399,376
More than 10 years to 15 years	**3,796,315**	3,946,295	**3,776,079**	3,867,711
More than 15 years	**7,756,720**	9,333,106	**7,387,120**	8,884,949

The fair values of plan assets by each class as at the end of the reporting periods are as follows:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Cash and cash equivalents (Note 33)	**₱2,704,983**	₱3,897,238	**₱2,692,996**	₱3,887,225
Equity investments				
Electricity, gas and water	**1,023,715**	225,683	**1,023,715**	224,668
Manufacturing	**549,340**	133,468	**549,340**	133,468
Real estate, renting and business activities	**377,728**	210,570	**376,478**	207,323
Financial institutions (Note 33)	**157,649**	161,806	**152,059**	156,169
Others	**50,946**	58,668	**42,631**	49,170
Debt investment				
Government securities	**2,296,273**	1,796,154	**2,283,209**	1,787,280
Private debt securities	**218,317**	626,677	**212,419**	618,124
Investment in UITFs (Note 33)	**566,714**	565,266	**556,626**	555,186
Loans and receivables	**561,330**	160,380	**561,330**	160,380
Interest and other receivables	**48,797**	50,782	**48,493**	47,121
	8,555,792	7,886,692	**8,499,296**	7,826,114
Accrued expenses	**(2,569)**	(2,994)	**(2,488)**	(2,846)
	₱8,553,223	₱7,883,698	**₱8,496,808**	₱7,823,268

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, 2023 and 2022 for the Group includes investments in the Parent Company shares of stock with fair value amounting to ₱152.1 million and ₱156.2 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:

	2023			
	Consolidated		**Parent Company**	
	Possible fluctuations	**Increase (decrease)**	**Possible fluctuations**	**Increase (decrease)**
Discount rate	**+1.00%**	**(₱476,282)**	**+1.00%**	**(₱470,919)**
	-1.00%	**531,114**	**-1.00%**	**524,667**
Salary increase rate	**+1.00%**	**491,712**	**+1.00%**	**485,411**
	-1.00%	**(460,915)**	**-1.00%**	**(455,512)**
Employee turnover rate	**+10.00%**	**61,646**	**+10.00%**	**61,050**
	-10.00%	**(61,646)**	**-10.00%**	**(61,050)**

	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)

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's right-of-use assets pertain to its branch sites and 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 ₱264.1 million, ₱270.2 million and ₱251.5 million in 2023, 2022 and 2021, respectively, for the Group, of which ₱187.0 million, ₱201.6 million and ₱223.2 million in 2023, 2022, and 2021, respectively, pertain to the Parent Company. Rent expenses in 2023, 2022 and 2021 pertain to expenses from short-term leases and leases of low-value assets.

As of December 31, 2023 and 2022, the Group has no contingent rent payable.

As of December 31, 2023 and 2022, the carrying amounts of 'Lease liabilities' are as follows:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Balance at beginning of year	**₱3,636,391**	₱3,765,391	**₱3,604,077**	₱3,698,410
Additions	**1,340,509**	799,014	**1,185,129**	789,687
Payments	**(1,314,516)**	(1,113,225)	**(1,232,928)**	(1,068,038)
Interest expense (Note 19)	**171,570**	171,885	**168,285**	170,692
Transfers	**(1,070)**	13,326	**(1,247)**	13,326
	₱3,832,884	₱3,636,391	**₱3,723,316**	₱3,604,077

The Parent Company has lease contracts with its affiliates (Note 33).

Future minimum rentals payable under non-cancelable leases follow:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Within one year	**₱1,072,255**	₱1,010,202	**₱987,562**	₱925,509
Beyond one year but not more than five years	**3,171,247**	3,172,151	**3,057,198**	3,058,101
More than five years	**388,583**	801,283	**292,988**	705,688
	₱4,632,085	₱4,983,636	**₱4,337,748**	₱4,689,298

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 2023, 2022 and 2021, total rent income (included under 'Miscellaneous income') amounted to ₱257.8 million, ₱275.9 million and ₱513.9 million, respectively, for the Group and ₱133.4 million, ₱47.3 million and ₱211.8 million, respectively, for the Parent Company (refer to Note 27.1).

Future minimum rentals receivable of the Group under non-cancelable operating leases follow:

	2023	2022
Within one year	**₱246,175**	₱42,163
Beyond one year but not more than five years	**77,745**	460,051
	₱323,920	₱502,214

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 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 2021 and 2020, 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, respectively.

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 ₱30.0 million in 2023, ₱155.0 million in 2022, and ₱189.1 million in 2021 for the Group, and ₱16.8 million in 2023, ₱145.4 million in 2022, and ₱181.3 million in 2021 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 Income Tax

This account consists of:

	Consolidated			Parent Company		
	2023	2022	2021	**2023**	2022	2021
Continuing operations:						
Current						
Regular	**₱1,404,428**	₱3,463,008	₱1,549,711	**₱1,327,057**	₱3,238,970	₱1,316,245
Final	**2,914,558**	1,807,104	1,411,669	**2,877,681**	1,784,869	1,372,443
	4,318,986	5,270,112	2,961,380	**4,204,738**	5,023,839	2,688,688
Deferred	**(311,611)**	(338,884)	2,583,814	**(356,770)**	(339,814)	2,323,873
	4,007,375	4,931,228	5,545,194	**3,847,968**	4,684,025	5,012,561
Discontinued operations (Note 36):						
Current						
Regular	–	–	177,048	–	–	–
Final	–	–	15,813	–	–	–
	–	–	192,861	–	–	–
Deferred	–	–	(84,259)	–	–	–
	–	–	108,602	–	–	–
	₱4,007,375	₱4,931,228	₱5,653,796	**₱3,847,968**	₱4,684,025	₱5,012,561

30.3 Deferred Taxes

The amounts of net deferred tax assets in the statements of financial position follow:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Deferred tax assets	**₱6,981,726**	₱6,616,902	**₱6,929,669**	₱6,574,190
Deferred tax liabilities (Note 22)	**166,091**	165,721	**–**	–
	₱6,815,635	₱6,451,181	**₱6,929,669**	₱6,574,190

The components of net deferred tax assets reported in the statements of financial position follow:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Deferred tax assets on:				
Allowance for impairment, credit and other losses	**₱9,281,393**	₱9,055,746	**₱9,331,283**	₱9,070,709
Accumulated depreciation on properties	**512,469**	520,544	**512,469**	520,544
Accrued expenses	**493,210**	372,660	**451,264**	372,660
Deferred revenues	**185,317**	162,342	**185,317**	162,342
Retirement liability	**50,428**	50,617	**–**	–
Others	**10,202**	8,476	**–**	–
	10,533,019	10,170,385	**10,480,333**	10,126,255
Deferred tax liabilities on:				
Revaluation increment on land and buildings [1/]	**1,516,383**	1,536,217	**1,516,383**	1,536,217
Fair value adjustments on asset foreclosures and dacion transactions	**1,590,559**	1,414,221	**1,442,221**	1,265,883
Unrealized foreign exchange gains	**186,371**	339,957	**186,339**	339,957
Gain on remeasurement of previously held interest	**246,651**	246,651	**246,651**	246,651
Fair value adjustments due to business combination	**155,541**	161,634	**155,541**	161,634
Unrealized gains on financial assets at FVTPL and FVOCI	**3,571**	1,882	**3,529**	1,723
Others	**18,308**	18,642	**–**	–
	3,717,384	3,719,204	**3,550,664**	3,552,065
	₱6,815,635	₱6,451,181	**₱6,929,669**	₱6,574,190

[1/] *Balance includes deferred tax liability amounting to ₱614 million acquired from business combination*

As of December 31, 2023 and 2022, 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.

Deferred tax benefit (provision) credited (charged) directly to OCI pertaining to net unrealized losses (gains) on financial assets at FVOCI amounted to ₱0.2 million for the Group and the Parent Company in 2023, and (₱32.7 million) for the Group and the Parent Company in 2022.

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	
	2023	2022	**2023**	2022
Allowance for impairment and credit losses	**₱8,262,820**	₱8,615,344	**₱8,262,820**	₱8,615,344
Unamortized past service cost	**1,576,711**	2,140,071	**1,576,711**	2,140,071
Derivative liabilities	**555,811**	1,037,348	**555,811**	1,037,348
Unrealized losses on financial assets	**147,661**	870,774	**147,661**	870,774
Unrealized foreign exchange loss	**95,747**	627,501	**95,747**	627,501
Retirement liability	**269,391**	382,449	**269,391**	382,449
Lease liability	**402,146**	284,486	**399,340**	284,162
NOLCO	**959,254**	140,800	**–**	–
	₱12,269,541	₱14,098,773	**₱11,307,481**	₱13,957,649

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
2022	818,454	–	818,454	2025
	₱959,254	₱–	₱959,254	

Unrecognized deferred tax liabilities
As of December 31, 2023 and 2022, there was a deferred tax liability of ₱895.9 million and ₱840.4 million for temporary differences of ₱3.6 billion and ₱3.4 billion related to investment in certain subsidiaries, respectively. 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		
	2023	2022	2021	**2023**	2022	2021
Statutory income tax rate	**25.00%**	25.00%	25.00%	**25.00%**	25.00%	25.00%
Tax effects of:						
Non-deductible expenses	**12.28**	14.69	4.54	**12.16**	13.73	5.20
Net unrecognized deferred tax assets	**(11.20)**	(6.04)	6.03	**(11.74)**	(6.36)	5.46
Tax-exempt income	**(4.36)**	(2.91)	(21.93)	**(4.38)**	(2.96)	(22.94)
Tax-paid income	**(2.76)**	(2.01)	(0.63)	**(2.82)**	(2.05)	(0.66)
FCDU loss (income) before tax	**(0.61)**	1.49	2.61	**(0.61)**	1.52	2.73
Optional standard deduction	**(0.11)**	(0.36)	(0.08)	–	–	–
CREATE adjustment – deferred tax	**–**	–	0.01	–	–	0.01
CREATE adjustment – current tax	**–**	–	(0.95)	–	–	(0.99)
Effective income tax rate	**18.24%**	29.86%	14.60%	**17.61%**	28.88%	13.81%

31. Earnings Per Share

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

	Consolidated			Parent Company		
	2023	2022	2021	**2023**	2022	2021
a) Net income attributable to equity holders of the Parent Company	**₱17,979,257**	₱11,532,318	₱31,630,626	**₱18,002,948**	₱11,532,318	₱31,283,762
b) Weighted average number of common shares for basic earnings per share (Note 25)	**1,525,765**	1,525,765	1,525,765	**1,525,765**	1,525,765	1,525,765
c) Basic/Diluted earnings per share (a/b)	**₱11.78**	₱7.56	₱20.73	**₱11.80**	₱7.56	₱20.50

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

	Consolidated			Parent Company		
	2023	2022	2021	**2023**	2022	2021
a) Net income from continuing operations attributable to equity holders of the Parent Company	**₱17,979,257**	**₱11,532,318**	**₱32,365,991**	**₱18,002,948**	₱11,532,318	₱31,283,762
b) Weighted average number of common shares for basic earnings per share (Note 25)	**1,525,765**	**1,525,765**	**1,525,765**	**1,525,765**	1,525,765	1,525,765
c) Basic/Diluted earnings per share (a/b)	**₱11.78**	**₱7.56**	**₱21.21**	**₱11.80**	₱7.56	₱20.50

In 2023, 2022 and 2021, 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 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 ₱168.0 billion and ₱152.7 billion as of December 31, 2023 and 2022, respectively. In connection with the trust functions of the Parent Company, government securities amounting to ₱1.9 billion and ₱1.6 billion (included under 'Investment securities at amortized cost') as of December 31, 2023 and 2022, respectively, are deposited with the BSP in compliance with trust regulations (refer to Note 9.3).

Trust fee income in 2023, 2022 and 2021 amounting to ₱373.7 million, ₱317.8 million and ₱319.4 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 ₱29.9 million, ₱24.7 million and ₱23.2 million in 2023, 2022 and 2021, 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, while those under related parties represent companies which are under common control.

	2023		
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Significant Investors			
Deposit liabilities		**₱2,276,926**	Peso and foreign currency deposits with annual rates ranging from 0.00% to 6.25%
Net deposits	**₱953,917**		Net deposits during the period
Interest expense	**65,774**		Interest expense on deposits
Accrued interest payable		**2,188**	Accrued interest on deposit liabilities
Subsidiaries			
Receivables from customers		**₱–**	Peso loans with terms ranging from 31 days to 354 days with annual rate of 9.00%; with reversal of provisions amounting to ₱165.6 million; written off in December 2023 (see discussion below)
Loan releases	**₱465,142**		
Loan collections	**165,560**		
Loan settlement through dacion and assignment	**1,404,582**		
Credit facilities		**10,638,270**	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;
Interbank loans receivable		**52,680**	Foreign currency-denominated interbank term loans with interest rates ranging from 3.92% to 3.94% with ACB
Availments	**83,579**		
Settlements	**46,606**		
Due from other banks		**288,020**	Foreign currency-denominated demand deposits
Accrued interest receivable		**1,076**	Interest accrual on receivables from customers and interbank loans receivable
Accounts receivable		**17,276**	Related to remittance transactions and amounts which are subject to clearing
Deposit liabilities		**3,155,369**	Peso and foreign currency-denominated deposits with annual fixed interest rates ranging from 0.0% to 4.95% and maturities up to 4 years
Net withdrawals	**339,101**		Net withdrawals during the period
Bills payable		–	Foreign currency-denominated bills payable with ACB with interest rate of 4.0%
Settlements	**13,758**		
Due to other banks		**65**	Foreign currency-denominated clearing accounts used for funding and settlement of remittances with GRFC, IIC, PNB Europe, and ACB
Accrued interest payable		**21,113**	Accrued interest on deposit liabilities and bills payable
Interest income	**187,821**		Interest income on receivables from customers, due from other banks and interbank loans receivable
Interest expense	**201,534**		Interest expense on deposit liabilities and bills payable
Service fees and commission income	**5,209**		Various services rendered by PNB to its subsidiaries covered by a service level agreement; also includes PNB's share in service fees
Miscellaneous other income	**2,580**		Management and other professional fees; includes share of subsidiaries in maintenance costs of the HR system
Service fees and commission expense	**57**		Fees and other commission expense
Securities transactions			
Purchases	**1,097,734**		Outright purchase of securities
Sales	**690,027**		Outright sale of securities
Trading loss	**42**		Loss from sale of investment securities

	2023		
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Other Related Parties			
Receivables from customers		**₱55,298,956**	Partly secured by real estate, vehicles, deposits, government securities, among others; with interest rates ranging from 2.75% to 12.00% with remaining maturity terms ranging from 7 days to over 8 years and payment terms ranging from monthly to quarterly payments; with aggregate allowance for credit losses of ₱169.6 million
Loan releases	**₱31,771,690**		
Loan collections	**18,659,908**		
Credit facilities		**77,116,535**	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		**2,173**	Receivable from sale of property paid in installments; with interest rate of 5.0% and maturing in July 2027
Financial assets at FVOCI		**24,587,068**	Majority represents the retained 49.00% interest in PNB Holdings, with unrealized gain of ₱1.7 billion recorded in OCI (refer to Note 12.4 for further discussion)
Accrued interest receivable		**297,551**	Accrued interest on receivables from customers
Security deposit		**176,082**	Amount given to fulfill the terms of the lease contract
Right-of-use assets		**3,136,508**	Lease of office space with terms up to 10 years and the corresponding accumulated amortization
Accumulated amortization of right-of-use assets		**1,081,498**	
Deposit liabilities		**46,333,463**	Peso-denominated and foreign currency-denominated demand, savings and time deposits with maturity terms ranging from 7 days to over 13 years
Net deposits	**5,980,997**		Net deposits during the period
Accrued interest payable		**267,825**	Accrued interest payable from various deposits
Bills payable		–	Short-term borrowings with interest rate of 6.41%
Availment	**400,000**		
Settlement	**400,000**		
Lease liabilities		**2,107,960**	Lease of office space with terms ranging from 20 months to 10 years
Accrued other expenses		**402,589**	Accruals in relation to promotional and utilities expenses
Deferred revenue		**41,111**	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	**1,997,271**		Interest income on receivables from customers
Interest expense	**1,644,192**		Interest expense on deposit liabilities, bonds payable, bills payable and lease liabilities
Amortization expense	**671,137**		Amortization of right-of-use asset relating to leases of office spaces
Occupancy and equipment-related costs	**760,547**		Rentals from short-term leases
Miscellaneous expenses	**572,875**		Includes CUSA charges for the Parent Company's share in common areas on premises owned by PNB Holdings; promotional expenses for Mabuhay Miles redemption; includes management fees paid to Eton Properties Philippines, Inc.; and other expenses
Rental income	**151**		Payment received for the use or occupation of property
Service fees and commission expenses	**114**		Fees and other commission expense
Securities transactions			
Purchases	**7,106,329**		Outright purchase of securities
Sales	**9,103,280**		Outright sale of securities

Category	2023 Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Remittance transactions			
Fund transfers	**₱3,957,891**		Peso equivalent of funds transferred
Service fees	**10,976**		Income share and commission on remittance transactions
Purchase of merchandise	**249**		Cost of various merchandise purchased
Associate			
Credit facilities		**₱120,000**	Pre-settlement risk line
Deposit liabilities		**128,165**	Peso and foreign currency-denominated deposits with annual interest rates ranging from 0% to 0.10%
Net withdrawals	**₱339,881**		
Accrued interest payable		**41**	Accrued interest on deposit liabilities
Rental deposits		**27**	Advance rental and security deposits received for three months
Deferred revenue		**548,993**	Unamortized portion of income related to the sale of APLII
Service fees and commission income	**431,287**		Bancassurance fees earned based on successful referrals and income related to the sale of APLII
Interest expense	**1,300**		Interest expense on deposit liabilities
Key Management Personnel			
Loans to officers		**₱1,475**	Housing loans to senior officers with interest rates ranging from 3% to 15%; Secured and unimpaired
Loan releases	**₱3,471**		
Loan collections	**4,774**		
Accrued interest receivable		**12**	Accrued interest on loans
Interest income	**277**		Interest income on housing loans
Deposit liabilities		**119,449**	Peso and foreign currency-denominated deposits with interest rates ranging from 0.0% to 4.75%
Net deposits	**118,975**		Net deposits during the period
Interest expense	**3,372**		Interest expense on deposits
Accrued interest payable		**801**	Accrued interest on deposit liabilities

Category	2022 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

Category	2022 Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
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
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		3,254,930	Lease of office space with terms up to 10 years and the corresponding accumulated amortization
Accumulated amortization of right-of-use assets		1,017,794	
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

Category	2022 Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
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
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

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 in 2021 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).

In relation to the property dividend declaration, the Parent Company, as a withholding agent, remitted ₱404.4 million to the BIR in January 2022, representing final withholding taxes on the property dividends of concerned stockholders. This was recorded under 'Accounts receivable' in the statement of financial position. The Parent Company shall eventually collect from the stockholders such amount advanced on their behalf upon distribution of the property dividends.

Financial assets at FVTPL traded through PNB Securities
As of December 31, 2023 and 2022, the Parent Company's financial assets at FVTPL include equity securities traded through PNB Securities with a fair value of ₱2.6 million and ₱15.4 million, respectively. The Parent Company recognized trading gain (losses) amounting to (₱0.04 million) in 2023, ₱0.1 million in 2022 and (₱7.1 million) in 2021 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. Income from the sale of the properties under the JV are 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.

As of December 31, 2023 and 2022, the carrying values of the properties under the JV with EPPI amounted to ₱298.6 million and ₱507.9 million, respectively, booked in 'Real estate inventories held under development' under 'Other assets'.

Transactions with PMLFC and PMERC
The Parent Company entered into the following transactions with PMLFC and PMERC as part of their winding down procedures:

- On various dates in 2022 and 2023, PMLFC transferred to the Parent Company certain receivables either via direct purchase or assignment. Details are as follows:

Year of transfer	Underlying contract	Aggregate carrying values	Total consideration paid
2022	Direct Purchase	₱122,306	₱115,866
2023	Direct Purchase	51,235	51,612
	Receivables Purchase Agreement	287,040	278,998
	Deed of Assignment	210,734	185,572

- On various dates in 2023, the BOD of the Parent Company approved to accept certain properties of PMLFC and PMERC as settlement through dacion en pago to partially pay their respective outstanding loans to the Parent Company. Details are as follows:

Date of BOD approval	Borrower	Subject properties/ assets	Aggregate fair values	Dacion amount
April 28, 2023	PMLFC	Condominium units	₱100,258	₱100,258
April 28, 2023	PMERC	Equipment and other properties held for lease (EOPL)	261,407	245,984
December 15, 2023	PMLFC	Repossessed chattels	7,867	3,933

  In 2023, rental income amounting to ₱54.6 million from the EOPL that were subject of the April 2023 dacion have accrued to the Parent Company after the dacion was implemented.

- Considering the transfer of the major assets of PMLFC and PMERC to the Parent Company and no other remaining leviable properties of PMLFC and PMERC to foreclose, on December 15, 2023, the BOD of the Parent Company approved to write off the remaining balance of the loans of PMLFC and PMERC amounting to ₱736.4 million and ₱242.4 million, respectively.

33.2 Remuneration of Key Management Personnel and Directors

The compensation of the key management personnel for the Group and Parent Company follows:

	2023	2022	2021
Short-term employee benefits	**₱526,038**	₱517,114	₱460,711
Post-employment benefits	**53,041**	47,424	50,629
	₱579,079	₱564,538	₱511,340

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 2023 and 2022, total per diem given to non-executive directors amounted to ₱71.3 million and ₱62.6 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, key management personnel received 20,099 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 TBG. The fair values and carrying values of the funds of the Group amounted to ₱8.6 billion and ₱7.9 billion as of December 31, 2023 and 2022, respectively, and the fair values of the funds of the Parent Company amounted to ₱8.5 billion and ₱7.8 billion as of December 31, 2023 and 2022, respectively.

Relevant information on transactions with the retirement plans follows:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Investment in PNB UITFs	**₱559,461**	₱558,013	**₱556,626**	₱555,186
Deposits with PNB	**313,976**	481,123	**313,813**	480,913
Investment in PNB shares	**152,059**	156,169	**152,059**	156,169
Total Fund Assets	**₱1,025,496**	₱1,195,305	**₱1,022,498**	₱1,192,268
Unrealized loss on PNB shares	**(₱4,110)**	(₱9,041)	**(₱4,110)**	(₱9,041)
Unrealized gain (loss) on PNB UITF	**1,440**	(35,926)	**1,440**	(35,926)
Interest income	**27,584**	18,314	**26,063**	17,412
	24,914	(26,653)	**23,393**	(27,555)
Trust fees	**(9,496)**	(9,152)	**(9,350)**	(9,290)
Net Fund Income (Losses)	**₱15,418**	(₱35,805)	**₱14,043**	(₱36,845)

As of December 31, 2023 and 2022, 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 and fund for e-money products.

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. 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 2023 and 2022.

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

2023

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	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure
				Financial instruments	Fair value of financial collateral	
			[a-b]			[c-d]
	[a]	[b]	[c]	[d]		[e]
Derivative assets	₱108,139,719	₱107,390,520	₱749,199	₱37,098	₱–	₱712,101
Securities held under agreements to resell (Note 8)	69,694,538	–	69,694,538	–	57,785,321	11,909,217
Total	₱177,834,257	₱107,390,520	₱70,443,737	₱37,098	₱57,785,321	₱12,621,318

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	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure
				Financial instruments	Fair value of financial collateral	
			[a-b]			[c-d]
	[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

2023

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	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure
				Financial instruments	Fair value of financial collateral	
			[a-b]			[c-d]
	[a]	[b]	[c]	[d]		[e]
Derivative liabilities	₱65,163,569	₱64,607,758	₱555,811	₱196,010	₱–	₱359,801
Securities sold under agreements to repurchase (Notes 9 and 19)*	10,053,531	–	10,053,531	–	11,972,805	–
Total	₱75,217,100	₱64,607,758	₱10,609,342	₱196,010	₱11,972,805	₱359,801

** Included in bills and acceptances payable in the statements of financial position*

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	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure
				Financial instruments	Fair value of financial collateral	
			[a-b]			[c-d]
	[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*

Parent Company

2023

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	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure
				Financial instruments	Fair value of financial collateral	
			[a-b]			[c-d]
	[a]	[b]	[c]	[d]		[e]
Derivative assets	₱108,134,733	₱107,390,520	₱744,213	₱37,098	₱–	₱707,115
Securities held under agreements to resell (Notes 8 and 19)	69,694,538	–	69,694,538	–	57,785,321	11,909,217
Total	₱177,829,271	₱107,390,520	₱70,438,751	₱37,098	₱57,785,321	₱12,616,332

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	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure
				Financial instruments	Fair value of financial collateral	
			[a-b]			[c-d]
	[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

2023

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	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure
				Financial instruments	Fair value of financial collateral	
			[a-b]			[c-d]
	[a]	[b]	[c]	[d]		[e]
Derivative liabilities	₱65,163,569	₱64,607,758	₱555,811	₱196,010	₱–	₱359,801
Securities sold under agreements to repurchase (Notes 9 and 19)*	10,053,531	–	10,053,531	–	11,972,805	–
Total	₱75,217,100	₱64,607,758	₱10,609,342	₱196,010	₱11,972,805	₱359,801

** Included in bills and acceptances payable in the statements of financial position*

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	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure
				Financial instruments	Fair value of financial collateral	
			[a-b]			[c-d]
	[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*

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, excluding the extent of over-collateralization.

36. Discontinued Operations

36.1 PNB Gen

The results of operation of PNB Gen in 2021 are presented below:

Interest Income on	
Loans and receivables	₱35
Investment securities at amortized cost and FVOCI (Note 9)	19,830
Deposits with banks and others	34
	19,899
Interest Expense on	
Lease liabilities (Note 19)	530
Net Interest Income	19,369
Net Service Fees and Commission Income (Note 26)	110
Insurance premium	202,543
Insurance benefits and claims	143,605
Net Insurance Premium	58,938
Other Income	
Foreign exchange gains - net	1,804
Total Operating Income	80,221
Operating Expenses	
Compensation and fringe benefits	37,040
Depreciation and amortization (Note 11)	6,592
Provision for credit losses (Note 16)	1,174
Occupancy and equipment-related costs	903
Taxes and licenses	290
Miscellaneous (Note 27)	8,832
Total Operating Expenses	54,831
Income Before Income Tax	25,390
Provision for Income Tax (Note 30)	4,774
Net Income from Discontinued Operations	₱20,616

Net insurance premium in 2021 consists of:

Net insurance premiums	
Gross earned premium	₱385,904
Reinsurer's share of gross earned premiums	(183,361)
	202,543
Less net insurance benefits and claims	
Gross insurance contract benefits and claims paid	207,003
Reinsurer's share of gross insurance contract benefits and claims	(130,493)
Gross change in insurance contract liabilities	48,017
Reinsurer's share of change in insurance contract liabilities	19,078
	143,605
	₱58,938

Net cash flows of PNB Gen in 2021 follow:

Net cash flows from operating activities	(₱36,288)
Net cash flows from investing activities	18,740
Net cash flows from financing activities	(1,912)
	(₱19,460)

36.2 PNB Holdings

The results of operation of PNB Holdings in 2021 are presented below:

Interest Income on	
Deposits with banks and others	₱1,143
Interest Expense on	
Lease liabilities (Note 19)	2,998
Net Interest Expense	(1,855)
Net Service Fees and Commission Expense	(45,849)
Other Income	
Miscellaneous income (Note 27)	486,957
Total Operating Income	439,253
Operating Expenses	
Taxes and licenses	646,070
Occupancy and equipment-related costs	191,781
Provision for credit losses (Note 16)	86,967
Depreciation and amortization (Note 11)	42,450
Compensation and fringe benefits	976
Miscellaneous (Note 27)	123,162
Total Operating Expenses	1,091,406
Loss Before Income Tax	(652,153)
Provision for Income Tax (Note 30)	103,828
Loss from Discontinued Operations	(₱755,981)

Net cash flows of PNB Holdings in 2021 follow:

Net cash flows from operating activities	₱790,488
Net cash flows from financing activities	(567,887)
	₱222,601

37. Events After the Reporting Date

There are no significant reportable events which occurred from December 31, 2023 until the date of this report.

38. Notes to Statements of Cash Flows

38.1 Cash Flows from Financing Activities

The changes in liabilities arising from financing activities in 2023 and 2022 follow:

	Consolidated 2023			
	Beginning balance	**Net cash flows**	**Others**	**Ending balance**
Bills and acceptances payable	**₱14,980,373**	**₱4,937,366**	**₱244,864**	**₱20,162,603**
Bonds payable	**58,439,097**	**(16,560,000)**	**(388,226)**	**41,490,871**
Lease liabilities	**3,636,391**	**(1,314,516)**	**1,511,009**	**3,832,884**
	₱77,055,861	**(₱12,937,150)**	**₱1,367,647**	**₱65,486,358**

	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

	Parent Company 2023			
	Beginning balance	**Net cash flows**	**Others**	**Ending balance**
Bills and acceptances payable	**₱13,888,035**	**₱6,029,703**	**₱244,865**	**₱20,162,603**
Bonds payable	**58,439,097**	**(16,560,000)**	**(388,226)**	**41,490,871**
Lease liabilities	**3,604,077**	**(1,232,928)**	**1,352,167**	**3,723,316**
	₱75,931,209	**(₱11,763,225)**	**₱1,208,806**	**₱65,376,790**

	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

Others include the effects of foreign exchange revaluations, additional lease liabilities, amortization of transaction costs, and accretion of interest.

38.2 Non-Cash Transactions

The following are non-cash transactions of the Group and the Parent Company in 2023 and 2022 relating to their long-term leases:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Additions to right-of-use assets (Note 11)	**₱1,425,032**	₱803,905	**₱1,292,130**	₱803,905
Additional lease liabilities (Note 29)	**1,340,509**	799,014	**1,185,129**	789,687

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 ₱3.0 billion, ₱4.3 billion, and ₱524.7 million in 2023, 2022 and 2021, respectively. The Parent Company acquired investment properties acquired through foreclosure and rescission amounting to ₱3.0 billion, ₱4.3 billion and ₱334.4 million in 2023, 2022 and 2021, respectively (refer to Note 13). Included in the foreclosures in 2023 and 2022 are dacion transactions in settlement of certain loans in exchange for an investment property (refer to Note 33.1). Foreclosures in 2022 also include the debt-to-equity conversion of the remaining loan exposures of a former borrower (refer to Note 33.1).

The Group and the Parent Company applied creditable withholding taxes against its income tax payable amounting to ₱1.2 billion, ₱2.4 billion and ₱1.6 billion in 2023, 2022 and 2021, 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 February 23, 2024.

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 2023 (in absolute amounts):

Taxes and licenses

	Amount
Gross receipts tax	₱2,680,374,285
Documentary stamp taxes	4,200,000,000
Real estate tax	41,785,908
Local taxes	170,322,577
Others	83,062,845
	₱7,175,545,615

Withholding taxes

	Remitted	Outstanding
Withholding taxes on compensation and benefits	₱877,599,290	₱164,160,522
Final income taxes withheld on interest on deposits and yield on deposit substitutes	1,562,643,647	179,479,293
Expanded withholding taxes	216,903,397	19,172,371
Withholding taxes on the amount withdrawn from the decedent's deposit dccount	19,520,327	2,491,279
VAT withholding taxes	22,218,383	20,086
Other final taxes	158,003,153	8,648,901
	₱2,856,888,197	₱373,972,452

40.2 Tax Cases and Assessments

As of December 31, 2023 and 2022, 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 Section 174 of the Manual of Regulations for Banks

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		
	2023	2022	2021	**2023**	2022	2021
Return on average equity	**9.95%**	7.00%	19.98%	**10.15%**	7.10%	20.08%
Return on average assets	**1.53%**	0.99%	2.62%	**1.54%**	0.99%	2.60%
Net interest margin on average earning assets	**4.23%**	3.61%	3.27%	**4.23%**	3.62%	3.26%

41.2 Description of Capital Instruments Issued

As of December 31, 2023 and 2022, 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			
	2023		2022		**2023**		2022	
	Carrying Amount	**%**	Carrying Amount	%	**Carrying Amount**	**%**	Carrying Amount	%
Primary target industry:								
Wholesale and retail	**₱122,887,990**	**19.15**	₱94,635,306	15.44	**₱116,820,739**	**18.60**	₱89,062,370	14.86
Financial intermediaries	**92,281,412**	**14.38**	123,572,805	20.16	**92,321,118**	**14.70**	124,585,259	20.78
Electricity, gas and water	**83,942,305**	**13.08**	77,908,127	12.71	**83,942,305**	**13.36**	77,908,992	13.00
Manufacturing	**63,947,942**	**9.96**	64,750,821	10.57	**61,863,476**	**9.85**	62,394,048	10.41
Transport, storage and communication	**46,249,754**	**7.21**	41,702,691	6.80	**45,835,091**	**7.30**	40,836,136	6.81
(Forward)								
Agriculture, hunting and forestry	**₱8,187,717**	**1.28**	₱6,846,668	1.12	**₱8,032,017**	**1.28**	₱6,685,454	1.12
Public administration and defense	**4,101,202**	**0.64**	1,868,664	0.30	**4,101,202**	**0.65**	1,868,663	0.31
Secondary target industry:								
Real estate, renting and business activities	**110,728,706**	**17.25**	96,701,343	15.78	**107,586,053**	**17.13**	93,010,341	15.51
Construction	**38,833,938**	**6.05**	30,989,724	5.06	**38,775,374**	**6.17**	30,923,083	5.16
Others	**70,637,302**	**11.01**	73,881,893	12.06	**68,902,271**	**10.97**	72,242,925	12.05
	₱641,798,268	**100.00**	₱612,858,042	100.00	**₱628,179,646**	**100.00**	₱599,517,271	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			
	2023		2022		**2023**		2022	
	Carrying Amount	**%**	Carrying Amount	%	**Carrying Amount**	**%**	Carrying Amount	%
Secured:								
Real estate mortgage	**₱126,721,614**	**19.74**	₱61,579,391	10.05	**₱115,956,460**	**18.46**	₱52,764,741	8.80
Chattel mortgage	**15,319,855**	**2.39**	12,560,778	2.05	**15,104,719**	**2.40**	12,425,497	2.07
Bank deposit hold-out	**7,439,901**	**1.16**	3,844,755	0.63	**7,195,384**	**1.15**	3,698,931	0.62
Others	**1,551,354**	**0.24**	30,856,608	5.03	**191,774**	**0.03**	28,814,577	4.81
	151,032,724	**23.53**	108,841,532	17.76	**138,448,337**	**22.04**	97,703,746	16.30
Unsecured	**490,765,544**	**76.47**	504,016,510	82.24	**489,731,309**	**77.96**	501,813,525	83.70
	₱641,798,268	**100.00**	₱612,858,042	100.00	**₱628,179,646**	**100.00**	₱599,517,271	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			
	2023		2022	
	Performing	**NPL**	Performing	NPL
Corporate	**₱541,116,157**	**₱33,347,894**	₱517,026,645	₱26,814,155
Commercial	**14,804,205**	**2,493,093**	15,227,846	3,727,358
Credit cards	**14,394,103**	**838,742**	11,889,481	2,493,200
Consumer	**24,647,541**	**10,156,533**	24,706,149	10,973,208
	₱594,962,006	**₱46,836,262**	₱568,850,121	₱44,007,921

	Parent Company			
	2023		2022	
	Performing	**NPL**	Performing	NPL
Corporate	**₱528,492,120**	**₱33,228,430**	₱508,724,119	₱24,153,812
Commercial	**15,315,245**	**1,883,944**	15,475,530	2,027,403
Credit cards	**14,394,103**	**838,742**	11,889,481	2,493,200
Consumer	**23,923,855**	**10,103,207**	21,423,352	13,330,374
	₱582,125,323	**₱46,054,323**	₱557,512,482	₱42,004,789

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 o 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 oj 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 impac 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, 2023 and 2022:

	2023		2022	
	Gross NPL	**Net NPL**	Gross NPL	Net NPL
Consolidated	**6.26%**	**2.46%**	6.34%	2.58%
Parent Company	**6.29%**	**2.49%**	6.19%	2.54%

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). 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 o 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 its total loan portfolio, whichever is lower. 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. As of December 31, 2023 and 2022, the Parent Company is in compliance with such regulations.

The information relating to the DOSRI loans of the Parent Company follows:

	2023		2022	
	DOSRI loans	**Related party loans (inclusive of DOSRI loans)**	DOSRI loans	Related party loans (inclusive of DOSRI loans)
Total outstanding loans	**₱2,701**	**₱36,185,463**	₱39,017	₱42,182,025
Percent of DOSRI/related party loans to total loan portfolio	**0.00%**	**4.95%**	0.01%	6.22%
Percent of unsecured DOSRI/related party loans to total DOSRI/related party loans	**0.00%**	**83.48%**	1.56%	86.52%
Percent of past due DOSRI/related party loans to total DOSRI/related party loans	**45.40%**	**0.31%**	3.52%	2.62%
Percent of non-performing DOSRI/related party loans to total DOSRI/related party loans	**43.08%**	**0.31%**	3.52%	2.62%

41.6 Aggregate Amount of Secured Liabilities and Assets Pledged as Security

As of December 31, 2023 and 2022, 'Bills payable' amounting to ₱10.1 billion and ₱6.6 billion in Note 19, respectively, are secured by a pledge of certain 'Financial assets at FVOCI' amounting to ₱6.5 billion and ₱2.5 billion respectively, and 'Investment securities at amortized cost' amounting to ₱5.5 billion.

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**	
	2023	2022	**2023**	2022
Derivative forwards	**₱195,661,001**	₱151,543,370	**₱190,805,863**	₱147,448,673
Trust department accounts	**168,037,276**	152,746,479	**168,037,276**	152,746,479
Standby letters of credit	**65,344,786**	43,922,556	**65,255,715**	43,702,875
Unutilized credit card lines	**45,354,961**	41,981,905	**45,354,961**	41,981,905
Deficiency claims receivable	**23,953,740**	28,065,650	**23,953,740**	28,065,650
Derivative spots	**21,141,791**	7,474,525	**21,141,791**	7,474,525
Unused commercial letters of credit	**440,767**	204,707	**440,767**	204,707
Inward bills for collection	**434,566**	1,116,689	**431,741**	1,116,689
Outward bills for collection	**236,311**	355,358	**118,836**	300,396
Confirmed export letters of credit	**93,852**	94,784	**93,852**	94,784
Items held as collateral	**58,887**	165,282	**58,876**	165,270
Shipping guarantees issued	**23,101**	22,800	**20,975**	20,655
Other contingent accounts	**7,182**	76,663	**7,181**	7,592

2023 vs 2022

The Group's consolidated total assets stood at ₱1,210.5 billion as of December 31, 2023, 5.7% or ₱65.4 billion higher compared to ₱1,145.2 billion reported as of December 31, 2022. Major changes (+/–5% variance) in assets were registered in the following accounts:

- **Cash and Cash Equivalents**

(in thousands)	December 31 2023	2022	Increase/ (Decrease)	%
Cash and Other Cash Items	**₱21,151,391**	₱22,217,915	(₱1,066,524)	(4.8)
Due from Bangko Sentral ng Pilipinas	**95,410,350**	94,701,360	708,990	0.7
Due from Other Banks	**21,243,856**	26,010,183	(4,766,327)	(18.3)
Interbank Loans Receivable	**30,955,766**	9,782,452	21,173,314	216.4
Securities Held under Agreements to Resell	**69,694,538**	64,523,863	5,170,675	8.0
	₱238,455,901	₱217,235,773	₱21,220,128	9.8

Total Cash and Cash Equivalents as of December 31, 2023 increased by ₱21.2 billion or 9.8%. Available liquid funds were either placed in loans to other banks which are booked under Interbank Loans Receivable or deployed to Loans and Receivables.

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

- **Trading and Investment Securities**

(in thousands)	December 31 2023	2022	Increase/ (Decrease)	%
Financial Assets at Fair Value Through Profit or Loss (FVTPL)	**₱10,516,864**	₱7,347,201	₱3,169,663	43.1
Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI)	**164,531,492**	158,183,525	6,347,967	4.0
Investment Securities at Amortized Cost	**123,200,427**	110,467,960	12,732,467	11.5
	₱298,248,783	₱275,998,686	₱22,250,097	8.1

Trading and Investment Securities, representing 24.6% and 24.1% of the Group's total assets as of December 31, 2023 and 2022, respectively, increased by ₱22.3 billion or 8.1%, mainly due to net purchases of financial assets at FVTPL, financial assets at FVOCI, and investment securities at amortized cost during the year.

- **Property and Equipment, Investment Properties and Intangible Assets (including Goodwill)**

(in thousands)	December 31 2023	2022	Increase/ (Decrease)	%
Property and Equipment	**₱10,754,018**	₱11,973,547	(₱1,219,529)	(10.2)
Investment Properties	**₱14,579,558**	₱13,794,986	₱784,572	5.7
Intangible Assets	**₱1,301,726**	₱1,863,922	(₱562,196)	(30.2)

(in thousands)	December 31 2023	2022	Increase/ (Decrease)	%
Goodwill	**₱10,184,843**	₱11,221,410	(₱1,036,567)	(9.2)

Property and Equipment and Intangible Assets as of December 31, 2023 at ₱10.8 billion and ₱1.3 billion, respectively, decreased by ₱1.2 billion and ₱0.6 billion, respectively, compared to ₱12.0 billion and ₱1.9 billion, respectively, as of December 31, 2022, mainly due to depreciation and amortization during the year.

Investment Properties amounted to ₱14.6 billion as of December 31, 2023, an increase by ₱0.8 billion or 5.7% compared to ₱13.8 billion as of December 31, 2022, due to new foreclosures of real and other properties, offset by disposals during the year.

Goodwill amounted to ₱10.2 billion as of December 31, 2023, a decrease of P1.0 billion, or 9.2%, as a result of impairment in value.

- **Investment in an Associate**

(in thousands)	December 31 2023	2022	Increase/ (Decrease)	%
Investment in an Associate	**₱3,199,124**	₱2,688,764	₱510,360	19.0

Investment in an Associate increased by ₱0.5 billion or 19.0% from ₱2.7 billion as of December 31, 2022 to ₱3.2 billion as of December 31, 2023, as a result of the equity share in the net comprehensive income of the associate for the year.

- **Deferred Tax Assets**

(in thousands)	December 31 2023	2022	Increase/ (Decrease)	%
Deferred Tax Assets	**₱6,981,726**	₱6,616,902	₱364,824	5.5

Deferred Tax Assets increased by ₱0.4 billion or 5.5%, at ₱7.0 billion as of December 31, 2023 from ₱6.6 billion as of December 31, 2022 mainly due to the recognition of additional deferred tax assets on allowance for credit losses.

- **Other Assets**

(in thousands)	December 31 2023	2022	Increase/ (Decrease)	%
Other Assets	**₱5,454,301**	₱4,155,522	₱1,298,779	31.3

Other Assets as of December 31, 2023, at ₱5.5 billion, grew by ₱1.3 billion or 31.3% from ₱4.2 billion as of December 31, 2022, mainly due to increases in deferred charges, creditable withholding taxes, fund for electronic money products and documentary stamps on hand.

The Group's consolidated total liabilities were at ₱1,019.4 billion as of December 31, 2023, 4.5% or ₱44.1 billion higher from ₱975.3 billion as of December 31, 2022. Major changes (+/–5% variance) in liability accounts were as follows:

- **Deposit Liabilities**

	December 31		Increase/	
(in thousands)	**2023**	2022	(Decrease)	%
Demand	**₱228,405,865**	₱220,043,866	₱8,361,999	3.8
Savings	**541,009,449**	519,940,535	21,068,914	4.1
Time	**145,752,061**	112,113,308	33,638,753	30.0
Long Term Negotiable Certificates	**12,803,543**	19,130,012	(6,326,469)	(33.1)
	₱927,970,918	₱871,227,721	₱56,743,197	6.5

Deposit Liabilities at ₱928.0 billion and ₱871.2 billion, which represent 91.0% and 89.3% of the Group's total liabilities as of December 31, 2023 and 2022, respectively, are higher by ₱56.7 billion or 6.5% mainly due to increase in Time Deposits by ₱33.6 billion or 30.0%, Savings Deposits by ₱21.1 billion or 4.1%, and Demand Deposits by ₱8.4 billion or 3.8%. The increase was offset by maturity of a Long Term Negotiable Certificate of Deposit amounting to ₱6.3 billion.

- **Financial Liabilities at FVTPL**

	December 31		Increase/	
(in thousands)	**2023**	2022	(Decrease)	%
Financial Liabilities at FVTPL	**₱555,811**	₱1,039,776	(₱483,965)	(46.5)

Financial Liabilities at FVTPL as at December 31, 2023 are ₱0.5 billion lower than the 2022 year-end balance of ₱1.0 billion mainly from decreases in position and fair values of stand-alone forwards.

- **Bills and Acceptances Payable and Bonds Payable**

	December 31		Increase/	
(in thousands)	**2023**	2022	(Decrease)	%
Bills and Acceptances Payable	**₱20,162,603**	₱14,980,373	₱5,182,230	34.6
Bonds Payable	**₱41,490,871**	₱58,439,097	(₱16,948,226)	(29.0)

Bills and Acceptances Payable increased by ₱5.2 billion or 34.6% from ₱15.0 billion as of December 31, 2022 to ₱20.2 billion as of December 31, 2023, mainly from borrowings from foreign banks.

Bonds Payable decreased by ₱17.0 billion or 29.0% from ₱58.4 billion as of December 31, 2022 to ₱41.5 billion as of December 31, 2023, mainly due to the maturity of the $300 million, 4.25% fixed rate bonds in April 2023.

- **Other Liabilities**

	December 31		Increase/	
(in thousands)	**2023**	2022	(Decrease)	%
Lease Liabilities	**₱3,832,884**	₱3,636,391	₱196,493	5.4
Accrued Taxes, Interest and Other Expenses	**₱10,465,373**	₱9,117,393	₱1,347,980	14.8
Income Tax Payable	**₱180,364**	₱983,051	(₱802,687)	(81.7)
Other Liabilities	**₱14,741,922**	₱15,827,640	(₱1,085,718)	(6.9)

Lease Liabilities increased by ₱0.2 billion or 5.4% from ₱3.6 billion as of December 31, 2022 to ₱3.8 billion as of December 31, 2023, due to certain lease contract renewals entered into by the Group, partly offset by payments for the year.

Accrued Taxes, Interest and Other Expenses was higher by ₱1.3 billion, from ₱9.1 billion as of December 31, 2022 to ₱10.5 billion as of December 31, 2023, mainly due to the increase in accrued interest from deposits.

Income Tax Payable decreased by ₱0.8 billion or 81.7% from ₱1.0 billion as of December 31, 2022 to ₱0.2 billion as of December 31, 2023 mainly due to application of available creditable withholding taxes against income tax liability during the year.

Other Liabilities at ₱14.7 billion as of December 31, 2023 declined from ₱15.8 billion as of December 31, 2022 mainly due to decreases in accounts payable, manager's checks and demand drafts outstanding and dormant credits.

The Group's consolidated total equity was composed of the following:

	December 31		Increase/	
(in thousands)	**2023**	2022	(Decrease)	%
Capital Stock	**₱61,030,594**	₱61,030,594	₱–	–
Capital Paid in Excess of Par Value	**32,116,560**	32,116,560	–	–
Surplus Reserves	**4,677,930**	4,929,242	(251,312)	(5.1)
Surplus	**91,979,317**	73,748,748	18,230,569	24.7
Net Unrealized Losses on Financial Assets at FVOCI	**(1,722,653)**	(5,959,275)	4,236,622	71.1
Remeasurement Losses on Retirement Plan	**(2,728,542)**	(2,222,945)	(505,597)	(22.7)
Accumulated Translation Adjustment	**1,999,668**	2,314,447	(314,779)	(13.6)
Other Equity Reserves	**248,830**	248,830	–	–
Share in Aggregate Reserves on Life Insurance Policies	**24,246**	136,096	(111,850)	(82.2)
Other Equity Adjustment	**13,959**	13,959	–	–
	187,639,909	166,356,256	21,283,653	12.8
Non-Controlling Interests	**3,508,745**	3,549,378	(40,633)	1.1
	₱191,148,654	₱169,905,634	₱21,243,020	12.5

Total Equity stood at ₱191.1 billion as of December 31, 2023 from ₱169.9 billion as of December 31, 2022, or an increase of ₱21.2 billion or 12.5% attributed mainly to the ₱18.0 billion consolidated net income reported for the year and ₱4.2 billion decrease in Net Unrealized Losses on Financial Assets at FVOCI.

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 (+/−5% variance) in assets were registered in the following accounts:

- **Cash and Cash Equivalents**

(in thousands)	December 31 2022	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	**9,782,452**	30,453,378	(20,670,926)	(67.9)
Securities Held under Agreements to Resell	**64,523,863**	15,796,673	48,727,190	308.5
	₱217,235,773	₱262,026,819	(₱44,791,046)	(17.1)

Total cash and cash equivalents as of December 31, 2022 decreased by ₱44.8 billion or 17.1% compared to December 31, 2021. Available liquid funds were deployed for settlements of interbank borrowings. The Group reduced also its cash in vaults by ₱6.0 billion and placed 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**

(in thousands)	December 31 2022	2021	Increase/ (Decrease)	%
Financial Assets at FVTPL	**₱7,347,201**	₱11,167,657	(₱3,820,456)	(34.2)
Financial Assets at FVOCI	**158,183,525**	167,987,290	(9,803,765)	(5.8)
Investment Securities at Amortized Cost	**110,467,960**	89,455,843	21,012,117	23.5
	₱275,998,686	₱268,610,790	₱7,387,896	2.8

Trading and investment securities, 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, partly offset by the mark-to-market losses and net maturities and/or disposals of financial assets at FVOCI and financial assets at FVTPL during the year.

- **Loans and Receivables**

(in thousands)	December 31 2022	2021	Increase/ (Decrease)	%
Loans and Receivables	**₱593,099,915**	₱606,953,751	(₱13,853,836)	(2.3)

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 in 2022.

- **Property and Equipment, Investment Properties and Intangible Assets**

(in thousands)	December 31 2022	2021	Increase/ (Decrease)	%
Property and Equipment	**₱11,973,547**	₱13,472,320	(₱1,498,773)	(11.1)
Investment Properties	**₱13,794,986**	₱10,735,896	₱3,059,090	28.5
Intangible Assets	**₱1,863,922**	₱2,429,434	(₱565,512)	(23.3)

Property and Equipment and Intangible Assets as of December 31, 2022 at ₱12.0 billion and ₱1.9 billion, respectively, decreased by ₱1.5 billion and ₱0.6 billion, respectively, compared to ₱13.5 billion and ₱2.5 billion, respectively, as of December 31, 2021, mainly due to depreciation and amortization during the year.

Investment Properties as of December 31, 2022 amounted to ₱13.8 billion, an increase by ₱3.1 billion compared to ₱10.7 billion as of December 31, 2021, due to new foreclosures, offset by disposals of real and other properties during the year.

- **Investment in an Associate**

(in thousands)	December 31 2022	2021	Increase/ (Decrease)	%
Investment in an Associate	**₱2,688,764**	₱2,468,107	₱220,657	8.9

Investment in an Associate went up by ₱0.2 billion at ₱2.7 billion as of December 31, 2022, pertaining mostly to additional investment in the associate during the year.

- **Other Assets**

(in thousands)	December 31 2022	2021	Increase/ (Decrease)	%
Other Assets	**₱4,155,522**	₱4,807,920	(₱652,398)	(13.6)

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 ₱0.8 billion decrease in creditable withholding taxes, which were applied against the Group's income tax liability.

The Group's consolidated total liabilities were at ₱975.3 billion as of December 31, 2022, 5.3% or ₱54.3 billion lower from ₱1,029.6 billion as of December 31, 2021. Major changes (+/−5% variance) in liability accounts were as follows:

- **Deposit Liabilities**

(in thousands)	December 31 2022	2021	Increase/ (Decrease)	%
Demand	**₱220,043,866**	₱216,367,830	₱3,676,036	1.7
Savings	**519,940,535**	498,581,535	21,359,000	4.3
Time	**112,113,308**	151,729,554	(39,616,246)	(26.1)
Long Term Negotiable Certificates	**19,130,012**	28,245,390	(9,115,378)	(32.3)
	₱871,227,721	₱894,924,309	(₱23,696,588)	(2.6)

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. The reduction was offset by increase in Savings Deposits by ₱21.4 billion or 4.3%, and Demand Deposits by ₱3.7 billion or 1.7%.

- **Financial Liabilities at FVTPL**

	December 31		Increase/	
(in thousands)	**2022**	2021	(Decrease)	%
Financial Liabilities at FVTPL	**₱1,039,776**	₱891,531	₱148,245	16.6

Financial Liabilities at FVTPL at ₱1.0 billion as of December 31, 2022 are ₱0.1 billion higher than the 2021 year-end balance of ₱891.5 million mainly from the increase in fair values of stand-alone currency forwards.

- **Bills and Acceptances Payable and Bonds Payable**

	December 31		Increase/	
(in thousands)	**2022**	2021	(Decrease)	%
Bills and Acceptances Payable	**₱14,980,373**	₱52,953,797	(₱37,973,424)	(71.7)
Bonds Payable	**₱58,439,097**	₱53,383,421	₱5,055,676	9.5

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, as a result of net settlements of short-term interbank borrowing and repurchase agreements during the year.

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.

- **Other Liabilities**

	December 31		Increase/	
(in thousands)	**2022**	2021	(Decrease)	%
Accrued Taxes, Interest and Other Expenses	**₱9,117,393**	₱7,765,650	₱1,351,743	17.4
Income Tax Payable	**₱983,051**	₱157,735	₱825,316	523.2

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.

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 tax accrual on higher taxable income of the Group.

The Group's consolidated total equity was composed of the following:

	December 31		Increase/	
(in thousands)	**2022**	2022	(Decrease)	%
Capital Stock	**₱61,030,594**	₱61,030,594	–	–
Capital Paid in Excess of Par Value	**32,116,560**	32,116,560	–	–
Surplus Reserves	**4,929,242**	5,147,440	(218,198)	(4.2)
Surplus	**73,748,748**	61,998,232	11,750,516	19.0
Net Unrealized Losses on Financial Assets at FVOCI	**(5,959,275)**	(703,737)	(5,255,538)	(746.8)
Remeasurement Losses on Retirement Plan	**(2,222,945)**	(2,725,067)	502,122	18.4
Accumulated Translation Adjustment	**2,314,447**	1,503,396	811,051	53.9
Other Equity Reserves	**248,830**	248,830	–	–
Share in Aggregate Reserves (Losses) on Life Insurance Policies	**136,096**	(626,394)	762,490	121.7
Other Equity Adjustment	**13,959**	13,959	–	–
	166,356,256	158,003,813	8,352,443	5.3
Non-Controlling Interests	**3,549,378**	3,219,143	330,235	10.3
	₱169,905,634	₱161,222,956	₱8,682,678	5.4

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 ₱2.4 billion increase in other equity accounts. This is reduced by the increase in Net Unrealized Losses on Financial Assets at FVOCI by ₱5.3 billion from ₱0.7 billion as of December 31, 2021 to ₱6.0 billion as of December 31, 2022.

Results of Operations

2023 vs 2022

For the year ended December 31, 2023, the Group recorded a consolidated net income of ₱18.0 billion, growing by 55.1% year-on-year on the back of robust net interest income and lower credit provisions, compared to the ₱11.6 billion net income for the year ended December 31, 2022. The higher net income in 2023 is primarily due to the following:

- **Net Interest Income**

			Increase/	
(in thousands)	**2023**	2022	(Decrease)	%
Interest income	**59,594,529**	45,244,402	14,350,127	31.7
Interest expense	**15,001,686**	7,916,832	7,084,854	89.5
	₱44,592,843	₱37,327,570	₱7,265,273	19.0

Net Interest Income amounted to ₱44.6 billion, higher by 19.5% or ₱7.3 billion compared to the previous year. Total gross interest income increased by 31.7% or ₱14.4 billion to ₱59.6 billion for the year ended December 31, 2023, mainly due to higher yields on loans, investment securities, deposits with banks and interbank receivables. Total gross interest expense likewise increased by ₱7.1 billion or 89.5% to ₱15.0 billion from ₱7.9 billion in the previous year primarily due to increase in interest cost of deposit liabilities.

- **Net Services Fees and Commission Income**

(in thousands)	2023	2022	Increase/ (Decrease)	%
Services fees and commission income	**₱6,591,256**	₱6,997,609	(₱406,353)	(5.8)
Services fees and commission expense	**1,266,613**	1,429,195	(162,582)	(11.4)
	₱5,324,643	₱5,568,414	(₱243,771)	(4.4)

Net service fees and commission income slightly decreased by ₱0.2 billion or 4.4% compared to the previous year to ₱5.3 billion for the year ended December 31, 2023, mainly due to lower underwriting and bancassurance revenues, partly offset by increases in deposit and credit card related, interchange, and trust fees.

- **Other Operating Income**

(in thousands)	2023	2022	Increase/ (Decrease)	%
Net gains on sale or exchange of assets	**₱4,541,567**	₱7,775,154	(₱3,233,587)	(41.6)
Foreign exchange gains - net	**1,367,409**	1,608,281	(240,872)	(15.0)
Trading and investment securities gains (losses) - net	**394,103**	(1,280,783)	1,674,886	130.8
Equity in net earnings (losses) of subsidiaries and an associate	**268,093**	(56,060)	324,153	578.2
Miscellaneous	**871,394**	1,136,692	(265,298)	(23.3)
	₱7,442,566	₱9,183,284	(₱1,740,718)	(19.5)

Other operating income decreased by ₱1.7 billion or 19.5% at ₱7.4 billion for the year ended December 31, 2023, compared to ₱9.2 billion in the previous year mainly due to lower net gain on sale or exchange of assets. The decline in other income was offset by the improvements in net trading and foreign exchange gains by ₱1.4 billion and equity in net earnings of an associate by ₱0.3 billion.

- **Operating Expenses**

(in thousands)	2023	2022	Increase/ (Decrease)	%
Compensation and fringe benefits	**₱10,464,071**	₱9,762,776	₱701,295	7.2
Taxes and licenses	**4,852,190**	5,225,595	(373,405)	(7.1)
Depreciation and amortization	**3,976,069**	4,225,746	(249,677)	(5.9)
Occupancy and equipment-related costs	**916,735**	1,099,876	(183,141)	(16.7)
Miscellaneous	**8,218,171**	8,051,942	166,229	2.1
	₱28,427,236	₱28,365,935	₱61,301	0.2

Total operating expenses is flat at ₱28.4 billion for the years ended December 31, 2023 and 2022.

- **Provision for Impairment, Credit and Other Losses and Impairment in Value of Goodwill**

	December 31			
(in thousands)	2023	2022	Increase/ (Decrease)	%
Provision for impairment, credit and other losses	**₱5,923,054**	₱7,198,117	(₱1,275,063)	(17.7)
Impairment in value of goodwill	**₱1,036,567**	₱–	₱1,036,567	100.0

Provisions for impairment, credit and other losses is lower at ₱5.9 billion for the year ended December 31, 2023 compared to the ₱7.2 billion provisions booked in the previous year. In 2023, the goodwill impairment test performed by the Group resulted in an impairment in value of goodwill by ₱1.0 billion.

The Group's total consolidated comprehensive income was composed of the following:

(in thousands)	2023	2022	Increase/ (Decrease)	%
Net income	**₱17,965,820**	₱11,583,988	₱6,381,832	55.1
Other comprehensive income (loss), net of tax	**3,280,769**	(2,887,965)	6,168,734	(213.6)
	₱21,246,589	₱8,696,023	₱12,550,566	144.3

Total comprehensive income for the year ended December 31, 2023 amounted to ₱21.2 billion, registering an increase of ₱12.6 billion compared to the previous year mainly due to the higher net income during the period by ₱6.4 billion and reduction in unrealized losses on financial assets at FVOCI by ₱2.9 billion from a (₱5.7 billion) net change in 2022.

<u>**2022 vs 2021**</u>

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 to one-off gains in 2021 as discussed below. Movements in net income are primarily due to the following:

- **Net Interest Income**

(in thousands)	2022	2021	Increase/ (Decrease)	%
Interest income	**₱45,244,402**	₱42,402,377	₱2,842,025	6.7
Interest expense	**7,916,832**	7,557,550	359,282	4.8
	₱37,327,570	₱34,844,827	₱2,482,743	7.1

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 ₱0.4 billion to ₱7.9 billion in 2022 from ₱7.5 billion in 2021 primarily due to higher interest cost of deposit liabilities as compared to last year.

- **Net Services Fees and Commission Income**

(in thousands)	**2022**	2021	Increase/ (Decrease)	%
Services fees and commission income	**₱6,997,609**	₱6,340,326	₱657,283	10.4
Services fees and commission expense	**1,429,195**	1,051,376	377,819	35.9
	₱5,568,414	₱5,288,950	₱279,464	5.3

Net service fees and commission income increased by ₱0.3 billion 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**

(in thousands)	**2022**	2021	Increase/ (Decrease)	%
Net gains on sale or exchange of assets	**₱7,775,154**	₱981,462	₱6,793,692	692.2
Foreign exchange gains - net	**1,608,281**	743,549	864,732	116.3
Trading and investment securities gains (losses) - net	**(1,280,783)**	731,572	(2,012,355)	(275.1)
Equity in net earnings (losses) of subsidiaries and an associate	**(56,060)**	50,789	(106,849)	(210.4)
Miscellaneous	**1,136,692**	1,070,047	66,645	6.2
	₱9,183,284	₱3,577,419	₱5,605,865	156.7

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 increase in trading and investment securities losses of ₱2.0 billion brought about by the continued hike in benchmark interest rates in 2022 affecting both the Bank and its associate.

- **Other Income**

(in thousands)	**2022**	2021	Increase/ (Decrease)	%
Gain on loss of control of subsidiaries - net	**₱–**	₱16,807,275	(₱16,807,275)	(100.0)
Gain on remeasurement of retained interest	–	16,477,968	(16,477,968)	(100.0)
	₱–	₱33,285,243	(₱33,285,243)	(100.0)

In 2021, the Group recognized one-off gains: 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*.

- **Operating Expenses**

(in thousands)	**2022**	2021	Increase/ (Decrease)	%
Compensation and fringe benefits	**₱9,762,776**	₱9,985,822	(₱223,046)	(2.2)
Taxes and licenses	**5,225,595**	3,988,371	1,237,224	31.0
Depreciation and amortization	**4,225,746**	2,845,717	1,380,029	48.5
Occupancy and equipment-related costs	**1,099,876**	1,124,166	(24,290)	(2.2)
Miscellaneous	**8,051,942**	8,202,755	(150,813)	(1.8)
	₱28,365,935	₱26,146,831	₱2,219,104	8.5

Total 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.

- **Provision for Impairment, Credit and Other Losses and Impairment in Value of Goodwill**

	December 31		Increase/	
(in thousands)	**2022**	2021	(Decrease)	%
Provision for Impairment, Credit and Other Losses	**₱7,198,117**	₱10,725,014	(₱3,526,897)	(32.9)
Impairment in Value of Goodwill	**₱–**	₱2,153,997	(₱2,153,997)	(100.0)

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 ₱10.7 billion provisions recorded in 2021 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. In 2021, the goodwill impairment test performed by the Group resulted in an impairment in value of goodwill by ₱2.2 billion.

The Group's total consolidated comprehensive income was composed of the following:

(in thousands)	**2022**	2021	Increase/ (Decrease)	%
Net income	**₱11,583,988**	₱31,690,038	(₱20,106,050)	(63.4)
Other comprehensive loss, net of tax	**(2,887,965)**	(2,052,906)	(835,059)	40.7
	₱8,696,023	₱29,637,132	(₱20,941,109)	(70.7)

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 one-off gains totaling ₱33.3 billion recognized in 2021, and increase in net changes in other comprehensive loss by ₱0.8 billion or 40.7%.

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 in 2020. Movements in net income are primarily due to the following:

- **Net Interest Income**

(in thousands)	**2021**	2020	Increase/ (Decrease)	%
Interest income	**₱42,402,377**	₱46,950,449	(₱4,548,072)	(9.7)
Interest expense	**7,557,550**	11,129,986	(3,572,436)	(32.1)
	₱34,844,827	₱35,820,463	(₱975,636)	(2.7)

Net interest income amounted to ₱34.8 billion, lower by 2.7% or ₱1.0 billion compared to 2020. Total gross interest income decreased by 9.7% or ₱4.5 billion to ₱42.4 billion from ₱46.9 billion in 2020 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 ₱7.6 billion from ₱11.1 billion in 2020 primarily due to reduction in levels of high-cost deposits as compared to 2020.

- **Net Services Fees and Commission Income**

(in thousands)	**2021**	2020	Increase/ (Decrease)	%
Services fees and commission income	**₱6,340,326**	₱4,684,572	₱1,655,754	35.3
Services fees and commission expense	**1,051,376**	983,186	68,190	6.9
	₱5,288,950	₱3,701,386	₱1,587,564	42.9

Net service fees and commission income increased by ₱1.6 billion or 42.9% at ₱5.3 billion for the year ended December 31,2021 from ₱3.7 billion for the year ended December 31, 2020 due to higher loan-related and deposit-related fees, as well as significant bancassurance and underwriting fees recognized during 2021. This was supplemented by upward traction on fees from the increasing use of the Bank's digital platform.

- **Other Operating Income**

(in thousands)	**2021**	2020	Increase/ (Decrease)	%
Net gains on sale or exchange of assets	**₱981,462**	₱195,842	₱785,620	401.1
Foreign exchange gains – net	**743,549**	919,555	(176,006)	(19.1)
Trading and investment securities gains (losses) – net	**731,572**	3,337,589	(2,606,017)	(78.1)
Equity in net earnings (losses) of subsidiaries and an associate	**50,789**	88,476	(37,687)	(42.6)
Miscellaneous	**1,070,047**	1,244,699	(174,652)	(14.0)
	₱3,577,419	₱5,786,161	(₱2,208,742)	(38.2)

Other operating income decreased by ₱2.2 billion in 2021 or 38.2%, mainly coming from the decline in Trading and investment securities gains of ₱2.6 billion, partially offset by the ₱0.8 billion increase in Net gain on sale or exchange of assets.

- **Other Income**

(in thousands)	**2021**	2020	Increase/ (Decrease)	%
Gain on loss of control of subsidiaries - net	**₱16,807,275**	₱–	₱16,807,275	100.0
Gain on remeasurement of retained interest	**16,477,968**	–	16,477,968	100.0
	₱33,285,243	₱–	₱33,285,243	100.0

In 2021, the Group recognized one-off gains: 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.

- **Operating Expenses**

(in thousands)	**2021**	2020	Increase/ (Decrease)	%
Compensation and fringe benefits	**₱9,985,822**	₱10,167,173	(₱181,351)	(1.8)
Taxes and licenses	**3,988,371**	4,551,142	(562,771)	(12.4)
Depreciation and amortization	**2,845,717**	3,154,568	(308,851)	(9.8)
Occupancy and equipment-related costs	**1,124,166**	990,650	133,516	13.5
Miscellaneous	**8,202,755**	9,013,439	(810,684)	(9.0)
	₱26,146,831	₱27,876,972	(₱1,730,141)	(6.2)

Total operating expenses amounted to ₱26.1 billion for the year ended December 31, 2021, ₱1.7 billion or 6.2% lower compared to previous year, mainly due to the decrease of ₱0.8 billion in Miscellaneous expenses as the Bank recognized loss on loan modifications in 2020 for certain loans of borrowers impacted by the COVID-19 pandemic, in compliance with the Bayanihan Act, and ₱0.6 billion in Taxes and licenses.

- **Provision for Impairment, Credit and Other Losses and Impairment in Value of Goodwill**

	December 31		Increase/	
(in thousands)	**2021**	2020	(Decrease)	%
Provision for Impairment, Credit and Other Losses	**₱10,725,014**	₱16,882,621	(₱6,157,607)	(36.5)
Impairment in Value of Goodwill	**₱2,153,997**	₱–	₱2,153,997	100.0

The Group recorded lower provisions for impairment, credit and other losses at ₱10.7 billion for the year ended December 31, 2021 compared to the ₱16.9 billion provisions recognized in prior year in anticipation of the impact of the COVID-19 pandemic to the Group's loan portfolio. In 2021, the goodwill impairment test performed by the Group resulted in an impairment in value of goodwill by ₱2.2 billion.

The Group's total consolidated comprehensive income was composed of the following:

(in thousands)	**2021**	2020	Increase/ (Decrease)	%
Net income	**₱31,690,038**	₱2,625,488	₱29,064,550	1107.0
Other comprehensive loss, net of tax	**(2,052,906)**	(2,196,731)	143,825	(6.5)
	₱29,637,132	₱428,757	₱29,208,375	6812.3

Total comprehensive income for the year ended December 31, 2021 amounting to ₱29.6 billion registered an improvement of ₱29.2 billion compared to last year mainly due to the higher Net income during the year.

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. 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 (CAR):
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 available-for-sale securities 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 were 17.70%, 15.38%, and 13.66%, as of December 31, 2023, 2022, and 2021, 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 NPL ratio of the Group, net of valuation reserves, is at 2.46% as of December 31, 2023, compared to 2.58% at end of 2022. Gross NPL ratio is at 6.26% at end of 2023 compared to 6.34% at end of 2022.

- Profitability

	Years Ended	
	12/31/23	12/31/22
Return on equity (ROE)[1/]	**9.95%**	**7.00%**
Return on assets (ROA)[2/]	**1.53%**	**0.99%**
Net interest margin (NIM)[3/]	**4.23%**	**3.61%**

[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

  As of December 31, 2023 and 2022, the Liquidity Coverage Ratio reported to the BSP is at 271.54% and 246.25%, well-above the minimum regulatory requirement of 100.00% at all times. The ratio of current assets to current liabilities was at 70.57% as of December 31, 2023 compared to 64.68% as of December 31, 2022.

- Cost Efficiency

  The ratio of total operating expenses to total operating income resulted to 49.56% for the year ended December 31, 2023 compared to 54.47% in the previous year.

Known Trends, Demands, Commitments, Events, and Uncertainties

The Bank presently has more than adequate liquid assets to meet known funding requirements, and there are no known trends, demands, commitments, events, or uncertainties that will have a material impact on the Bank's liquidity.

Events that Will Trigger Direct or Contingent Financial Obligation

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. 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.

Material Off-Balance Sheet Transactions, Arrangement, or Obligation

The summary of material off-balance sheet transactions, arrangement, or obligations (including contingent obligations) is discussed in Note 41 (Report on the Supplementary Information Required Under BSP Circular No. 1074) of the accompanying audited financial statements of the Group as attached under Exhibit I.

Capital Expenditures

In line with the Bank's digital transformation initiatives and enhancing customer banking experience strategy, and technology upgrades account for the bulk of the Bank's capital expenditures for 2023. Capital expenditures are funded from the proceeds of the sale of acquired assets and funds generated from the Bank's regular operations.

Significant Elements of Income or Loss

Significant elements of the Bank's revenues consist mainly of net interest income, service fees, net trading gains and gains from disposal of reacquired properties while the Bank's expenses consist mainly of staff cost, depreciation and amortization of assets and provisions for probable losses. Please refer to the discussions on the results of operations for further details.

Seasonal Aspects

There was no seasonal aspect that had material effect on the Bank's financial condition or results of operations.

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 of the Bank as at December 31, 2023 (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	4,648,865	29,065	4,677,930
Surplus	86,227,821	5,946,348	92,174,169
Net unrealized loss on available-for-sale investments	(1,910,046)	187,393	(1,722,653)
Remeasurement losses on retirement plan	(2,603,355)	(125,187)	(2,728,542)
Accumulated translation adjustment	2,002,510	(2,842)	1,999,668
Other equity reserves	390,517	–	390,517
Share in aggregate reserves on life insurance policies	24,246	–	24,246
TOTAL	**₱181,917,712**	**₱6,034,777**	**₱187,952,489**

To view or download the digital copy of the full PNB 2023 Annual Report, Audited Financial Statements and Management's Discussion and Analysis, you may visit:

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