



Office of the EVP and Chief Financial Officer

Trunk Lines: 8526-3131 to 70/8891-6040 to 70
Local: 4474

April 12, 2024

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Dear Mesdames:

In compliance with the reportorial requirements of Section 17 of the Securities Regulation Code (SRC) and Section 177 of the Revised Corporation Code of the Philippines, we provide you the SEC Form 17-A report of the Philippine National Bank as of December 31, 2023.

Very truly yours,

A handwritten signature in black ink, appearing to read "Francis B. Albalate".

FRANCIS B. ALBALATE
Executive Vice President &
Chief Financial Officer

**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-A**

**ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND
SECTION 177 OF THE REVISED CORPORATION CODE OF THE PHILIPPINES**

- For the fiscal year ended : **December 31, 2023**
- Commission Identification No. : **AS096-005555**
- BIR Tax Identification No. : **000-188-209-000**
- Exact name of issuer as specified in its charter : **Philippine National Bank**
- Province, country or other jurisdiction of incorporation or organization : **Metro Manila, Philippines**
- Industry Classification Code : (SEC Use Only)
- Address of principal office : **PNB Financial Center, Pres. Diosdado P. Macapagal Blvd. Pasay City, 1300**
- Issuer's telephone number, including area code : **(632) 8891-60-40 up to 70 / (632) 8526-3131 to 70**
- Former name, former address, and former fiscal year, if changed since last report : **N/A**
- Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA

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

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

Yes [] No []

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

- Indicate by check mark whether the registrant:

a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11 (a) – 1 thereunder, and Sections 25 and 177 of the Revised Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports)

Yes [] No []

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

Yes [] No []

13. Aggregate market value of the voting stock held by non-affiliates: P28,226,649,725 *

*1,525,764,850 common shares @ P18.50 trading price of PNB shares as of December 31, 2023

SEC FORM 17-A ANNUAL REPORT

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PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

A. Business Development

The Philippine National Bank (PNB or the “Bank”), the country’s first universal bank, is one of the largest local private commercial banks in terms of assets, net loans and receivables, capital and deposits. Listed with the Philippine Stock Exchange, the shares of PNB are 59.83% owned by LT Group, Inc. (LTG) through its various holding companies. As of December 31, 2023, the Bank has a distribution network of 631 domestic branches and offices and 1,680 automated teller machines (ATM) in the Philippines. In addition, it has the widest international footprint among Philippine banks spanning Asia, Europe, the Middle East and North America with its overseas branches, representative offices, remittance centers and subsidiaries. The Bank is regulated by the Bangko Sentral ng Pilipinas (BSP).

For over 100 years, PNB stands proud as an institution of stability and security for many generations of Filipinos here and abroad. With its century of banking history and experience, PNB is poised to move forward to becoming a more dynamic, innovative and service-focused bank, providing service excellence to Filipinos all over the world.

The Bank was established as a government-owned banking institution on July 22, 1916. As an instrument of economic development, the Bank led the industry through the years with its agricultural modernization program and trade finance support for the country’s agricultural exports, pioneering efforts in the Overseas Filipino Workers’ (OFW) remittance business, as well as the introduction of many innovations such as “Bank-on-Wheels”, computerized banking, ATM banking, mobile money changing, domestic traveler’s checks, and electronic filing and payment system for large taxpayers. PNB has the widest overseas network and one of the largest domestic branch networks among local banks.

On February 9, 2013, the Bank concluded its merger with Allied Banking Corporation (ABC) to enable the two banks under the LTG umbrella to advance their long-term strategic business interests as they capitalized on their individual strengths and markets.

To support the Bank’s efforts to diversify its funding sources to meet the financial needs of its clients, PNB offered series of Long-Term Negotiable Certificates of Time Deposit (LTNCDs) in 2017 and 2019, which extend the maturity profile of the Bank’s liabilities as part of overall liability management and to raise long-term funds for general corporate purposes. In April 2018, PNB also successfully issued in Singapore and Hong Kong its 5-year Fixed Rate Senior Notes worth US\$300 million out of its US\$1 billion Medium Term Note (MTN) Programme. This marked the first time that PNB tapped the international bond market for medium term dollar funding. The proceeds of the Notes were used to support PNB’s loan expansion as the Bank took advantage of the country’s sustained economic growth.

In July 2019, the Bank successfully issued and listed 276,625,172 common shares priced at ₱43.38 per share from its stock rights offering. The net proceeds from the offering amounting to ₱11.7 billion were used to enhance PNB’s presence in emerging growth areas.

In March 2020, PNB fully integrated its wholly-owned thrift bank subsidiary, PNB Savings Bank (PNBSB), into the parent bank through the acquisition of its assets and assumption of its liabilities in exchange for cash. With the integration, PNB was able to deliver a more efficient banking experience and serve a wider customer base, while the customers of PNBSB had access to PNB’s diverse portfolio of financial solutions.

In November 2020, PNB and PNB Holdings Corporation (PHC) entered into an agreement for the sale of their respective equity investment in PNB General Insurers Co., Inc. (PNB Gen), a former subsidiary of the PNB Group engaged in nonlife insurance business. The sale of the shares in PNB Gen marked the PNB Group's exit from the nonlife insurance space.

In 2021, as part of its strategies to monetize its low-earning assets, PNB subscribed to additional 466,770,000 shares of PHC in exchange for certain real estate properties with fair values of ₱46.7 billion. Afterwards, PNB declared property dividends of up to 239,353,710 common shares of PHC with a par value of ₱100.00 per share, to all stockholders of record as of May 18, 2021. In the same year, PNB received the Certificate of Filing the Notice of Property Dividend Declaration issued by the Securities and Exchange Commission.

Amidst the challenging COVID-19 pandemic and varying degrees of community lockdowns in 2020, PNB deployed its "Bank-on-Wheels" in Metro Manila and some provinces where travel was restricted to provide easy and convenient access to cash for its clients. "Bank-on-Wheels" are mobile ATMs that allow customers to conveniently perform transactions such as cash withdrawal, cash deposit, bills payment, and fund transfer. Furthermore, the Bank provided a point-of-sale network that allowed bank customers to conveniently withdraw cash from 100 select branches of a leading pawnshop chain. In addition, the Bank partnered with a logistics company to make it easier and safer for small and medium businesses across the country to receive payments and manage cash flows during the community lockdowns. With these, the Bank was honored by The Asian Banker as the "Best Managed Bank" in 2020 for PNB's response to the challenges brought about by the community lockdowns imposed due to the pandemic.

In November 2023, to provide convenient financial services to OFWs, PNB opened a branch at the Department of Migrant Workers (DMW) Building. The establishment of this branch reflects the Bank's commitment to serve OFWs seeking reliable banking solutions as PNB offers a range of services tailored to their requirements. This customer-centric approach is consistent with the Bank's strategy of being a supportive financial partner for the OFWs.

In affirmation of the Bank's well-managed operations, PNB has also received awards from various organizations and other international award-giving bodies. PNB has been recognized by Asiamoney as "Best Bank for Investment Research" for three consecutive years, which is a testament to the Bank's contribution in helping its clients make sound investment decisions by sharing their insights on equities, industries, and the Philippine economy. In April 2023, Forbes media ranked PNB as "2nd Best Bank in the Philippines" in its list of 2023 World's Best Banks. The Forbes ranking is based on a worldwide survey of 48,000 banking customers in 32 countries, where banks were rated in terms of general satisfaction, recommendation, trust, terms and conditions, digital services, customer services, and financial advice. In April 2021, the employment-related online platform LinkedIn ranked PNB as "#1 LinkedIn Top Companies 2021" list in the Philippines, a ranking of the 15 best workplaces to grow one's career. Apart from these, over the past few years, the Bank was recognized as "Best KYC and Customer Onboarding Technology of the Year" by The Asian Banker; "Mortgage and Home Loan Product of the Year" by The Asian Banking and Finance for the Bank's "Own a Philippine Home Loan"; "Top Fixed-Income Brokering Participant" and one of the "Top Five Fixed-Income Cash Settlement Banks" by the Philippine Dealing System Holdings Corp.; "Best Disbursement Partner" in the Commercial Bank category and "Best Collection Partner" in the Overseas Bank category by the Social Security System; "Runner Up for Transparency and Reporting" by the European Union and the UN Women; one of "Asia's Most Influential Companies" by the Asia Corporate Excellence and Sustainability Awards; one of the "Best Managed Funds" under the Peso Equity Fund category by the Chartered Financial Analyst® Society of the Philippines for the Bank's High Dividend Fund; "Best Bank for Corporate Social Responsibility" by the International Business Magazine Awards, among others.

In June 2023, PNB was recognized twice in the Asia Responsible Enterprise Awards 2023 for the following categories: (1) Corporate Governance category for adhering and maintaining the quality and completeness of disclosure and reporting of governance practices in annual reports of business entities in the public and private sectors; and (2) Corporate Sustainability Reporting category for the Bank’s comprehensive sustainable reporting in disclosure, transparency, and credibility while bridging the social, environmental, and economic issues affiliated to the business. PNB has also been a recipient of the “Four Golden Arrow Award” for three consecutive years. The award is given by the Institute of Corporate Directors and is the highest corporate governance award given to the country’s top publicly listed companies based on the 2023 ASEAN Corporate Governance Scorecard assessment results.

In October 2023, PNB won the Philippines’ “Digital Experience of the Year – Banking” accolade at the Asian Experience Awards 2023. The PNB Digital App was cited for offering clients a superior banking experience with its fresh look, intuitive design, and quick access to frequent banking transactions via a customizable dashboard. The PNB Digital App was designed to meet the growing demand for reliable and secure online banking solutions and offers an array of features tailored to enhance the banking experience for PNB customers.

The following presents the Bank’s significant subsidiaries:

Domestic Subsidiaries:

Allied Integrated Holdings, Inc. (AIHI)
(formerly PNB Savings Bank)

Prior to its conversion as a holding company in 2021, the company was formerly PNB Savings Bank (PNBSB), the thrift banking arm of the PNB Group. Effective March 1, 2020, PNBSB was integrated to the parent bank through the acquisition of the former’s assets and assumption of its liabilities in exchange for cash. On March 5, 2020, PNBSB surrendered its thrift bank license to the BSP, and consequently converted into a holding company and changed its name to “Allied Integrated Holdings, Inc.” on December 3, 2020. The SEC also approved the change in name on February 23, 2021. On February 10, 2022, the SEC approved the Amended Articles of Incorporation and By-Laws and decrease in authorized capital stock of AIHI.

PNB Capital and Investment Corporation (PNB Capital)

PNB Capital, a wholly-owned subsidiary of the Bank, is licensed by the SEC to operate as an investment house with a non-quasi-banking license. It was incorporated on July 30, 1997 and commenced operations on October 8, 1997.

Its principal business is to provide investment banking services which include debt and equity underwriting, private placement, loan arrangement, loan syndication, project financing and general financial advisory services, among others. PNB Capital is authorized to buy and sell, for its own account, securities issued by private corporations and the Philippine Government. PNB Capital distributes its structured and packaged debt and equity securities by tapping banks, trust companies, insurance companies, retail investors, brokerage houses, funds and other entities that invest in such securities.

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” by the Asian Banking and Finance, Corporate and Investment Banking Awards 2023; and “Green Project of the Year”, “Best Initial Public Offering”, “Best New Bond”, and “Best Transition Bond” by The Asset Triple A Awards.

PNB Securities, Inc.
(PNB SI)

PNB SI is a wholly-owned subsidiary of the Bank incorporated on January 18, 1991 and is a member of the Philippine Stock Exchange (PSE). As a securities dealer, it is engaged in the buying and selling of securities listed in the PSE either for its own account as dealer or for the account of its customers as broker.

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.

**PNB-Mizuho Leasing
and Finance
Corporation (PMLFC)**
(formerly PNB-IBJL
Leasing and Finance
Corporation)

PMLFC, a joint venture between the Bank (75%) and Mizuho Leasing Company (25%), was incorporated on April 24, 1996 as a financing company under Republic Act No. 8556 (the amended Finance Company Act). Its major activities are financial lease (direct lease, sale-leaseback, lease-sublease and foreign currency leasing), operating lease (through wholly-owned subsidiary, PNB-Mizuho Equipment Rentals Corporation), term loans (for productive capital expenditures secured by chattel mortgage), receivable discounting (purchase of short-term trade receivables and installment papers) and floor stock financing (short-term loan against assignment of inventories, e.g., motor vehicles).

On March 3, 2020, the SEC approved the change of its corporate name.

On June 24, 2022, the Board of Directors (BOD) of the Bank approved the proposal to amend the Articles of Incorporation of PMLFC, shortening its corporate term to March 31, 2024, subject to necessary approvals. On December 23, 2022 the SEC approved the above amendment. The Bank and its joint venture partner, Mizuho Leasing Co. Ltd., mutually agreed to wind down operations of PMLFC due to the impact of the COVID-19 pandemic to the operations of the joint venture company and the domestic leasing industry.

**PNB-Mizuho
Equipment Rentals**

PMERC, a wholly-owned subsidiary of PMLFC, was incorporated on July 3, 2008 as a rental company and started commercial

Corporation (PMERC)
(formerly PNB-IBJL
Equipment Rentals
Corporation)

operations on the same date. It is engaged in the business of renting all kinds of real and personal properties. On November 22, 2023, the SEC approved the amendment to the Articles of Incorporation of PMERC, shortening its corporate term to December 31, 2024.

Foreign Subsidiaries:

**Allied Commercial
Bank (ACB)**

ACB is a majority-owned (99.04%) subsidiary of PNB and was formerly known as Xiamen Commercial Bank. ACB maintains its head office in Xiamen, Fujian, China and has a branch in Chongqing which was established in 2003.

Since its establishment in 1993, until 2017, ACB was allowed to deal only in foreign currency-denominated products and services. In 2017, local currency or CNY-denominated products and services were allowed except to local residents. Finally in 2020, after many years of hard work, ACB has obtained a banking license that allows offering services to all market segments with all traditional banking products, denominated in local or foreign currencies.

ACB is a full-service commercial bank specializing in international trade finance and loans to micro, small and medium-sized industries/enterprises. Its deposit products are no less varied and competitive. In 2020, ACB launched its enterprise internet banking system which adds much sought-after convenience to its corporate depositors. In 2023, ACB recently enhanced its system to automate its credit management. It continues to innovate to deliver financial products and services the banking public needs and deserves.

**Allied Banking
Corporation (Hong
Kong) Limited
(ABCHKL)**

ABCHKL is a private limited company incorporated in Hong Kong in 1978 and is licensed as a restricted license bank under the Hong Kong Banking Ordinance. By virtue of the merger between PNB and ABC in February 2013, PNB now owns 51% of ABCHKL.

It provides a full range of commercial banking services predominantly in Hong Kong, which include deposit-taking, lending and trade financing, documentary credits, participation in loans syndications and other risks, money market and foreign exchange operations.

ABCHKL has one branch license and a wholly owned subsidiary incorporated also in Hong Kong, ACR Nominees Limited, which provides non-banking general services to its customers. It is a Trust or Company Service Provider licensee in Hong Kong.

**Philippine National
Bank (Europe) Plc
(PNB Europe)**

PNB Europe was originally set up as a PNB London Branch in 1976. In 1997, it was converted as a wholly owned subsidiary bank of PNB, incorporated in the United Kingdom with a full banking license. In 2007, PNB Europe opened its branch in Paris, France, where it engaged in remittance services and ceased its operations after August 31, 2017. PNB Europe is authorized by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Following the conclusion of the Brexit transition period in 2020, PNB Europe

continues to provide services to Filipinos in the region through its UK office as well as its web and phone remittance platforms.

PNB Global Remittance & Financial Company (HK) Limited (PNB Global)

PNB Global is a wholly-owned subsidiary of the Bank and is registered with the Registrar of Companies in Hong Kong.

On July 1, 2010, PNB Global assumed the remittance business of PNB Remittance Center, Ltd. with the former as the surviving entity. It now operates as a lending and remittance company. As of December 31, 2023, it maintains six (6) offices in Hong Kong which are strategically situated in Shatin, Yuen Long, Tsuen Wan, North Point, and two in Worldwide House in Central District of Hong Kong. Its remittance business is regulated by the Customs and Excise Department of Hong Kong.

PNB International Investment Corporation (PNB IIC)

PNB IIC is a wholly-owned subsidiary of the Bank. It is a non-bank holding company incorporated in California, USA on December 21, 1979.

PNB IIC owns PNB Remittance Centers, Inc. (PNBRCI) which was incorporated in California, USA on October 19, 1990. PNBRCI is a company engaged in the business of transmitting money to the Philippines. As of December 31, 2023, PNBRCI has 19 branches in six states in the USA. PNBRCI owns PNBRCI Holding Company, Ltd. which was also incorporated in California, USA on August 18, 1999. PNBRCI Holding Company, Ltd. is the holding company of PNB Remittance Company Canada (PNBRCC). PNBRCC is also a money transfer company incorporated in Canada on April 26, 2000. PNBRCC has 5 branches and 1 sub-branch as of year-end 2023.

PNBRCI is regulated by the U.S. Internal Revenue Service and the Department of Business Oversight of the State of California and other state regulators of licensed money transmitters. PNBRCC is regulated by the Office of the Superintendent of Financial Institutions of Canada and Financial Transactions and Reports Analysis Centre of Canada.

B. Business Description

1. Products and Services

PNB, through its Head Office and 631 domestic branches/offices, 1,680 ATMs nationwide and 73 overseas branches, representative offices, remittance centers and subsidiaries, provides a full range of banking and financial services to corporations, small and medium markets, retail customers, various government units and agencies. PNB's principal commercial banking activities include deposit-taking, lending, trade financing, foreign exchange dealings, bills discounting, fund transfers/remittance servicing, asset management, treasury operations, comprehensive trust services, retail banking, digital banking and other related financial services.

Its banking activities are undertaken through the following groups within the Bank, 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. RBS 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 low 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 nonlife) to existing customers as well as referrals of customers.

The International Banking and Remittance Group (IBRG) under RBS manages the Bank's overseas business through its branches and offices across Asia, Middle East, North America, and Europe. As part of RBS, IBRG 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 i.e., Own a Philippine Home Loan (OPHL) that 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 provide excellent delivery of services to its customers, 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 in November 2023, consolidating the Cards and Payments Solutions Group (CPSG) and the Retail Lending Group (RLG) together with selected Retail Lending Operations Department functions.

CFS 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. It 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 establishment, expansion, and overall management of the Bank's relationships with corporate clients. The Corporate Banking Group (CBG) supports IBS' large corporate clients, while the Commercial Banking Group oversees relationships with middle market and SME customers located in Metro Manila and provincial areas. The CBG offers a comprehensive suite of well-crafted products and services designed to meet complex requirements of its clients.

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

IBS also contributes significantly to the growth in the Bank's deposits and fee-based income through value-adding services offered by the Institutional Transaction Banking Group (ITBG). The

Bank's Ecosystem Division and Cash Management Solutions Division were consolidated into ITBG to capture the entire value chain 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. GBMS also capitalizes on opportunities in capital markets as the economy continues to recover. Furthermore, it 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. TBG'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. DIG 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.

2. Competition

In the Philippines, the Bank faces competition in all its principal areas of business, from both Philippine (private and government-owned) and foreign banks, as well as finance companies, mutual funds and investment banks. The competition that the Bank faces from both domestic and foreign banks was in part a result of the liberalization of the banking industry with the entry of foreign banks under Republic Act (R.A.) 7721 in 1994 and R.A. 10641 in 2014, as well as the mergers and consolidations in the banking industry. As of December 31, 2023, based on data from the BSP, there are 45 universal and commercial banks, of which 16 are private domestic banks, 3 are government banks and 26 are branches or subsidiaries of foreign banks. To maintain its market position in the industry, the Bank offers diverse products and services, invests in technology, leverages on the synergies within the Lucio Tan Group of Companies and builds on relationships with the Bank's other key customers.

The Bank also faces competition in its operations overseas. In particular, the Bank's stronghold in the remittance business in 17 countries in North America, Europe, the Middle East and Asia is being challenged by competitor banks and non-banks. As of December 31, 2023, the Bank has a distribution network of 631 domestic branches and offices and 1,680 ATMs nationwide. The Bank is one of the largest local private commercial banks in the Philippines in terms of consolidated total assets, net loans and receivables, capital and deposits as well as with regard to branch network. In addition, it has the widest international footprint among Philippine banks spanning Asia, Europe, the Middle East and North America with its overseas branches, representative offices, remittance centers and subsidiaries.

3. Revenue Derived from Foreign Operations

The percentage contributions of the Group's offices in Asia, Canada and USA, and United Kingdom to the Group's revenue, for the years 2023, 2022, 2021 are as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Asia (excluding the Philippines)	3.6%	2.0%	1.8%
Canada and USA	1.4%	1.4%	0.8%
United Kingdom	0.2%	0.2%	0.1%

4. New Products and Services

In 2023 and 2022, PNB introduced the following new products, among others, for its customers:

a. Digital Foreign Exchange (D-FX)

A web-based application offered to clients who want to buy or sell foreign exchange. The D-FX is expected to increase productivity and improve process efficiency which will result to better client coverage.

b. Value-Adding Services

UITF Online – Allows customers to invest and effectively manage their UITF portfolio. Available UITF services in PNB Digital includes subscription, redemption, updating customer's settlement account and risk profile.

Viewing of Credit Card PIN – Enables PNB Credit Cardholders to safely view their Credit Card PIN when doing POS payments or making ATM cash advances.

Viewing Credit Card Installment and Unposted Transactions – Enhances credit card transaction history facility to enable viewing of incoming or pre-authorized transactions, as well as viewing of transactions enrolled to installment payment program.

Instapay Multi-proxy Service – Enables customers to receive funds by sharing their registered email or mobile number to their sender without the need for them to share their PNB account numbers.

c. Save and Soar Promo

Eligible accountholders enrolled in the promo shall receive Mabuhay Miles points that can be converted into PAL Mabuhay Miles, free one year ATMSafe Plus Insurance coverage for one nominated PNB peso checking or savings account or one electronic raffle entry for a chance to win two round trip business class flights to New York, USA, which shall be awarded in the form of peso equivalent PAL electronic gift card.

d. Bayad Biller arrangement with NBI

The Bank launched NBI as another Bayad Biller in the PNB Digital App. Customers are now able to pay for their NBI clearance application anytime and anywhere using the PNB account via PNB Digital.

e. Partnership arrangement with Ascent HR

AscentHR is a platform provider for companies to more efficiently perform their timekeeping, human resource management and payroll functions. The suite of services offered by AscentHR well complements PNB's payroll disbursement service (Paywise). The partnership intends to expand the services the Bank offers its clients.

f. QR PH

Through its partnership with GHL Systems, Inc., the Bank was able to deploy payment acceptance via Instapay PH digital QR codes programmed into GHL POS terminals.

g. Bills Pay PH

In December 2023, PNB went live as Receiving Financial Institution in Instapay Bills Pay PH. The Bank is currently under pilot with three nominated billers: Allied Bankers Insurance Corporation, Eton Properties Philippines Inc., and Belton Communities Inc. Instapay Bills Pay PH is an interoperable bills payment facility that enables customers to pay bills to participating billers from any participating mobile banking/e-wallet application.

h. Paywise Bundling with insurance coverage via ABIC

To further enhance the value proposition of PNB's payroll disbursement service and employees' PNB payroll accounts, the Bank has partnered with Alliedbankers Insurance Corporation to offer personal accident insurance.

5. Related Party Transactions

Information related to transactions with related parties and with certain Directors, Officers, Stockholders and Related Interests (DOSRI) is shown under Note 33 of the Audited Consolidated Financial Statements of the Group and Exhibit IV of the Supplementary Schedules Required by SRC Rule 68 Annex J.

6. Patents, Trademarks, Licenses, Franchises, Concessions and Royalty Agreements

The Bank's operations are not dependent on any patents, trademarks, copyrights, franchises, concessions, and royalty agreements.

7. Government Approval of Principal Products or Services

Generally, e-banking products and services require BSP approval. New deposit products require notification to the BSP. The Bank has complied with the aforementioned BSP requirements.

8. Estimate of Amount Spent for Research and Development Activities

The Bank provides adequate budget for the development of new products and services which includes hardware and system development, continuous education and market research. Estimated amount spent for 2023, 2022 and 2021 totaled ₱733.3 million, ₱707.6 million and ₱755.5 million, respectively.

9. Number of Employees

The total employees of the Bank as of December 31, 2023 is 8,327, of which 4,509 are classified as Bank Officers and 3,818 as rank and file employees, broken down as follows:

As of December 31, 2023	Total
Officers:	
Vice President and up	155
Senior Assistant Vice President to Assistant Manager	<u>4,354</u>
Sub-total	4,509
Rank and File	<u>3,818</u>
Total	<u>8,327</u>

The Bank will continue to pursue selective and purposive hiring strictly based on business requirements. The Bank has embarked on a number of initiatives to improve operational efficiency.

The Bank's regular rank and file employees are represented by a Union. Total union membership is 3,179 out of 3,818 rank and file employees or 83% of the total rank and file population. The Bank has a Collective Bargaining Agreement which was renewed for a three-year period from July 1, 2022 to June 30, 2025.

The Management of the Bank considers its relations with its employees and the Union as harmonious and mutually beneficial. Industrial peace is continuously being enjoyed by both Management and the organized Union.

10. Risk Management

Major risk/s and Procedures Being Taken to Address the Risks

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, it remains committed to comply with the regulatory guidelines and legislative framework in each of the jurisdictions it operates in.

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

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. The Board of Directors, through the Risk Oversight Committee (ROC), exercises oversight and provides guidance to experienced Senior Management Team who, through the Management Risk Committee (MRC), works closely with the business lines in managing risk.

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.

There are nine (9) Board Committees, as follows:

- Executive Committee (EXCOM)
- Board Strategy & Policy Committee (BSPC)
- Board Audit & Compliance Committee (BACC)
- Board Oversight Related Party Transaction Committee (BORC)
- Corporate Governance Committee (CorGov)
- Board Information Technology Governance Committee (BITGC)
- Risk Oversight Committee (ROC)
- Board Overseas Offices Oversight Committee (BOOOC)
- Trust Committee (TrustCom)

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

The risk management policy includes:

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

ROC membership is composed of at least nine (9) 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.

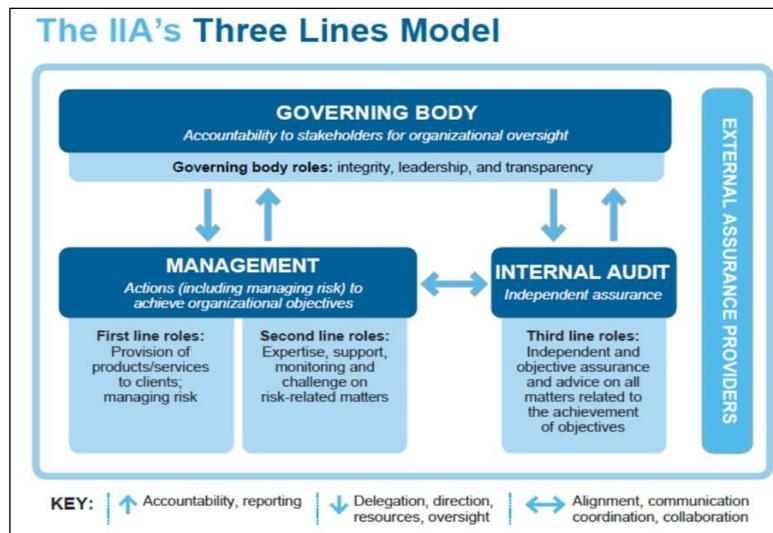
The members shall possess a range of expertise as well as adequate knowledge of the Bank's risk exposures. They must also meet the membership requirements of the Securities and Exchange Commission (SEC), the BSP, and other applicable laws, rules, and regulations.

Approved by the Board of Directors in 2020, the MRC was created as a forum 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 MRC periodically assesses whether the Bank’s risk appetite statements are aligned with the business strategy and the overall objectives.

The approach to managing risk is outlined in the Bank’s ERMF which creates the context for setting policies, standards, and establishing the right practices. It defines the risk management processes and sets out the activities, tools, and organizational structure to ensure material risks are identified, measured, monitored and managed.

The risk management framework banks on a dynamic process that supports the development and implementation of the 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 well and has been resilient through economic cycles. The Bank has placed a strong reliance on this risk governance framework with the three lines model of The Institute of Internal Auditors (IIA): Governing Body, Management, and Internal Audit:



Governance requires the implementation of appropriate structures and processes that enable accountability to stakeholders, action by management to manage risk and assurance by an internal audit function. Through the Board of Directors, the governing body ensures there is an effective governance structure in place where the Bank’s objectives and activities are aligned with the interests of its stakeholders. It also delegates responsibility to management, with the necessary resources, in achieving the Bank’s objectives while ensuring that 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 ERMF 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 manage 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 and 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. 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 the Bank's control, governance and risk management processes. It reports its findings to Management and the BACC 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.

RMG is independent from the business lines and monitors the following risk areas:

- Business Continuity Management;
- Credit Risk;
- Market, Liquidity and Interest Rate Risk;
- Model Risk;
- Operational Risk,
- Trust Risk, and
- Vendor Risk Monitoring.

Implementation of the processes and procedures that support the policies for risk management applicable to PNB is monitored. 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 ERMF recognizes model validation as an 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. 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, RMG engages with all levels of the Bank's business and support groups, including domestic and overseas branches and offices, including subsidiaries. This ensures that risk management and monitoring are embedded at origination.

The risk management system and the directors' criteria for assessing its effectiveness are revisited on an annual basis and limit settings are discussed with the business units and presented to the ROC for endorsement for final BOD approval.

In line with the integration of the BSP required ICAAP and risk management processes, PNB currently monitors 11 Material Risks (3 for Pillar 1 and 8 for Pillar 2). These material risks are as follows:

Pillar 1 Risks:

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

Pillar 2 Risks:

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

Pillar 1 Risk Weighted Assets are computed based on the guidelines set forth in BSP Circular No. 538, Series of 2006 using the Standard Approach for Credit and Market Risks and Basic Indicator Approach for Operational Risks. Discussions that follow below are for Pillar 1 Risks with specific discussions relating to Pillar 2 risks mentioned above:

Risk Categories and Definitions

Under the ERMF, all risk-taking business units, including domestic and foreign subsidiaries, shall perform comprehensive assessment of all material risks. This is accomplished annually, and/or more often, 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 Bank broadly classify and define risks into the following categories and manage the risks according to their characteristics. These are monitored accordingly under the enterprise ICAAP 2023 program:

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
Credit Risk (including Credit Concentration Risks and Counterparty Risks)	<p>Credit risk is the risk to earnings or capital that arises from an obligor/s, customer/s or counterparty's failure to perform and meet the terms of its contract.</p> <p>Credit concentration risk arises from excessive exposures to individual counterparties, groups of related counterparties and groups of counterparties with similar characteristics (e.g., counterparties in specific geographical locations, economic or industry sector). Its potential loss implications are large enough relative to a bank's capital, total assets, or overall risk level, to threaten a financial institution's health or ability to maintain its core operations. It is inherent in a bank's assets, liabilities or off-balance sheet items, through the execution or processing of transactions (either product or service), or through a combination of exposures across these broad categories. The potential for loss reflects the size of the position and the extent of loss given a particular adverse circumstance. (BSP MORB Sec 301.6, Series of 2009; BCBS)</p>	<p>Loan Portfolio Analysis</p> <p>Credit Dashboards</p> <p>Credit Review</p> <p>Credit Model Validation</p>	<p>Trend Analysis (Portfolio / Past Due and NPL Levels</p> <p>Monitoring of Compliance to Regulatory and Internal Limits</p> <p>Stress Testing</p> <p>Rapid Portfolio Review</p> <p>Monitoring of Credit Risk Migration</p> <p>Movement of Portfolio Concentrations and Demographics Review</p> <p>Large Exposure Report</p> <p>Country Limits Monitoring</p> <p>Adequacy of Loan Loss Reserves Review</p> <p>Post Credit Review</p>
Market Risk	<p>Market risk is the risk to earnings or capital arising from adverse movements in factors that affect the market value of financial instruments, products and transactions in an institution's overall portfolio, both on or off-balance sheet and contingent financial contracts. Market risk arises from market-making, dealing and position taking in interest rate, foreign exchange, equity, and commodities market. (BSP Cir. No. 544, Series of 2006)</p>	<p>Value at Risk (VaR) Utilization</p> <p>Results of Marking to Market</p> <p>Risks Sensitivity/ Duration Report</p> <p>Exposure to Derivative/ Structured Products</p>	<p>VaR Limits</p> <p>Stop Loss Limits</p> <p>Management Triggers</p> <p>Duration Report</p> <p>ROP Exposure Limit</p> <p>Limit to Structured Products</p> <p>Exception Report on Traders' Limit</p> <p>Exception Report on Rate Tolerance</p> <p>Stress Testing</p> <p>BSP Uniform Stress Testing</p>
Liquidity Risk	<p>Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from a financial institution's (FI) inability to meet its obligations</p>	<p>Funding Liquidity Plan</p> <p>Liquidity Ratios</p> <p>Large Fund Providers</p>	<p>MCO Limits</p> <p>Liquid Assets Monitoring</p> <p>Stress testing</p> <p>Large Fund Provider Analysis</p>

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
	when they come due. Liquidity risk includes the inability to manage unplanned decreases or changes in funding sources. Liquidity risk also arises from the failure to recognize or address changes in market conditions that affect the Bank's ability to liquidate assets quickly and with minimal loss in value. (BSP Cir. No. 510/545).	Maximum Cumulative Outflow (MCO) Liquid Gap Analysis	Funding Liquidity/ Contingency Planning
Interest Rate Risk in the Banking Books (IRRBB)	Interest rate risk is the current and prospective risk to earnings or capital arising from movements in interest rates. It arises from differences between the timing of rate changes and the timing of cash flows (repricing risk); from changing rate relationships among different yield curves affecting FI activities (basis risk); from changing rate relationships across the spectrum of maturities (yield curve risk); and from interest-related options embedded in FI products (options risk). The amount at risk is a function of the magnitude and direction of interest rate changes and the size and maturity structure of the mismatch position. (BSP Circ 1044, Series of 2019)	Interest Rate Gap Analysis Earnings at Risk (EaR) Measurement Cashflow based Economic Value of Equity	EAR Limits Balance Sheet Profiling Interest Repricing Gap Analysis Cashflow based Economic Value of Equity (EVE) Stress testing BSP Uniform Stress Testing
Operational Risk	Operational Risk refers to the risk of loss resulting from inadequate or failed internal processes, people and systems; or from external events. This definition includes Legal Risk but excludes Strategic and Reputational Risk. Operational Risk is inherent in all activities, products and services, and cuts across multiple activities and business lines within the FI and across the different entities in a banking group or conglomerate where the financial institution belongs. (BSP Circular 900, dated 18 January 2016)	Risk Identification Risk Measurement Risk Evaluation (i.e. Analysis of Risk) Risk Management (i.e. Monitor, Control or Mitigate Risk) Monitoring of Pillar II Risks fall under the purview of Operational Risk Management: Risk Identification – Risk Maps Risk Measurement and Analysis – ICAAP Risk Assessment	Internal Control Board Approved Operating Policies and Procedures Manuals Board Approved Product Manuals Loss Events Report (LER) Risk and Control Self-Assessment (RCSA) Key Risk Indicators (KRI) Fraud Management Program Business Continuity Management (BCM) Statistical Analysis
Included in the Operational Risks:			
Reputational Risk	Reputational risk is the current and prospective impact on earnings or capital arising from negative public opinion. This affects the Bank's ability to establish new relationships or	Risk Identification Risk Measurement Risk Evaluation (i.e. Analysis of Risk)	Account Closures Report Consolidated Complaints Report Mystery Caller/Shopper Evaluation/ Risk Mitigation of negative

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
	<p>services or continue servicing existing relationships. This risk may expose the Bank to litigation, financial loss, or a decline in its customer base. In extreme cases, the Bank loses its reputation and may suffer a run on deposits. (BSP Cir. No. 510, dated 03 Feb 2006). Reputational Risk also covers Customer Franchise Risk and Consumer Protection Risk. Customer Franchise Risk is defined in the Bank's Policy on ICAAP, as the failure to find, attract, and win new clients, nurture and retain those the Bank already has, and entice former clients back into the fold as well as the failure to meet client's expectation in delivering the Bank's products and services. Consumer Protection Risk is defined as failure of the bank to deliver its mandate to provide appropriate service and protection to its financial consumers.</p>	<p>Risk Management (i.e. Monitor, Control or Mitigate Risk)</p> <p>Monitoring of Pillar II Risks fall under the purview of Operational Risk Management: Risk Identification – Risk Maps Risk Measurement and Analysis – ICAAP Risk Assessment</p> <p>Major Factors considered: Products Technology People Policies and Processes Stakeholders (including customer and regulators)</p>	<p>media coverage Public Relations Campaign Profiling on the mobile and internet banking users Review of Stock Price performance Fraud Management Program Social Media Management Framework Social Media Risk Management Use of Social Media metrics Media monitoring tool Screening and Recruitment Process of Personnel Internal Audit Risk Based Work Program Compliance Testing and Review</p>
Strategic Business Risks	<p>Strategic business risk is the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes. This risk is a function of the compatibility of the firm's strategic goals, the business strategies developed to achieve those goals, the resources deployed against these goals, and the quality of implementation. (BSP Cir. No. 510, dated 03 Feb 2006).</p>		<p>Regular ALCO Financial Updates Seminars and Economic briefings Banking industry reports and industry research studies Research Division's economic reports and forecasting and equities reports Management Profitability Reports Compliance Updates on new, revised regulations Retail Bank / Corporate Bank / Retail Lending weekly updates on performance/ volume levels Annual Strategic Planning Exercise</p>
Information Security/ Cyber Security Risk	<p>Information Security (Infosec) risk is the risk to organizational operations (including mission, functions, image, and reputation), organizational assets, and individuals due to the potential for unauthorized access, use, disclosure, disruption,</p>		<p>Incident Reporting Management Information Security Policy Formulation Risk Assessment Information Security Management System Implementation</p>

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
	<p>modification or destruction of information or information assets that will compromise the Confidentiality, Integrity, and Availability (CIA). This covers data or information being processed, in storage or in transit. Cyber Risk is the risk associated with financial loss, disruption or damage to the reputation of an organization from failure, unauthorized or erroneous use of its information systems. (NIST IR 7298 Revision 2, Glossary of Key Information Security Terms, Page Numbers 98 & 100)</p>		<p>Continuous InfoSec / cyber risk awareness campaigns Network Security Protection Limits on Access Privileges Scanning of outbound and inbound digital traffic</p>
Data Privacy Risk	<p>Data Privacy Risks are those that could lead to the unauthorized collection, use, disclosure or access of personal data. It includes risks that the confidentiality, integrity and availability of personal data will not be maintained, or the risk that processing will violate the rights of data subjects or the privacy principles (transparency, legitimacy and proportionality). Consequently, the data privacy risks may negatively impact the Bank's reputation and may result to noncompliance issue and financial losses. (Data Privacy Act of 2012 or RA 10173).</p>		<p>Installation of firewalls, IPS/IDS, enterprise security solution (anti-virus for endpoint, email and internet). Enterprise-wide Implementation of the Information Security Management Systems Education / InfoSec Awareness is also constantly conducted Conduct of internal and 3rd party vulnerability assessments and penetration testing (to include social engineering tests) and follow through on remediation of threats and risks Implementing the enterprise-wide data privacy risk management framework which complies with both domestic and global requirements Institutionalization of data protection culture within the group through regular awareness programs Data Privacy Management System Conduct of Privacy Impact Assessment (PIA) as required by DPA of 2012</p>
Information Technology Risk	<p>Information Technology Risk is any potential adverse outcome, damage, loss, violation, failure or disruption associated with the use of or reliance on computer hardware, software, devices,</p>	<p>Risk Identification Risk Measurement Risk Evaluation (i.e. Analysis of Risk)</p>	<p>Risk Awareness Campaigns IT Risk Assessments Formal Project Management Program adoption</p>

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
	<p>systems, applications and networks. (BSP Circular 808) It is also a business risk that is associated with the use, ownership, operation, involvement, influence and adoption of IT within the Bank. It consists of IT-related events that could potentially impact the business. IT Risk includes Information Security Risk that could result from non-preservation of any or all of the domains of information security; that is, confidentiality, integrity and availability of information asset. (ISACA Risk IT Framework).</p>	<p>Risk Management (i.e. Monitor, Control or Mitigate Risk)</p>	<p>Vulnerability Assessment and Penetration Testing Maintenance and upgrades of disaster recovery sites Business Users / IT joint engagement for problem resolution Technology Operations Management Policies & Guidelines IT Risk Monitoring IT Risk Assessment Project Risk Assessment</p>
<p>Human Resource Risk</p>	<p>Human Resource Risk covers the Bank's risk of financial loss due to the inadequate training, inexperience or illegal activities of risk-taking behavior of personnel. This risk is closely related to operations risk and its internal control aspects. It highlights the human side of risk-taking and the role and adequacy of code of conduct, personnel policies, training and development programs, ability to recruit and retain employees through adequate compensation and benefits and ability to sustain adequate workforce through succession planning.</p>	<p>Risk Identification Risk Measurement Risk Evaluation (i.e. Analysis of Risk) Risk Management (i.e. Monitor, Control or Mitigate Risk)</p>	<p>Institutionalize policies covering Talent Acquisition/Retention and Career Management; Remuneration Management; Performance Appraisal System covering the following main tools: Sourcing and Screening of Candidates General Qualification Requirements for Applicants Screening and Pre-employment Assessment Exams Selection Interviews Candidate Matching – ensuring “job fit” through person/position review Competitive compensation and employee benefits; Compliance with Labor Law on payment of benefits and salaries Institutionalize the Bank's Performance Appraisal System (e.g., targets versus achievements) Provide training and/or issue guidelines to ensure that the process is done objectively.</p>

Regulatory 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).

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

Consolidated (Amounts in ₱ millions)	Weighted Exposures (As of End of Every Quarter of 2023)			
	Mar 31	June 30	Sep 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 Assets	752,595	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 thousands):

Accounts	Balance in Financial Reporting Package	Accounting differences and other adjustments	Balance in Audited Financial Statements
Capital stock	₱61,030,594	₱–	₱61,030,594
Additional paid-in capital	32,106,560	–	32,106,560
Surplus reserves	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	8,592	116,639	86,452	4,451	17,361	–	8,375	–
Unquoted Debt Securities	–	–	–	–	–	–	–	–	–
Loans & Receivables	652,056	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	69,907	63,695	6,212	5,994	17	201	–	–	–
Sales Contracts Receivable	2,509	–	2,509	–	–	–	–	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	117,064	70,736	8,326	513,211	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 regulatory capital requirements for market risks of the trading portfolio are determined using the standardized approach ("TSA"). Under this approach, interest rate exposures are charged both for specific risks and general market risk. The general market risk charge for trading and Fair Value through Other Comprehensive Income (FVOCI) portfolio is calculated based on the instrument's coupon and remaining maturity with risk weights ranging from 0% for items with very low market risk (i.e., tenor of less than 30 days) to a high of 12.5% for high risk-items (i.e., tenor greater than 20 years) while capital requirements for specific risk are also calculated for exposures with risk weights ranging from 0% to 8% depending on the issuer's credit rating. On the other hand, equities portfolio is charged 8% for both specific and general market risk while foreign exchange (FX) exposures are charged 8% for general market risks only.

Capital Requirements by Market Risk Type under the Standardized Approach

(Amounts in ₱ Millions)	Capital Charge (a)	Adjusted Capital Charge (b) $b = a * 125\% \text{ }^1/$	Market Risk Weighted Exposures (c) $c = b * 10 \text{ }^2/$
Interest Rate Exposures	2,026.909	2,533.636	25,336.361
Specific Risk	813.690	1,017.112	10,171.125
General Market Risk	1,213.219	1,516.524	15,165.236
Equity Exposures	0.443	0.554	5.543
Foreign Exchange Exposures	1,335.594	1,669.493	16,694.926
Total	3,362.946	4,203.683	42,036.830
Notes:			
1/ Capital charge is multiplied by 125% to be consistent with BSP required minimum Capital Adequacy Ratio (CAR) of 10%, which is 25% higher than the Basel minimum of 8%.			
2/ Adjusted capital charge is multiplied by 10 (i.e. the reciprocal of the minimum capital ratio of 10%)			

The following are the Bank's exposure with assigned market risk capital charge.

Interest Rate Exposures consist of specific risk and general market risk.

Specific Risk

Specific Risk which reflects the type of issuer of the combined portfolio of financial assets designated at Fair Value through Profit or Loss (FVPL) and FVOCI is ₱813.690 million and is composed of securities with various tenors that are subjected to risk weight ranging from 0% to 8%. Three percent (3%) of these securities are issued by Republic of the Philippines (ROP) while 5% is attributable to debt securities rated AAA to BBB- issued by other entities. The remaining portfolio consists of all other debt securities that are issued by other entities. Three percent (3%) of this combined portfolio is composed of USD-denominated debt securities issued by the Philippines with applicable risk weight of 0.25% to 1.6%. On the other hand, the Bank's holding in peso denominated securities which are estimated at eighty-four percent (84%) of the portfolio have zero risk weight.

Part IV.1a INTEREST RATE EXPOSURES – SPECIFIC RISK (Amounts in ₱ millions)							
	Positions	Risk Weight					Total
		0.00%	0.25%	1.00%	1.60%	8.00%	
PHP-denominated debt securities issued by the Philippine National	Long	129,790.370	–	–	–	–	129,790.370
	Short	–	–	–	–	–	–

Part IV.1a INTEREST RATE EXPOSURES – SPECIFIC RISK (Amounts in ₱ millions)							
	Positions	Risk Weight					
		0.00%	0.25%	1.00%	1.60%	8.00%	Total
Government (NG) and BSP							
FCY-denominated debt securities issued by the Philippine NG/BSP	Long	–	–	1,296.659	2,907.631	–	4,204.290
	Short	–	–	–	–	–	–
Debt securities/derivatives with credit rating BBB- and above issued by other sovereigns	Long	–	1,982.027	2,852.698	234.648	–	5,069.373
	Short	–	–	–	–	–	–
Debt securities/derivatives with credit rating of AAA to BBB-issued by other entities	Long	–	2,638.497	3,208.429	1,800.358	–	7,647.284
	Short	–	–	–	–	–	–
All other debt securities/derivatives that are below BBB- and unrated	Long					8,118.484	8,118.484
	Short	–	–	–	–	–	–
Subtotal	Long	129,790.370	4,620.524	7,357.786	4,942.637	8,118.484	154,829.801
	Short	–	–	–	–	–	–
Risk Weighted Exposures [Sum of long and short positions times the risk weight]		–	11.551	73.578	79.082	649.479	813.690
Specific Risk Capital Charge for Credit-Linked Notes and Similar Products		–	–	–	–	–	–
Specific Risk Capital Charge for Credit Default Swaps and Total Return Swaps		–	–	–	–	–	–
Specific Risk Capital Charge for Debt Securities and Debt Derivatives		–	11.551	73.578	79.082	649.479	813.690

General Market Risk – Peso

The Bank's total General Market Risk of its Peso debt securities and interest rate derivative exposure is ₱873.667 million. In terms of weighted positions, the greater portion (39%) of the Bank's capital charge comes from the Over 1 years to 2 years bucket at ₱336.014 million as well as Over 4 year to 5 years bucket (23%) at ₱197.575 million or a combined capital charge of ₱533.589 million. The remaining weighted positions (38%) are distributed over the remaining buckets.

Currency: PESO							
PART IV.1d GENERAL MARKET RISK (Amounts in ₱ millions)							
Zone	Time Bands		Debt Securities & Debt Derivatives/Interest Rate Derivatives		Risk Weight	Weighted Positions	
			Total Individual Positions				
	Coupon 3% or more	Coupon less than 3%	Long	Short	Long	Short	
1	1 month or less	1 month or less	112,359.807	38,487.706	0.00%	0.000	0.000
	Over 1M to 3M	Over 1M to 3M	62,605.786	4,011.212	0.20%	125.212	8.022
	Over 3M to 6M	Over 3M to 6M	388.797	3,459.810	0.40%	1.555	13.839
	Over 6M to 12M	Over 6M to 12M	384.491	1,115.851	0.70%	2.691	7.811
2	Over 1Y to 2Y	Over 1.0Y to 1.9Y	26,881.135	0.000	1.25%	336.014	0.000
	Over 2Y to 3Y	Over 1.9Y to 2.8Y	2,457.507	0.000	1.75%	43.006	0.000
	Over 3Y to 4Y	Over 2.8Y to 3.6Y	2,461.152	29.191	2.25%	55.376	0.657
3	Over 4Y to 5Y	Over 3.6Y to 4.3Y	7,184.535	0.000	2.75%	197.575	0.000
	Over 5Y to 7Y	Over 4.3Y to 5.7Y	1,333.117	0.000	3.25%	43.326	0.000
	Over 7Y to 10Y	Over 5.7Y to 7.3Y	2,424.738	0.000	3.75%	90.928	0.000
	Over 10Y to 15Y	Over 7.3Y to 9.3Y	0.306	0.000	4.50%	0.014	0.000
	Over 15Y to 20Y	Over 9.3Y to 10.6Y	0.862	0.000	5.25%	0.045	0.000
	Over 20Y	Over 10.6Y to 12Y	0.000	0.000	6.00%	0.000	0.000
		Over 12Y to 20Y	0.000	0.000	8.00%	0.000	0.000
		Over 20Y	0.000	0.000	12.50%	0.000	0.000
Total			218,482.234	47,103.769		895.742	30.329
Overall Net Open Position							865.413
Vertical Disallowance							1.293
Horizontal Disallowance							6.961
Total General Market Risk Capital Charge							873.667

General Market Risk – US Dollar

The capital charge on the Bank's General Market Risk from dollar-denominated exposures is ₱302.841 million. The exposure is concentrated under the Over 1 year to 2 years' time bucket with risk weight of 1.25% resulting in a capital charge of ₱72.933 million. The balance is distributed across other time buckets up to over 20 years with capital charge ranging from ₱0.267 million to ₱63.7107 million.

Currency: USD							
PART IV.1d GENERAL MARKET RISK (Amounts in ₱ millions)							
Zone	Time Bands		Debt Securities & Debt Derivatives/Interest Rate Derivatives		Risk Weight	Weighted Positions	
			Total Individual Positions				
	Coupon 3% or more	Coupon less than 3%	Long	Short	Long	Short	
1	1 month or less	1 month or less	41,24.607	68,487.110	0.00%	0.000	0.000
	Over 1M to 3M	Over 1M to 3M	5,919.812	20,972.499	0.20%	11.840	41.945
	Over 3M to 6M	Over 3M to 6M	6,623.354	2,018.490	0.40%	26.493	8.074
	Over 6M to 12M	Over 6M to 12M	4,479.051	0.000	0.70%	31.353	0.000
2	Over 1Y to 2Y	Over 1.0Y to 1.9Y	5,834.643	0.000	1.25%	72.933	0.000
	Over 2Y to 3Y	Over 1.9Y to 2.8Y	2,523.931	0.000	1.75%	44.169	0.000
	Over 3Y to 4Y	Over 2.8Y to 3.6Y	1,256.400	0.000	2.25%	28.269	0.000
3	Over 4Y to 5Y	Over 3.6Y to 4.3Y	2,316.710	0.000	2.75%	63.710	0.000

Currency: USD							
PART IV.1d GENERAL MARKET RISK (Amounts in ₪ millions)							
Zone	Time Bands		Debt Securities & Debt Derivatives/Interest Rate Derivatives		Risk Weight	Weighted Positions	
			Total Individual Positions				
	Coupon 3% or more	Coupon less than 3%	Long	Short	Long	Short	
	Over 5Y to 7Y	Over 4.3Y to 5.7Y	190.999	0.000	3.25%	6.207	0.000
	Over 7Y to 10Y	Over 5.7Y to 7.3Y	221.671	0.000	3.75%	8.313	0.000
	Over 10Y to 15Y	Over 7.3Y to 9.3Y	993.573	0.000	4.50%	44.711	0.000
	Over 15Y to 20Y	Over 9.3Y to 10.6Y	10.702	0.000	5.25%	0.562	0.000
	Over 20Y	Over 10.6Y to 12Y	0.000	0.000	6.00%	0.000	0.000
		Over 12Y to 20Y	0.000	0.000	8.00%	0.000	0.000
		Over 20Y	2.135	0.000	12.50%	0.267	0.000
	Total		71,615.587	91,478.098		338.826	50.019
	Overall Net Open Position						288.807
	Vertical Disallowance						1.991
	Horizontal Disallowance						12.042
	Total General Market Risk Capital Charge						302.841

General Market Risk – Third Currencies

The Bank is likewise exposed to various third currencies contracts most of them are in less than 30 days thus carries a 0% risk weight. The combined general market risk charge for contracts in Australian Dollar (AUD), Singaporean Dollar (SGD), Japanese Yen (JPY), South Korean Won (KRW), Hong Kong Dollar (HKD), New Zealand Dollar (NZD), Euro (EUR), Pound Sterling (GBP) and Canadian Dollar (CAD), is ₪36.712 million with risk weight of 0.20% to 0.70%.

PART IV.1d GENERAL MARKET RISK (Amounts in ₪ millions)										
Currency	Time Bands	Total Debt Securities & Debt Derivatives/Interest Rate Derivatives		Risk Weight	Weighted Positions		Overall Net Open Position	Vertical disallowance	Horizontal disallowance within	Total General Market Risk Capital Charge
		Long	Short		Long	Short				
AUD	1 month or less	0.000	0.000	0.00%	0.000	0.000				
	Over 1M to 3M	0.000	0.000	0.20%	0.000	0.000				
TOTAL		0.000	0.000		0.000	0.000	0.000	–	–	0.000
SGD	1 month or less	0.000	313.024	0.00%	0.000	0.000				
TOTAL		0.000	313.024		0.000	0.000	0.000	–	–	0.000
JPY	Over 3 months to 6 months	5,045.003	0.000	0.40%	20.180	–				
	Over 6 months to 12 months	1,738.846	0.000	0.70%	12.172	–				
TOTAL		6,783.849	0.000		32.352	–	–	–	–	32.352
HKD	1 month or less	0.000	992.232	0.00%	0.000	0.000				
	Over 1M to 3M	0.000	1,094.907	0.20%	0.000	2.190				
	Over 3M to 6M	0.000	542.496	0.40%	0.000	2.170				
TOTAL		0.000	2,629.636		0.000	4.360	4.360	–	–	4.360
KRW	1 month or less	0.000	0.000	0.00%	–	–				
	Over 1M to 3M	0.000	0.000	0.20%	–	–				
TOTAL		0.000	0.000		–	–	–	–	–	–
NZD	1 month or less	0.000	14.020	0.00%	0.000	0.000				
	Over 1M to 3M	0.000	0.000	0.20%	0.000	0.000				
TOTAL		0.000	14.020		–	0.000	–	–	–	–
EUR	1 month or less	0.000	202.144	0.00%	0.000	0.000				

PART IV.1d GENERAL MARKET RISK (Amounts in ₱ millions)										
Currency	Time Bands	Total Debt Securities & Debt Derivatives/Interest Rate Derivatives		Risk Weight	Weighted Positions		Overall Net Open Position	Vertical disallowance	Horizontal disallowance within	Total General Market Risk Capital Charge
		Long	Short		Long	Short				
TOTAL		0.000	202.144		0.000	0.000	-	-	-	-
GBP	1 month or less	-	98.711	0.00%	0.000	0.000				
TOTAL		0.000	98.711		0.000	0.000	-	-	-	-
CAD	1 month or less	0.000	33.484	0.00%	0.000	0.000				
TOTAL		0.000	33.484		0.000	0.000	-	-	-	-
TOTAL THIRD CURRENCIES										36.712

Equity Exposures

The Bank's holdings are in the form of preferred stocks traded in the PSE, with 8% risk weight both for specific and general market risk. The Bank's capital charge for equity weighted positions is ₱0.443 million or total risk-weighted equity exposures of ₱5.542 million.

Item	Nature of Item	Positions	Stock Markets
			Philippines
A.1	Common Stocks	Long	-
		Short	-
A.9	Others	Long	2.771
		Short	-
A.10	TOTAL	Long	2.771
		Short	-
B.	Gross (long plus short) positions (A.10)		2.771
C.	Risk Weights		8%
D.	Specific risk capital charges (B. times C.)		0.222
E.	Net long or short positions		2.771
F.	Risk Weights		8%
G.	General market risk capital charges (E. times F.)		0.222
H.	Total Capital Charge For Equity Exposures (sum of D. and G.)		0.443
I.	Adjusted Capital Charge For Equity Exposures (H. times 125%)		0.554
J.	Total Risk-Weighted Equity Exposures (I. times 10)		5.542

Foreign Exchange Exposures

The Bank's exposure to FX Risk carries a capital charge of ₱16,694.93 million. This includes ₱15,697.40 million arising from exposure in Non-Deliverable Forwards (NDFs) which carries a 4% risk weight while ₱997.53 million is from FX Exposures with 8% risk weight in FX assets and FX liabilities in USD, and third currencies not limited to Swiss Franc (CHF), Pound Sterling (GBP), JPY, EUR, CAD, AUD, Singapore Dollar (SGD) and other minor currencies.

Part IV. 3 FOREIGN EXCHANGE EXPOSURES (as of December 31, 2023)						
Nature of Item	Currency	Closing Rate USD/₱:			55.370	
		In Million USD Equivalent				In Million Pesos
		Net Long/(Short) Position (excluding options)		Net Delta-Weighted Positions of FX Options	Total Net Long/(Short) Positions	Total Net Long/(Short) Position
		Banks	Subsidiaries /Affiliates			
Currency		1	2	3	4=1+2+3	5

Part IV. 3 FOREIGN EXCHANGE EXPOSURES (as of December 31, 2023)						
Nature of Item	Currency	Closing Rate USD/₱:				55,370
		In Million USD Equivalent				In Million Pesos
		Net Long/(Short) Position (excluding options)		Net Delta-Weighted Positions of FX Options	Total Net Long/(Short) Positions	Total Net Long/(Short) Position
		Banks	Subsidiaries /Affiliates			
		1	2	3	4=1+2+3	5
A.1 U.S. Dollar	USD	5.007	0.624		5.631	311.798
A.2 Japanese Yen	JPY	1.928	0.395		2.323	128.654
A.3 Swiss Franc	CHF	0.740	0.00		0.740	40.975
A.4 Pound Sterling	GBP	0.981	0.012		0.993	54.977
A.5 Euro	EUR	2.943	0.026		2.969	164.390
A.6 Canadian Dollar	CAD	0.226	0.00		0.226	12.504
A.7 Australian Dollar	AUD	0.160	0.00		0.160	8.887
A.8 Singapore Dollar	SGD	3.479	0.00		3.479	192.647
A.9 Foreign currencies not separately specified above						
Arab Emirates Dirham	AED	0.007	0.00		0.007	0.408
Bahrain Dinar	BHD	0.003	0.00		0.003	0.163
Brunei Dollar	BND	0.001	0.00		0.001	0.038
Yuan Renminbi	CNY	0.077	0.00		0.077	4.276
Hongkong Dollar	HKD	0.355	0.688		1.043	57.761
Korean Won	KRW	0.027	0.00		0.027	1.505
Malaysian Ringgit	MYR	0.00	0.00		0.00	0.00
Norwegian Krone	NOK	0.00	0.00		0.00	0.00
New Zealand Dollar	NZD	0.014	0.00		0.014	0.748
Saudi Riyal	SAR	0.312	0.00		0.312	17.297
Thai Baht	THB	0.006	0.00		0.006	0.320
Taiwan Dollar	TWD	0.003	0.00		0.003	0.184
Indo Rupiah	INR	0.00	0.00		0.00	0.00
A.10 Sum of net long positions						997.530
A.11 Sum of net short positions						0.00
B. Overall net open positions 1/						997.530
C. Risk Weight						8%
D. Total Capital Charge for Foreign Exchange Exposures (B. times C.)						79.802
E. Adjusted Capital Charge for Foreign Exchange Exposures (D. times 125%)						99.753
F. Total Risk-Weighted Foreign Exchange Exposures, Excluding Incremental Risk-Weighted Foreign Exchange Exposures Arising from NDF Transactions (E. times 10)						997.531
G. Incremental Risk-Weighted Foreign Exchange Exposures Arising from NDF Transactions (Part IV.3A, Item F.)						15,697.395
H. Total Risk-Weighted Foreign Exchange Exposures (Sum of F. and G.)						16,694.926

Operational Risk-Weighted Assets as of December 31, 2023

The Bank uses the Basic Indicator Approach in quantifying the risk-weighted assets for Operational Risk. Under the Basic Indicator Approach, the Bank is required to hold capital for operational risk equal to the average over the previous three years of a fixed percentage (15% for this approach) of positive annual gross income (figures in respect of any year in which annual gross income was negative or zero are excluded).

(Amounts in ₱ Millions) Consolidated as of December 31, 2023	Gross Income	Capital Requirement (15% x Gross Income)
2020 (Year 3)	43,151	6,473
2021 (Year 2)	41,386	6,208
2022 (Last Year)	47,232	7,085
Average for 3 Years		6,588
Adjusted Capital Charge (Average x 125%)		8,236
Total Operational Risk Weighted Asset		82,355

Item 2. Properties

PNB's corporate headquarters is located at the PNB Financial Center on the southwest side of Roxas Boulevard, Pasay City, Metro Manila, bounded on the west side by the Pres. Diosdado P. Macapagal Boulevard and on the north side by the World Trade Center building. The Bank leases the premises occupying its Head Office and houses some of PNB's domestic subsidiaries.

Disclosed in Exhibit II (a) is the list of Bank-owned properties as of December 31, 2023.

The Bank leases the premises occupied by some of its branches. Lease contracts are generally for periods ranging from one year up to 25 years based on original tenor and are renewable upon mutual agreement of both parties under certain terms and conditions.

Disclosed in Exhibit II (b) is the list of Bank's branches that are under lease as of December 31, 2023.

The Bank does not have any current plans to acquire any property within the next twelve (12) months.

Item 3. Legal Proceedings

The Bank is a party to various legal proceedings which arise in the ordinary course of its operations. The Bank 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 its financial statements.

Item 4. Submission of Matters to a Vote of Security Holders

There was no matter submitted to a vote of the security holders during the fourth (4th) quarter of the year covered by this report.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer’s Common Equity and Related Stockholder Matters

A. 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 on the PSE. The high and low sales prices of PNB shares for each quarter for the last two (2) fiscal years are:

	<u>2022</u>		<u>2023</u>	
	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

The trading price of each PNB common share as of December 31, 2023 was ₱18.50.

2. Holders

There are 36,081 shareholders as of December 31, 2023. 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:

No.	Stockholders	Common Shares	Percentage To Total Outstanding Capital Stock
1.	PCD Nominee Corporation (Filipino)	204,310,835	13.3907158105
2.	Key Landmark Investments, Ltd.	133,277,924	8.7351549618
3.	True Success Profits Limited	82,017,184	5.3754799765
	Caravan Holdings Corporation	82,017,184	5.3754799765
	Solar Holdings Corporation	82,017,184	5.3754799765
4.	Prima Equities & Investments Corp.	71,765,036	4.7035449794
5.	Leadway Holdings, Inc.	65,310,444	4.2805052168
6.	Infinity Equities, Inc.	61,512,888	4.0316099824
7.	Pioneer Holdings Equities, Inc.	34,254,212	2.2450518506
8.	Multiple Star Holdings Corp.	30,798,151	2.0185385055
9.	Donfar Management Limited	30,747,898	2.0152448787
10.	Uttermost Success, Limited	30,233,288	1.9815168766
11.	Mavelstone International Limited	29,575,168	1.9383831001
12.	Pan Asia Securities Corporation	29,510,390	1.9341374918
13.	Kenrock Holdings Corp.	26,018,279	1.7052613973
14.	Fil-Care Holdings, Inc.	25,450,962	1.6680789310
15.	Fairlink Holdings Corp.	25,207,795	1.6521415472
16.	Purple Crystal Holdings, Inc.	24,404,724	1.5995075519
17.	Kentron Holdings & Equities Corp.	24,361,225	1.5966565883
18.	Fragile Touch Investments, Ltd.	22,696,137	1.4875252238
19.	Ivory Holdings, Inc.	20,761,731	1.3607425155
20.	Allmark Holdings Corp.	20,724,567	1.3583067535

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 BSP 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, PNB's BOD approved and confirmed the property dividend declaration of up to 239,353,710 common shares of PNB Holdings, with 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 PNB Holdings for every one (1) share of PNB. The ratio for property dividend was determined by dividing the total number of outstanding shares declared as property dividends of PNB Holdings, which is 239,353,710 common shares, by the total number of outstanding shares of the Bank, which is 1,525,764,850. In case a stockholder is entitled to a fractional PNB Holdings 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.

4. Recent Sales of Unregistered or Exempt Securities, including Recent Issuance of Securities Constituting an Exempt Transaction

There were no sales of unregistered securities within the past three (3) years.

5. Computation of Public Ownership

As of December 31, 2023, PNB's public ownership level is 22.22%, which more than complies with the minimum percentage of 10% for listed companies, in compliance with the public ownership requirement of the PSE.

B. Description of PNB's Securities

- As of December 31, 2023, PNB's authorized capital stock amounted to ₱70,000,000,040 divided into 1,750,000,001 common shares having a par value of ₱40.00 per share.
- The total number of common shares outstanding as of December 31, 2022 is 1,525,764,850. This includes the 423,962,500 common shares issued relative to the merger of PNB and ABC subject of the Registration Statement approved by the SEC and listed with the PSE.

- As of December 31, 2023, a total of 1,509,487,582 common shares (or 98.93%) are held by Filipino-Private Stockholders, while the remaining 16,277,268 common shares (or 1.07%) are held by Foreign-Private Stockholders. PNB has a total of ₱61,030,594,000 subscribed capital.
- The Bank's stockholders have no pre-emptive right to subscribe to any new or additional issuance of shares by the Bank, regardless of the class of shares, whether the same are issued from the Bank's unissued capital stock or in support of an increase in capital. *(Item Seventh of PNB's Amended Articles of Incorporation)*
- At each meeting of the stockholders, every stockholder entitled to vote on a particular question involved shall be entitled to one (1) vote for each share of stock standing in his name in the books of the Bank at the time of the closing of the transfer books for such meeting or on the record date fixed by the BOD. *(Section 4.9, Article IV, PNB's Amended By-Laws)*
- Section 23 of the Revised Corporation Code of the Philippines provides that “ *x x x stockholders entitled to vote shall have the right to vote the number of shares of stock standing in their own names in the stock books of the corporation at the time fixed in the bylaws or where the bylaws are silent, at the time of the election. The said stockholder may: (a) vote such number of shares for as many persons as there are directors to be elected; (b) cumulate said shares and give one (1) candidate as many votes as the number of directors to be elected multiplied by the number of the shares owned; or distribute them on the same principle among as many candidates as may be seen fit x x x*”.

Item 6. Management's Discussion and Analysis

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**

<i>(in thousands)</i>	December 31		Increase/ (Decrease)	%
	2023	2022		
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**

<i>(in thousands)</i>	December 31		Increase/ (Decrease)	%
	2023	2022		
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)**

<i>(in thousands)</i>	December 31		Increase/ (Decrease)	%
	2023	2022		
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)
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 ₱1.0 billion, or 9.2%, as a result of impairment in value.

- **Investment in an Associate**

<i>(in thousands)</i>	December 31		Increase/ (Decrease)	%
	2023	2022		
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**

<i>(in thousands)</i>	December 31		Increase/ (Decrease)	%
	2023	2022		
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**

<i>(in thousands)</i>	December 31		Increase/ (Decrease)	%
	2023	2022		
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**

<i>(in thousands)</i>	December 31		Increase/ (Decrease)	%
	2023	2022		
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**

<i>(in thousands)</i>	December 31		Increase/ (Decrease)	%
	2023	2022		
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**

<i>(in thousands)</i>	December 31		Increase/ (Decrease)	%
	2023	2022		
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**

<i>(in thousands)</i>	December 31		Increase/ (Decrease)	%
	2023	2022		
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:

<i>(in thousands)</i>	December 31		Increase/ (Decrease)	%
	2023	2022		
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**

<i>(in thousands)</i>	December 31		Increase/ (Decrease)	%
	2022	2021		
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**

<i>(in thousands)</i>	December 31		Increase/ (Decrease)	%
	2022	2021		
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**

<i>(in thousands)</i>	December 31		Increase/ (Decrease)	%
	2022	2021		
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**

<i>(in thousands)</i>	December 31		Increase/ (Decrease)	%
	2022	2021		
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**

<i>(in thousands)</i>	December 31		Increase/ (Decrease)	%
	2022	2021		
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**

<i>(in thousands)</i>	December 31		Increase/ (Decrease)	%
	2022	2021		
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**

<i>(in thousands)</i>	December 31		Increase/ (Decrease)	%
	2022	2021		
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**

<i>(in thousands)</i>	December 31		Increase/ (Decrease)	%
	2022	2021		
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**

<i>(in thousands)</i>	December 31		Increase/ (Decrease)	%
	2022	2021		
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**

<i>(in thousands)</i>	December 31		Increase/ (Decrease)	%
	2022	2021		
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:

<i>(in thousands)</i>	December 31		Increase/ (Decrease)	%
	2022	2021		
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**

<i>(in thousands)</i>	2023	2022	Increase/ (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 19.0% or ₱7.3 billion compared to the previous year. Gross Interest Income increased by 31.7% or ₱14.4 billion to ₱59.6 billion in 2023, mainly due to higher yields on loans, investment securities, deposits with banks and interbank receivables. Gross interest expense likewise increased by ₱7.1 billion or 89.5% to ₱15.0 billion from ₱7.9 billion in 2022 due to increase in interest cost of deposit liabilities.

- **Net Services Fees and Commission Income**

<i>(in thousands)</i>	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**

<i>(in thousands)</i>	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)	(19.0)

Other operating income decreased by ₱1.7 billion or 19.0% 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. This was offset by higher net trading and foreign exchange gains by ₱1.4 billion and equity in net earnings of an associate by ₱0.3 billion.

- **Operating Expenses**

<i>(in thousands)</i>	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**

<i>(in thousands)</i>	December 31		Increase/ (Decrease)	%
	2023	2022		
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:

<i>(in thousands)</i>	2023	2022	Increase/ (Decrease)	%
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.

2022 vs 2021

For the year ended December 31, 2022, the Group posted a net income of ₱11.6 billion, ₱20.1 billion lower than the ₱31.7 billion net income last year due to one-off gains in 2021 as discussed below. Movements in net income are primarily due to the following:

- **Net Interest Income**

<i>(in thousands)</i>	2022	2021	Increase/ (Decrease)	%
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**

<i>(in thousands)</i>	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**

<i>(in thousands)</i>	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**

<i>(in thousands)</i>	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**

<i>(in thousands)</i>	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**

<i>(in thousands)</i>	December 31		Increase/ (Decrease)	%
	2022	2021		
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:

<i>(in thousands)</i>	2022	2021	Increase/ (Decrease)	%
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**

<i>(in thousands)</i>	2021	2020	Increase/ (Decrease)	%
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**

<i>(in thousands)</i>	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**

<i>(in thousands)</i>	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**

<i>(in thousands)</i>	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**

<i>(in thousands)</i>	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**

<i>(in thousands)</i>	December 31		Increase/ (Decrease)	%
	2021	2020		
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:

<i>(in thousands)</i>	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

	<u>Years Ended</u>	
	<u>12/31/23</u>	<u>12/31/22</u>
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.

Item 7. Financial Statements

The Audited Financial Statements of the Group, which comprise the Statements of Financial Position as of December 31, 2023 and 2022, and the Statements of Income, Statements of Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows for each of the three (3) years in the period ended December 31, 2023, and Notes to the Financial Statements, including a Summary of Significant Accounting Policies and other explanatory information, Independent Auditor's Report and the Statement of Management's Responsibility are filed as part of this SEC 17-A report for the year ended December 31, 2023 and attached under Exhibit I.

Item 8. Information on Independent Accountant and Changes in/Disagreements with Accountants on Accounting/Financial Disclosure

A. Independent Public Accountants

SyCip Gorres Velayo & Co., CPAs (SGV) is the external auditor of the Bank and its domestic subsidiaries for the calendar year 2023. Representatives of SGV will be present at the stockholders' meeting. They will have the opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions. Ms. Leslie Anne G. Huang,

one of the more experienced audit partners in the banking industry in the Philippines, was the lead audit partner for the year 2023.

The BACC has primary authority to select, evaluate, appoint, dismiss, replace and reappoint the Bank's external auditors, subject to the approval of the BOD and ratification of stockholders, based on fair and transparent criteria such as (i) core values, culture and high regard for excellence in audit quality; (ii) technical competence and expertise of audit staff; (iii) independence; (iv) effectiveness of the audit process; and (v) reliability and relevance of the external auditor's reports.

After careful evaluation, Management has decided to recommend SGV for reappointment as external auditor of the Bank and its domestic subsidiaries for the year 2023. The BACC has thereafter endorsed the reappointment of SGV to the BOD. The reappointment of SGV as external auditor of the Bank was approved by the BOD on February 23, 2024 and will be presented for ratification by the stockholders at the Bank's Annual Stockholders' Meeting to be held on April 30, 2024.

B. Audit and Other Related Fees

- The following are the engagement fees billed and paid for each of the last two fiscal years for the professional services rendered by the Bank's external auditor, SyCip Gorres Velayo and Co. (inclusive of out-of-pocket expenses and value-added tax):

Nature of Service	Description	Professional fees (in ₱ millions)	
		2023	2022
Audit and Audit-Related Services	Audit of the consolidated and separate financial statements of the Bank; audit of the combined financial statements of the trust and managed funds of the Trust Banking Group; audit of foreign subsidiaries; agreed-upon procedures	27.529	26.284
Tax-Related Services	Business tax advisory services	–	1.016
All Other Services	Accounting advisory, consultancy on sustainable finance framework, training, expected credit loss models validation and other services	1.260	4.917
TOTAL		28.789	32.217

The approval of audit engagement fees is based on the Bank's existing Manual of Signing Authority. All engagements of the external auditor and the corresponding engagement fees are subject to approval by the BOD, as endorsed by the BACC.

C. Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the amendments and improvements to Philippine Financial Reporting Standards (PFRS) which are effective beginning on or after January 1, 2023. The changes in the accounting policies that have or did not have any significant impact on the financial position or performance of the Group are discussed under Note 2 (Summary of Significant Accounting Principles) of the audited financial statements of the Group.

D. Disagreements with Accountants

The Bank and its subsidiaries had no disagreement with its auditors on any matter of accounting principles or practices, financial statements disclosure, or auditing scope procedure.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers

A. Board of Directors and Executive Officers as of December 31, 2023

1. Board of Directors

<u>Name</u>	<u>Position</u>	<u>Age</u>	<u>Date last Elected</u>	<u>Date first Elected</u>	<u>Citizenship</u>
Edgar A. Cua	Chairman/Independent Director Chairman of the Corporate Governance and Sustainability Committee Vice Chairman of the Board Strategy and Policy Committee and Board Audit and Compliance Committee Member of the Risk Oversight Committee Non-Voting Member of the Executive Committee	68	04/25/2023	05/31/2016	Filipino
Leonilo G. Coronel	Vice Chairman/Director Chairman of the Executive Committee Vice Chairman of the Trust Committee Member of the Board Strategy and Policy Committee and Risk Oversight Committee	77	04/25/2023	05/28/2013	Filipino
Felix Enrico R. Alfiler	Director Chairman of the Board Strategy and Policy Committee and Board Overseas Offices Oversight Committee Vice Chairman of the Executive Committee Member of Board IT Governance Committee, Risk Oversight Committee and Trust Committee	74	04/25/2023	12/29/2022	Filipino
Florido P. Casuela	Director/President Member of the Executive Committee, Board Strategy and Policy Committee and Board IT Governance Committee Member (Ex-Officio) of the Trust Committee	82	04/25/2023	05/30/2006	Filipino
Chester Y. Luy	Director Member of the Executive Committee, Board Strategy and Policy Committee, Board IT Governance Committee, Risk Oversight Committee and Trust Committee	54	09/22/2023	09/22/2023	Filipino

<u>Name</u>	<u>Position</u>	<u>Age</u>	<u>Date last Elected</u>	<u>Date first Elected</u>	<u>Citizenship</u>
Estelito P. Mendoza	Director	93	04/25/2023	01/01/2009	Filipino
Isabelita M. Papa	Independent Director Chairman of the Board Audit and Compliance Committee Member of the Corporate Governance and Sustainability Committee, Board Strategy and Policy Committee, Board IT Governance Committee, Risk Oversight Committee and Board Overseas Offices Oversight Committee	75	04/25/2023	08/05/2021	Filipino
Sheila T. Pascual	Director Chairman of the Trust Committee Member of the Executive Committee and Board Strategy and Policy Committee	61	04/25/2023	11/22/2019	Filipino
Wilfrido E. Sanchez	Independent Director Chairman of the Board Oversight RPT Committee Vice Chairman of the Corporate Governance and Sustainability Committee Member of the Board Strategy and Policy Committee, Risk Oversight Committee and Trust Committee	86	04/25/2023	04/27/2021	Filipino
Eusebio V. Tan	Director Member of the Executive Committee, Board Strategy and Policy Committee and Board Audit and Compliance Committee	72	09/22/2023	09/22/2023	Filipino
Lucio C. Tan III	Director Vice Chairman of the Board IT and Governance Committee Member of the Executive Committee and Board Strategy and Policy Committee	31	04/25/2023	04/27/2021	Filipino
Michael G. Tan	Director Member of the Executive Committee, Board Strategy and Policy Committee and Board Audit and Compliance Committee	57	04/25/2023	02/09/2013	Filipino

<u>Name</u>	<u>Position</u>	<u>Age</u>	<u>Date last Elected</u>	<u>Date first Elected</u>	<u>Citizenship</u>
Vivienne K. Tan	Director Chairman of the Board IT Governance Committee Member of the Executive Committee, Board Strategy and Policy Committee, Risk Oversight Committee and Trust Committee	55	04/25/2023	12/15/2017	Filipino
Maria Almasara Cyd N. Tuaño- Amador	Independent Director Chairman of the Risk Oversight Committee Member of the Corporate Governance and Sustainability Committee, Board Strategy and Policy Committee, Board Oversight RPT Committee and Board Overseas Offices Oversight Committee Non-Voting Member of the Executive Committee	67	04/25/2023	04/25/2023	Filipino
Domingo H. Yap	Independent Director Vice Chairman of the Risk Oversight Committee Member of the Corporate Governance and Sustainability Committee, Board Strategy and Policy Committee, Board Audit and Compliance Committee and Board Oversight RPT Committee	89	04/25/2023	08/23/2019	Filipino

<u>Name</u>	<u>Position</u>	<u>Age</u>	<u>Date Appointed</u>	<u>Citizenship</u>
Ruth Pamela E. Tanghal	Corporate Secretary	55	09/25/2020	Filipino
Michelle A. Pahati-Manuel	Assistant Corporate Secretary	51	09/25/2020	Filipino
William T. Lim	Board Advisor	83	01/25/2013	Filipino
Christopher J. Nelson	Board Advisor	64	04/27/2021	British
Federico C. Pascual	Board Advisor	81	04/25/2023	Filipino
Lourdes A. Salazar	Board Advisor	68	04/25/2023	Filipino
Carmen K. Tan	Board Advisor	82	09/22/2023	Filipino
Florencia G. Tarriela	Board Advisor	76	04/27/2021	Filipino

2. Executive Officers:

<u>Name</u>	<u>Position</u>	<u>Age</u>	<u>Date of Assumption</u>	<u>Citizenship</u>
Florido P. Casuela	President	82	04/25/2023	Filipino
Francis B. Albalate	Executive Vice President Chief Financial Officer and Head of the Financial Management, Strategy and Sustainability Sector	53	09/18/2023	Filipino
Cenon C. Audencial, Jr.	Executive Vice President Head of the Institutional Banking Sector	65	08/05/2013	Filipino
Roberto D. Baltazar	Executive Vice President Head of the Global Banking and Markets Sector	59	08/01/2019	Filipino
Isagani A. Cortes	Executive Vice President Chief Compliance Officer and Head of the Global Compliance Group	56	06/24/2019	Filipino
Aida M. Padilla	Executive Vice President Head of the Enterprise Services Sector	74	12/15/2017	Filipino
Manuel C. Bahena, Jr.	First Senior Vice President Chief Legal Counsel and Head of the Legal Group	62	02/11/2013	Filipino
Reynaldo C. Burgos	First Senior Vice President Head of the Operations Group	55	06/02/2022	Filipino
Maria Adelia A. Joson	First Senior Vice President Head of the Retail Banking Sector	69	11/27/2020	Filipino
Celeste Marie V. Lim	First Senior Vice President Head of the Consumer Finance Sector	47	10/27/2023	Filipino
Maria Paz D. Lim	First Senior Vice President Corporate Treasurer and Head of the Corporate Expense Management Group	62	06/23/2006	Filipino
Michael M. Morillos	First Senior Vice President Head of the Information Technology Group	55	05/01/2019	Filipino
Roland V. Oscuro	First Senior Vice President Chief Information Security Officer, Data Protection Officer and Head of the Enterprise Information Security Group	60	12/15/2017	Filipino

<u>Name</u>	<u>Position</u>	<u>Age</u>	<u>Date of Assumption</u>	<u>Citizenship</u>
Nanette O. Vergara	First Senior Vice President Chief Credit Officer and Head of the Credit Management Group	63	05/11/2017	Filipino
Emeline C. Centeno	Senior Vice President Investor Relations Officer and Head of the Corporate Planning and Analysis Division	65	06/01/2003	Filipino
Joy Jasmin R. Santos	Senior Vice President Chief Trust Officer and Head of the Trust Banking Group	50	11/02/2018	Filipino
Socorro D. Corpus	Officer-in-Charge of the Human Resources Group	72	02/01/2020	Filipino
Juliet S. Dytoc	First Vice President Chief Risk Officer and Head of the Risk Management Group	53	03/01/2023	Filipino
Analisa I. San Pedro	First Vice President Chief Audit Executive and Head of the Internal Audit Group	46	08/01/2022	Filipino

B. Profile of Directors and Executive Officers as of December 31, 2023 together with their business experience covering at least the past five (5) years

Directors:

Name	EDGAR A. CUA
Age	68
Nationality	Filipino
Education	<ul style="list-style-type: none"> * 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
Current Position in the Bank	* Chairman/Independent Director
Date of First Appointment	<ul style="list-style-type: none"> * May 31, 2016 (Independent Director) * April 25, 2023 (Chairman of the Board)
Directorship in Other Listed Companies	* None
Other Current Positions	<ul style="list-style-type: none"> * Chairman/Independent Director of Allied Integrated Holdings, Inc. (<i>formerly PNB Savings Bank</i>) * 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	<ul style="list-style-type: none"> * 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.

Name	LEONILO G. CORONEL
Age	77
Nationality	Filipino
Education	<ul style="list-style-type: none"> * Bachelor of Arts degree, Major in Economics from the Ateneo de Manila University * Advance Management Program of the University of Hawaii
Current Position in the Bank	* Vice Chairman/Director
Date of First Appointment	<ul style="list-style-type: none"> * May 28, 2013 (as Director) * April 27, 2021 (as Vice Chairman)
Directorship in Other Listed Companies	* None
Other Current Positions	<ul style="list-style-type: none"> * 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
Other Previous Positions	<ul style="list-style-type: none"> * 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	<ul style="list-style-type: none"> * Fellow of the Australian Institute of Company Directors in 2002 * Fellow of Institute of Corporate Directors

Name	FELIX ENRICO R. ALFILER
Age	74
Nationality	Filipino
Education	* Bachelor of Science and Masters in Statistics from the University of the Philippines
Current Position in the Bank	* Director
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
Other Previous Positions	* Chairman/Independent Director of PNB General Insurers Co., Inc. * Independent Director of Philippine National Bank, PNB-IBJL Leasing and Finance Corporation and PNB Savings Bank * Senior Advisor to the World Bank Group Executive Board in Washington, D.C. * Special Assistant to the Philippine Secretary of Finance for International Operations and Privatization * Director of the BSP * Assistant to the Governor of the Central Bank of the Philippines * Senior Advisor to the Executive Director at the International Monetary Fund * Associate Director at the Central Bank * Head of the Technical Group of the CB Open Market Committee * Monetary Policy Expert in the Economics Sub-Committee of the 1985-1986 Philippine Debt Negotiating Team which negotiated with over 400 private international creditors for the rescheduling of the Philippines' medium- and long-term foreign debts * Advisor at Lazaro Bernardo Tiu and Associates, Inc. * President of Pilgrims (Asia Pacific) Advisors, Ltd. * President of the Cement Manufacturers Association of the Philippines (CeMAP) * Board Member of the Federation of Philippine Industries (FPI) * Vice President of the Philippine Product Safety and Quality Foundation, Inc. * Convenor for Fair Trade Alliance.

Name	FLORIDO P. CASUELA
Age	82
Nationality	Filipino
Education	<ul style="list-style-type: none"> * 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
Current Position in the Bank	* Director/President
Date of First Appointment	<ul style="list-style-type: none"> * May 30, 2006 (as Director) * July 5, 2022 (as Acting President)
Directorship in Other Listed Companies	* None
Other Current Positions	<ul style="list-style-type: none"> * Chairman of PNB Securities, Inc. * Chairman of Casuela Equity Ventures, Inc. * Director of PNB International Investments Corporation, PNBRCI Holding Co., Ltd., Allianz PNB Life Insurance, Inc., Surigao Micro Credit Corporation, and Bancnet, Inc. * Senior Consultant of the Bank of Makati (a Savings Bank), Inc.
Other Previous Positions	<ul style="list-style-type: none"> * Vice Chairman of Allied Integrated Holdings, Inc. (<i>formerly PNB Savings Bank</i>) * President of Land Bank of the Philippines, Maybank Philippines, Inc., and Surigao Micro Credit Corporation * Vice-Chairman of Land Bank of the Philippines and Maybank Philippines, Inc. * Director of PNB Life Insurance, Inc. * Director, Meralco * Trustee of Land Bank of the Philippines Countryside Development Foundation, Inc. * Director of Sagittarius Mines, Inc. * Senior Adviser in the Bangko Sentral ng Pilipinas * Senior Executive Vice President of United Overseas Bank (Westmont Bank) * Executive Vice President of PDCP (Producers Bank) * Senior Vice President of Philippine National Bank * Special Assistant to the Chairman of the National Power Corporation

- * First Vice President of Bank of Commerce
- * Vice President of Metropolitan Bank & Trust Co.
- * Staff Officer, BSP
- * Audit Staff of Joaquin Cunanan, CPAs (Isla Lipana & Co.)
- * 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

Name	CHESTER Y. LUY
Age	54
Nationality	Filipino
Education	<ul style="list-style-type: none"> * 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 * Masters in Management degree from the J.L. Kellogg Graduate School of Management at Northwestern University * Chartered Financial Analyst (CFA)
Current Position in the Bank	* Director
Date of First Appointment	<ul style="list-style-type: none"> * May 11, 2020 (Board Advisor) * September 22, 2023 (Director)
Directorship in Other Listed Companies	* Board Advisor of LT Group, Inc.
Other Current Positions	<ul style="list-style-type: none"> * 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.
Other Previous Positions	<ul style="list-style-type: none"> * 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

Name	ESTELITO P. MENDOZA
Age	93
Nationality	Filipino
Education	<ul style="list-style-type: none"> * Bachelor of Laws (cum laude) from the University of the Philippines * Master of Laws from Harvard University
Current Position in the Bank	* Director
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
Other Previous Positions	<ul style="list-style-type: none"> * 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	<ul style="list-style-type: none"> * 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"

Name	ISABELITA M. PAPA
Age	75
Nationality	Filipino
Education	* Bachelor of Science in Commerce – Banking & Finance from the University of Sto. Tomas
Current Position in the Bank	* Independent Director
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

Name	SHEILA T. PASCUAL
Age	61
Nationality	Filipino
Education	* Bachelor of Science in Business Management from the Ateneo de Manila University
Current Position in the Bank	* Director
Date of First Appointment	* November 22, 2019
Directorship in Other Listed Companies	* Director of PAL Holdings, Inc.

Other Current Positions	<ul style="list-style-type: none"> * Director of Allied Commercial Bank, Buona Sorte Holdings Inc., Saturn Holdings, Inc., Tangent Holdings Corporation, Trustmark Holdings Corporation, Philippine Airlines, Inc. and Zuma Holdings and Management Corporation * Business Development Manager of Allied Banking Corporation (Hong Kong) Limited
Other Previous Position/s	<ul style="list-style-type: none"> * Marketing Development Officer of Asia Brewery Incorporated

Name	WILFRIDO E. SANCHEZ
Age	86
Nationality	Filipino
Education	<ul style="list-style-type: none"> * 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
Current Position in the Bank	<ul style="list-style-type: none"> * Independent Director
Date of First Appointment	<ul style="list-style-type: none"> * April 27, 2021
Directorship in Other Listed Companies	<ul style="list-style-type: none"> * Independent Director of LT Group, Inc.
Other Current Positions	<ul style="list-style-type: none"> * Tax Counsel of Quiason Makalintal Barot Torres Ibarra Sison & Damaso Law Offices * Independent Director of Eton Properties Philippines, Inc., Asia Brewery, Inc., and Tanduay Distillers, Inc. * Director of EEI Corporation, House of Investments, Inc., Kawasaki Motor Corporation, EMCOR, Inc., K-Servico, Inc., J-DEL Investments and Management Corp., WODEL, Inc., KS Prime Financial Corp., and Trimotors Technology Corp. * Trustee of JVR Foundation, Inc., and Gokongwei Brothers Foundation
Other Previous Position/s	<ul style="list-style-type: none"> * Vice Chairman/Director of Antonelli Realty Holdings, Inc. * Trustee of NYK-TDG Friendship Foundation, Inc. and Asian Institute of Management * Independent Director of Transnational Diversified Corp. * Director of Universal Robina Corp., Transnational Plans, Inc., Center for Leadership & Change, Inc., Adventure International Tours, Inc., Transnational Financial Services, Inc., Amon Trading Corp., Rizal Commercial Banking Corporation, Asiabest Group International Inc., Magellan Capital Holdings Corporation, and Joint Research and Development Corporation

Name	* EUSEBIO V. TAN
Age	* 72
Nationality	* Filipino
Education	* Bachelor of Arts, Major in Economics – <i>Summa Cum Laude</i> (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
Current Position in the Bank	* Director
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)
Other 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
	C. Second Honors Silver Medal Awardee conferred by the Ateneo de Manila University

Name	LUCIO C. TAN III
Age	31
Nationality	Filipino
Education	<ul style="list-style-type: none"> * Bachelor of Science in Electrical Engineering, Stanford University * Master of Science, Major in Computer Science, Stanford University
Current Position in the Bank	* Director
Date of First Appointment	* April 27, 2021
Directorship in Other Listed Companies	<ul style="list-style-type: none"> * 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	<ul style="list-style-type: none"> * 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, Dominion 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., Asias Merging 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
Other Previous Position/s	* Director of Victorias Milling Company, Inc.
Awards/Citations	<ul style="list-style-type: none"> * 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)

Name	MICHAEL G. TAN
Age	57
Nationality	Filipino
Education	* Bachelor of Applied Science in Civil Engineering, Major in Structural Engineering, from the University of British Columbia, Canada
Current Position in the Bank	* Director
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	<ul style="list-style-type: none"> * 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 * Trustee of Help Educate and Rear Orphans (HERO) Foundation, Inc.
Other Previous Positions	<ul style="list-style-type: none"> * 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	<ul style="list-style-type: none"> * 2021 Stargate People Asia “People of the Year” * 2021 4th Mansmith Masters Awards
Name	VIVIENNE K. TAN
Age	55
Nationality	Filipino
Education	<ul style="list-style-type: none"> * 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.
Current Position in the Bank	* Director
Date of First Appointment	* December 15, 2017
Directorship in Other Listed Companies	* Director of LT Group, Inc. and MacroAsia Corporation
Other Current Positions	<ul style="list-style-type: none"> * 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)
Other Previous Positions	<ul style="list-style-type: none"> * 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	<ul style="list-style-type: none"> * 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)
Name	MARIA ALMASARA CYD N. TUAÑO-AMADOR
Age	67
Nationality	Filipino
Education	<ul style="list-style-type: none"> * Bachelor of Science in Business Economics from the University of Philippines School of Economics * Master of Arts in Economics from the University of 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
Current Position in the Bank	* Independent Director
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	<ul style="list-style-type: none"> * 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	<ul style="list-style-type: none"> * 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)

Name	DOMINGO H. YAP
Age	89
Nationality	Filipino
Education	* Bachelor of Science in Business Administration major in Business Management from San Sebastian College Recoletos
Current Position in the Bank	* Independent Director
Date of First Appointment	* August 23, 2019
Directorship in Other Listed Companies	* None
Other Current Positions	* President of H-Chem Industries, Inc., DHY Realty and Development Inc., Colorado Chemical Sales Corporation, Universal Paint & Coating Philippines, Inc., Alliance Land Development Corporation, and Kang Ha Association
Other Previous Positions	* President of the Federation of Filipino-Chinese Chamber of Commerce and Industries, Inc. * Governor of Y's Men Club Philippines * President of Y's Men Club Downtown of Manila * President of Rotary Club of Pasay City

Board Advisors:

Name	WILLIAM T. LIM
Age	83
Nationality	Filipino
Education	* Bachelor of Science in Chemistry from Adamson University
Current Position in the Bank	* Board Advisor
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. (<i>formerly PNB Savings Bank</i>), Allied Commercial Bank - Xiamen, and Genbancor Condominium Corporation * Advisor to the Chairman of the Board of Directors of Allianz PNB Life Insurance, Inc.
Other Previous Positions	* Board Advisor of PNB Savings Bank * Director of PNB Life Insurance, Inc., BH Fashion Retailers, Inc., and Concept Clothing, Co., Inc.

- * Consultant of Allied Banking Corporation
- * Director of Corporate Apparel, Inc.
- * Director of Concept Clothing
- * Director of Freeman Management and Development Corporation
- * Worked with Equitable Banking Corporation for 30 years, occupying various positions, including as VP & Head of the Foreign Department

Name	CHRISTOPHER J. NELSON
Age	64
Nationality	British
Education	<ul style="list-style-type: none"> * 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.
Current Position in the Bank	* Board Advisor
Date of First Appointment	<ul style="list-style-type: none"> * 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	<ul style="list-style-type: none"> * 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
Other Previous Positions	<ul style="list-style-type: none"> * 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

Name	FEDERICO C. PASCUAL
Age	81
Nationality	Filipino
Education	<ul style="list-style-type: none"> * Bachelor of Arts, Ateneo de Manila University * Bachelor of Laws (Member, Law Honors Society), University of the Philippines * Master of Laws, Columbia University
Current Position in the Bank	* Board Advisor
Date of First Appointment	<ul style="list-style-type: none"> * 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	<ul style="list-style-type: none"> * 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
Other Previous Positions	<ul style="list-style-type: none"> * 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 PNOCC 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

Name	LOURDES A. SALAZAR
Age	68
Nationality	Filipino
Education	<ul style="list-style-type: none">* 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
Current Position in the Bank	<ul style="list-style-type: none">* Board Advisor
Date of First Appointment	<ul style="list-style-type: none">* April 25, 2023
Directorship in Other Listed Companies	<ul style="list-style-type: none">* None
Other Current Positions	<ul style="list-style-type: none">* 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
Other Previous Positions	<ul style="list-style-type: none">* 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	<ul style="list-style-type: none">* 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

Name	CARMEN K. TAN
Age	82
Nationality	Filipino
Current Position in the Bank	* Board Advisor
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., Dominion 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., Tanduary 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

Name	FLORENCIA G. TARRIELA
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
Current Position in the Bank	* Board Advisor
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

Other Previous Positions	<ul style="list-style-type: none"> * Trustee of Tulay sa Pag-unlad, Inc. (TSPI) Development Corporation, TSPI MBAI * Director of Financial Executive Institute of the Philippines (FINEX) * 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
Awards/Citations	<ul style="list-style-type: none"> * President, Bank Administration Institute of the Philippines * 2014 Most Outstanding Citibank Philippines Alumni awardee for community involvement * 2018 Go Negosyo Woman Intrapreneur Awardee

Name	RUTH PAMELA E. TANGHAL
Age	55
Nationality	Filipino
Education	<ul style="list-style-type: none"> * Bachelor of Science in Mathematics from the Notre Dame University, Cotabato City * Juris Doctor from the Notre Dame University, Cotabato City
Current Position in the Bank	Corporate Secretary
Date of First Appointment	September 25, 2020
Directorship in Other Listed Companies	* None
Other Current Positions	<ul style="list-style-type: none"> * Corporate Secretary of Allied Integrated Holdings Inc. (Formerly: PNB Savings Bank) * Corporate Secretary of Genbancor Condominium Corporation * Corporate Secretary of PNB Foundation, Inc. * Director of E.C. Tanghal & Co., Inc.
Other Previous Positions	<ul style="list-style-type: none"> * Assistant Corporate Secretary of PNB * Documentation Lawyer, PNB Legal Group

Name	MICHELLE A. PAHATI-MANUEL
Age	51
Nationality	Filipino
Education	* AB Political Science, University of Sto. Tomas * Juris Doctor, Saint Louis University
Current Position in the Bank	Assistant Corporate Secretary
Date of First Appointment	September 25, 2020
Directorship in Other Listed Companies	* None
Other Current Positions	* Corporate Secretary, PNB Securities, Inc.
Other Previous Positions	* Corporate Secretary, PNB Capital and Investments Corporation * Department Head, Litigation Division, PNB Legal Group * Research Lawyer, PNB Legal Group * Investigating Lawyer (for Administrative Cases), PNB Legal Group * Corporate Secretary, Bulawan Mining Corporation * Corporate Secretary, PNB Management and Development Corporation (MADECOR) * Court Attorney, Supreme Court * Court Attorney, Court of Appeals

Executive Officers:

FRANCIS B. ALBALATE, 53, Filipino, holds the position of Executive Vice President and Chief Financial Officer of Philippine National Bank. He is a Certified Public Accountant. Prior to joining the 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 a Master's degree in Business Management from the Asian Institute of Management. He graduated with a degree in Bachelor of Science in Commerce, majoring in Accounting, from San Beda College. He attended the Pacific Rim Bankers Program at the University of Washington in 2006.

CENON C. AUDENCIAL, JR., 65, Filipino, Executive Vice President, is the Head of the Institutional Banking Sector. He currently sits as Board Advisor in PNB Capital and Investment Corporation. Before joining the Bank in 2009, he headed the Institutional and Corporate Bank of ANZ, prior to which he was a Senior Relationship Manager of Corporate Banking and Unit Head of Global Relationship Banking for Citibank N.A. He previously served as a Vice President and Unit Head of Standard Chartered Bank's Relationship Management Group and was a Relationship Manager in Citytrust Banking Corporation. Before his 25-year stint as a Relationship Manager, he was a Credit Analyst for Saudi French Bank and AEA Development Corporation. Mr. Audencial obtained his Bachelor of Arts degree in Economics from the Ateneo de Manila University.

ROBERTO D. BALTAZAR, 59, Filipino, Executive Vice President, is currently the Head of Global Banking and Markets Sector which includes the Global Markets Group, Wealth Management Group and the Financial Institutions Division. He is likewise a director of PNB Capital and Investment Corporation. Mr. Baltazar brings with him over 30 years of banking experience both in the Financial Markets and Corporate Banking Sector. He spent 4 years in Citibank as a foreign exchange trader then moved to HSBC in 1994 as head of FX Trading then eventually became Head of Global Markets, Debt Capital Markets and Securities Services in 2014. He sustained Debt Capital Markets and HSBC

Securities Services (HSS) position as the number one Debt Capital Markets and Global Custodianship Business during his tenure. During this time, HSBC was likewise one of the top FX and Bond Trading houses. He was ACI President in 2013. He was an active member of the BAP Open Market Committee, specifically in the Foreign Exchange Subcommittee. He obtained his Bachelor of Arts degree in Economics from the Ateneo de Manila University and Master's in Business Administration Degree from the University of North Carolina at Chapel Hill, USA.

ISAGANI A. CORTES, 56, Filipino, Executive Vice President, was appointed the Chief Compliance Officer (CCO) of the Bank effective April 8, 2019. He 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 in Diliman. Prior to joining the Bank, Atty. Cortes was the Senior Vice President and Deputy Head of the Regulatory Affairs Group of RCBC. Prior to RCBC, he spent 14 years in The Hongkong Shanghai Banking Corporation (HSBC) handling legal and compliance matters. As SVP and Country Head of Financial Crime Compliance of HSBC from 2014 to 2018, he was the subject matter expert in and risk steward of financial crime risk. He also worked for East West Bank as its Chief Compliance Officer and ABN AMRO Philippines handling Legal, Remedial and Acquired Assets Management.

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, First Senior Vice President, is the Chief Legal Counsel of the Bank. He joined PNB in 2003 and was appointed as Head of Documentation and Research Division of the Legal Group in 2009. He then assumed the position of Chief Legal Counsel in 2014. Before joining PNB, he was the Corporate Secretary and Vice President of the Legal Department of Multinational Investment Bancorporation. He also formerly served as Corporate Secretary and Legal Counsel of various corporations, among which are the Corporate Partnership for Management in Business, Inc.; Orioxy Investment Corporation; Philippine Islands Corporation for Tourism and Development; Cencorp (Trade, Travel and Tours), Inc.; and Central Bancorporation General Merchants, Inc.

REYNALDO C. BURGOS, 55, Filipino. "Rey" is First Senior Vice President and Head of the 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 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. Today, he is member BAP Operations Committee and been serving BAP for more than 10 years. Presently in Bancnet, he is member of Operations and Membership Committees. He is also director of the PCHC and member of Arbitration and Information Technology Committees. Rey holds a Bachelor of Science degree in Commerce, Major in Accountancy from the Colegio de San Juan de Letran.

MARIA ADELIA A. JOSON, 69, Filipino, First Senior Vice President, is the Head of the Retail Banking Sector. Daday, as fondly called by her peers, has over 40 years of vast experience in the banking industry. She started her stint as a research analyst in Economic Research Department of Commercial Bank and Trust Company (Comtrust) in 1974. After 4 years, she took the exams and qualified for the Officers Training Program conducted in 1978 and was thereafter promoted to Branch Cashier of Comtrust-Taft Avenue Branch. In 1980, she joined Allied Banking Corporation (ABC) as Cashier of Roosevelt Branch. Throughout her stint at ABC, she has developed high proficiency in all facets of branch banking thru the various key positions she held in the bank 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 a newly created group in the Retail Banking Sector Sales and Support Group. Because of her consistent commendable performance, she merited promotions not only in positions but also in rank which is currently at FSVP. Daday was designated as the Officer-in-Charge for the Retail Banking Sector (RBS) in February 2020 before she was officially appointed as the Head of RBS in November 2020. She obtained her degree in A.B. Economics at La Salle College.

CELESTE MARIE V LIM, 47, Filipino, First Senior Vice President, is the Head of the Consumer Finance Sector. She obtained her Bachelor of Science degree in Business Administration, Major in Accounting and Economics from the College of Mount Saint Vincent in New York USA and her Master's in Business Administration degree from the University of Chicago Booth School of Business in Chicago USA. In PNB, she was a Senior Vice President and Head of Cards and Payments Solutions Group prior to her current role. Before joining PNB, she was First Vice President and the Head of Cards Business Development and Operations Group of Security Bank Corporation from 2016. She was also First Vice President and Head of Merchant Acquiring of Metrobank Cards Corporation from 2006. She began her Retail Banking and Lending career in HSBC Philippines in 2001 as a Portfolio Risk Manager.

MARIA PAZ D. LIM, 62, Filipino, First Senior Vice President, is the Corporate Treasurer. She is also concurrently the Treasurer of PNB Capital and Investment Corporation and Allied Integrated Holdings, Inc. She obtained her Bachelor of Science degree in Business Administration, Major in Finance and Marketing, from the University of the Philippines, and Master's in Business Administration from the Ateneo de Manila University. She joined PNB on June 23, 1981, rose from the ranks and occupied various officer positions at the Department of Economics & Research, Budget Office and Corporate Disbursing Office prior to her present position.

MICHAEL MORALLOS, 55, Filipino, First Senior Vice President, is the Head of the Information Technology Group of Philippine National Bank and brings with him over twenty-eight (28) years of work experience. He obtained his Bachelor of Arts degree major in Philosophy and Political Science from the University of the Philippines and completed advanced computer studies at the National Computer Institute of the Philippines. He was a Senior FIS Systematics Consultant where his company trainings include Wharton Senior Executive Program, IBM Project Management, Ateneo Banking Principles and extensive banking application systems training at the Fidelity Information Services (FIS) Training Center, LR, Arkansas. Prior to joining PNB, he was First Senior Vice President and Head of Technology Platform at the Siam Commercial Bank, the largest Thai bank with over 28 million Customer Accounts and 1,200 domestic branches. As Chief Technology Officer of PNB, Mr. Morallos introduced significant improvements in the IT service operations as well as innovative changes in the technology support structure to dynamically adapt to the Bank's digital transformation roadmap. He leads the Bank's technology strategy and supports the delivery of technology services and key strategic projects to both domestic and overseas branches.

ROLAND V. OSCURO, 60, Filipino, First Senior Vice President, is the Chief Information Security Officer, Head of the Enterprise Information and Cyber Security Group and, in concurrent capacity, the Data Protection Officer of the PNB Group. He obtained his Bachelor of Science in Electronics and Communications Engineering degree from Mapua Institute of Technology and took up units in Master's in Business Administration for Middle Managers at the Ateneo de Manila Graduate School. He is an Electronic and Communications Engineering Board passer. He is also an Information

Systems Audit and Control Association's (ISACA) Certified Information Security Manager (CISM). Prior to his present position, Mr. Oscuro was hired as IT Consultant of the Bank on November 2, 2003. In May 2004, he was appointed as the Head of Network Management Division of Information Technology Group with the rank of First Vice President. He was the Operational Support System Group Manager of Multi-Media Telephony, Inc. (Broadband Philippines) prior to joining PNB. He was also connected with various corporations such as Ediserve Corp. (Global Sources), Sterling Tobacco Corporation, Zero Datasoft (Al Bassam), Metal Industry Research and Development Center, and Pacific Office Machines, Inc.

NANETTE O. VERGARA, 63, Filipino, First Senior Vice President, is the Chief Credit Officer and Head of Credit Management Group. She obtained her degree in Bachelor of Science in Statistics (Cum Laude) in 1981 from the University of the Philippines in Diliman. She joined PNB in 2006 and was appointed as First Vice President and Head of Credit Management Division. She started her banking career with the Bank of Commerce in 1981. She moved to the Credit Rating Services Department of the Credit Information Bureau in 1983 and went back to banking in 1992 when she joined the Union Bank of the Philippines. She later transferred to Solidbank Corporation in 1993 to head various credit-related units. Prior to joining PNB, she worked with United Overseas Bank from 2000-2006 as VP/Head of Credit Risk Management.

EMELINE C. CENTENO, 65, Filipino, Senior Vice President, is the Head of the Corporate Planning and Analysis Division. She obtained her Bachelor of Science degree in Statistics (Dean's Lister) and completed her Master's of Arts in Economics degree (on scholarship) from the University of the Philippines. She joined PNB in 1983, rose from the ranks and held various positions at the Department of Economics and Research, Product Development, Monitoring and Implementation Division, and the Corporate Planning Division before assuming her present position as Head of the merged Corporate Planning and Analysis Division. Ms. Centeno was awarded as one of the Ten Outstanding Employees of the Bank in 1987.

JOY JASMIN R. SANTOS, 50, Filipino, Senior Vice-President, is the Chief Trust Officer and Head of Trust Banking Group. She has served as Vice-President and Corporate Trust Division Head from 2013 to 2018 and Business Development Division Head of the Trust Banking Group from 2010 to 2012. Prior to joining PNB, she held key managerial positions in various local banks. Ms. Santos graduated as Cum Laude in 1994 from the Ateneo de Manila University with a degree of Bachelor of Arts, Major in Management Economics and obtained her Master's in Business Administration from the Australian National University, Canberra, Australia in 2002. She has completed the One-Year Course on Trust Operations and Investment Management given by the Trust Institute Foundation of the Philippines in 2015 and graduated with Distinction. She is also a member of the Board of Directors of the Trust Officers Association of the Philippines (TOAP) and of the Trust Institute Foundation of the Philippines (TIFP).

SOCORRO D. CORPUS, 72, Filipino, is the Officer-in-Charge of Human Resources Group of Philippine National Bank. "Cora" retired from the Bank in 2017 as First Senior Vice President and Head of the Human Resources Group. Thereafter, she joined Assessment Analytics Inc. (AAI), a company that provides assessment solutions and measurements of talent as a Consultant. She is a graduate of Assumption College with Bachelor of Arts degree, Major in Psychology and an Associate in Commercial Science Degree. She has been an HR practitioner for more than 40 years. She started her career with China Banking Corporation in 1973 prior to joining the Allied Banking Corporation in 1977. Her professional affiliations include the following: founding member and a Board Member of the Organization Development Professional Network, past President and member of the Bankers' Council for People Management, member of the Personnel Management Association of the Philippines and the regular Bank representative to the Banking Industry Tripartite Council.

JULIET S. DYTOC, 53, Filipino. “Juliet” is First Vice President, Chief Risk Officer and Head of the Risk Management Group. She joined PNB in 2010 under the Trust Banking Group (TBG) as Trust Risk Division Head. In this capacity, Juliet institutionalized the Trust Risk Management framework that covered a comprehensive range of risk areas including credit, market, operational, strategic, regulatory, liquidity, and reputational risk, among others. In September 2020, Juliet was appointed as head of the Market and ALM Division to manage the Bank’s market, liquidity, and interest rate risk exposures. She was designated as the officer-in-charge of Risk Management Group in February 2022, and was appointed as the Chief Risk Officer in March 2023. She has over 25 years of experience in the banking and finance industry in the areas of risk management, account management, and product development. She started as a management trainee joining PCIBank’s Management Development Program and was eventually seconded to PCIB Securities as an Investment Analyst. She took interest in the Trust business and was transferred to Equitable PCI Bank (now BDO Unibank) as a Trust Portfolio Manager. She continued this track in Metrobank as Trust Credit and Risk Officer, the first Trust risk management unit in the banking industry. She briefly handled product management at Standard Chartered Bank where she made available structured products for wealth management clients. At Sterling Bank of Asia, she refocused on risk management as head of its market risk unit. She is fluent in French and in conversational Chinese. 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, placing fourth out of 80 participants, a one year course on Trust Operations and Investment Management given by the Trust Institute Foundation of the Philippines (TIFP). She was at some point certified by the Securities and Exchange Commission (SEC) as a Fixed Income Salesman. She is a Chartered Financial Analyst (CFA®) Charterholder and an active member of the CFA Society of the Philippines since 2005.

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).

D. Independent Directors

Among the Board members are five independent directors. They are independent of management and free from any business or other relationship which could materially interfere with the exercise of independent judgment in fulfilling their responsibilities as directors. The Bank has five (5) independent directors representing 33% of the members of the Board, beyond the 20% requirement of the SEC. The appointment of the 5 independent directors composed of the Board Chairman Edgar A. Cua, Isabelita M. Papa, Wilfrido E. Sanchez, Maria Almasara Cyd N. Tuaño-Amador and Domingo H. Yap, were approved and confirmed by the appropriate regulatory bodies.

The independent directors act as Chairman of the Board, Corporate Governance and Sustainability Oversight Committee, Risk Oversight Committee, Board Audit and Compliance Committee and Board Oversight RPT Committee. The independent directors are also members of other board committees such as the Board Strategy and Policy Committee, Board IT Governance Committee, Board Overseas Offices Oversight Committee and Non-Voting Member of the Executive Committee and Trust Committee.

E. Identify Significant Employees

All employees of the Bank are valued for their contribution to the business. The management, however, expect the executive officers to make any significant contribution to the business of the Bank.

F. Family Relationship

Chairman Emeritus Lucio C. Tan and Board Advisor Carmen K. Tan are spouses. Directors Sheila T. Pascual and Vivienne K. Tan are children of Chairman Emeritus Lucio C. Tan and Board Advisor Carmen K. Tan, while Director Lucio C. Tan III is the grandson of Chairman Emeritus Lucio C. Tan and Board Advisor Carmen K. Tan. Director Michael G. Tan is a son of Chairman Emeritus Lucio C. Tan.

G. Involvement in Certain Proceedings

None of the other directors, nominees for directors, or any of the executive officers of the Bank has been, for the last five (5) years:

- i. Involved in any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two (2) years prior to that time;
- ii. Convicted by final judgment in a criminal proceeding, domestic or foreign, or is being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
- iii. Subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities; or
- iv. Found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

H. Brief Description of Any Material Pending Legal Proceedings to which the Registrant or any of its Subsidiaries is a Party

The Bank and some of its subsidiaries are parties to various legal proceedings which arose in the ordinary course of their operations. None of such legal proceedings, either individually or in the aggregate, are expected to have a material adverse effect on the Bank and its subsidiaries or their financial condition.

Item 10. Executive Compensation

A. General

The annual compensation of executive officers consists of a 16-month guaranteed cash emolument. Non-executive directors are entitled to a per diem for each Board or Board committee meeting attended as follows: ₱50,000.00 for each board meeting and ₱25,000.00 for each committee meeting, provided that in no case shall the total per diem exceed ₱250,000.00 per month for committee meetings. No other emoluments are granted to non-executive directors of the Bank except for the aforementioned per diem. The President and CEO, being the only executive director, is not entitled to any per diem as it is deemed incorporated in his compensation. Total per diem given to the Board of Directors of the Bank amounted to ₱71.3 million in 2023 from ₱62.6 million in 2022.

B. Summary of Compensation Table

Annual Compensation (In ₱)					
Name and Principal Position	Year	Salary	Bonus	Others (per diem)	Total
Mr. Florido P. Casuela President	2023				
Four (4) most highly compensated executive officers other than the CEO:					
1. Cenon C. Audencial, Jr. Executive Vice President	2023				
2. Roberto D. Baltazar Executive Vice President	2023				
3. Isagani A. Cortes Executive Vice President	2023				
4. Aida M. Padilla Executive Vice President	2023				
CEO and Four (4) Most Highly Compensated Executive Officers	Actual 2022	85,076,479	28,624,696	–	113,701,175
	Actual 2023	85,013,709	27,863,531	–	112,877,240
	Projected 2024	92,664,943	30,371,249	–	123,036,192
Directors (unnamed)	Actual 2022	–	–	62,650,000	62,650,000
	Actual 2023	–	–	71,340,000	71,340,000
	Projected 2024	–	–	126,720,000	126,720,000
All other officers (unnamed)	Actual 2022	3,912,670,519	1,275,736,904	–	5,188,407,423
	Actual 2023	4,064,762,798	1,362,877,707	–	5,427,640,505
	Projected 2024	4,430,591,450	1,485,536,700	–	5,916,128,150

C. Employment Contracts and Termination of Employment and Change-in-Control Arrangements

All executive officers are covered by the Bank's standard employment contract which guarantees annual compensation on a 16-month schedule of payment. In accordance with Sec. 6.1, Article VI of the Bank's Amended By-Laws, all officers with the rank of Vice President and uphold office and serve at the pleasure of the Board of Directors.

D. Warrants and Options Outstanding: Repricing

No warrants or options on the Bank's shares of stock have been issued or given to the Directors or executive officers as a form of compensation for services rendered.

Item 10A. Remuneration Policy

PNB's remuneration policy manifests the Bank's belief that the quality of its human resource is a key competitive edge in the industry. As such, the Bank maintains remuneration and benefits program that attracts, motivates, and retains talents and develops their potentials. The Bank's remuneration and benefits program aims to 1) ensure compliance with requirements of labor and other regulatory laws; 2) establish competitiveness with peer groups in the industry; and 3) strengthen alignment with and accomplishment of the Bank's business strategies. The following are the features of the Bank's remuneration policy for Directors and Officers:

I. Emolument and Fringe Benefits of the Board of Directors

- Cash Emolument in the form of Per Diem for every Board and Board Committee meeting
- Non-Cash Benefit in the form of Healthcare Plan, Group Life Insurance, and Group Accident Insurance

II. Officers' Compensation and Benefits

1. Monetary Emoluments

- Monthly compensation in the form of monthly basic pay which is reviewed annually and subject to the adjustment thru merit increase effective July 1 based on Officer's performance and achievements
- Bonuses equivalent to four (4) months Basic Salary per year
- Allowances to cover business-related expenses, official travel, social and recreational activities (i.e., Teambuilding activity/Christmas party), and relocation expenses; other monetary allowances that include annual rice subsidy and annual clothing allowance.
- Service Incentive in the form of cash award upon reaching milestones in length of service (i.e., 10th, 15th, 20th, 25th, 30th, 35th and 40th year of service)

2. Non-Cash Benefits

- Healthcare Plan in the form of hospitalization, consultation and other medical benefits for the Officer and two (2) of his/her primary dependents
- Group Life Insurance coverage in amounts based on the Officer's rank
- Group Accident Insurance coverage in amounts based on the Officer's rank
- Leave Privileges in the form of leave with pay benefits for the following purposes: a) vacation; b) sick; c) maternity; d) paternity; e) birthday; f) bereavement; g) solo parent; h) emergency; i) special leave for female employees; j) special leave privilege for victims under the "Anti-Violence Against Women and their Children Act".
- Car Plan in the form of car cost-sharing scheme based on the officer's rank
- Telecommuting work arrangement for eligible officers

3. Fringe Benefits

- Loan Facilities available for the following purposes: a) housing; b) car financing; c) general purpose; d) motorcycle loan; e) computer loan.

4. Retirement Benefits

- Retirement benefits equivalent to applicable monthly pay per year of service for those who attained the required age or minimum length of service under the Plan.

Item 11. Security Ownership

(1) Security Ownership of Certain Record and Beneficial Owners (more than 5% of any class of voting securities as of December 31, 2023)

Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Common Shares Held	Percentage of Ownership
All Seasons Realty Corp. -Makati City- 10,005,866 shares Shareholder	Owned and Controlled by LT Group, Inc.	Filipino	912,811,179	59.8264653298%
Allmark Holdings Corp. -Makati City- 20,724,567 shares Shareholder		Filipino		
Caravan Holdings Corporation -Marikina City- 82,017,184 shares Shareholder		Filipino		
Donfar Management Limited -Makati City- 30,747,898 shares Shareholder		Filipino		
Dunmore Development Corp. (X-496) -Pasig City- 15,140,723 shares Shareholder		Filipino		
Dynaworld Holdings, Inc. -Marikina City- 11,387,569 shares Shareholder		Filipino		

Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Common Shares Held	Percentage of Ownership
Fast Return Enterprises, Ltd. -Makati City- 18,157,183 shares Shareholder		Filipino		
Fil-Care Holdings, Inc. -Quezon City- 25,450,962 shares Shareholder		Filipino		
Fragile Touch Investment Ltd. -Makati City- 22,696,137 shares Shareholder		Filipino		
Ivory Holdings, Inc. -Makati City- 20,761,731 shares Shareholder		Filipino		
Kenrock Holdings Corp. -Makati City- 26,018,279 shares Shareholder		Filipino		
Kentwood Development Corp. -Quezon City- 17,237,017 shares Shareholder		Filipino		

Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Common Shares Held	Percentage of Ownership
Key Landmark Investments, Ltd. - Makati City- 133,277,924 shares Shareholder		Filipino		
La Vida Development Corp. -Quezon City- 19,607,334 shares Shareholder		Filipino		
Leadway Holdings, Inc. -Pasig City- 65,310,444 shares Shareholder		Filipino		
Mavelstone International Limited -Makati City- 29,575,168 shares Shareholder		Filipino		
Merit Holdings & Equities Corp. -Quezon City- 17,385,520 shares Shareholder		Filipino		
Multiple Star Holdings Corp. -Makati City- 30,798,151 shares Shareholder		Filipino		

Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Common Shares Held	Percentage of Ownership
Pioneer Holdings Equities, Inc. -Pasig City- 34,254,212 shares Shareholder		Filipino		
Profound Holdings, Inc. -Makati City- 18,242,251 shares Shareholder		Filipino		
Purple Crystal Holdings, Inc. -Manila City- 24,404,724 shares Shareholder		Filipino		
Safeway Holdings & Equities, Inc. -Quezon City- 12,048,843 shares Shareholder		Filipino		
Society Holdings Corp. -Quezon City- 17,298,825 shares Shareholder		Filipino		
Solar Holdings Corporation -Pasig City- 82,017,184 shares Shareholder		Filipino		
Total Holdings Corporation -Pasig City- 15,995,011 shares Shareholder		Filipino		

Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Common Shares Held	Percentage of Ownership
True Success Profits, Limited -Makati City- 82,017,184 shares Shareholder		Filipino		
Uttermost Success, Limited -Makati City- 30,233,288 shares Shareholder		Filipino		

(2) Security Ownership of Management (Individual Directors and Executive Officers as of 31 December 2023)

Name of Beneficial Owner	Amount of Common Shares and Nature of Beneficial Ownership	Citizenship	Percentage of Ownership
Edgar A. Cua Chairman/ Independent Director	100 shares P4,000.00 (R)	Filipino	0.0000065541
Leonilo G. Coronel Vice Chairman/Director	1 share P40.00 (R)	Filipino	0.0000000655
Felix Enrico R. Alfiler Director	5 shares P200.00 (R)	Filipino	0.0000003277
Florido P. Casuela Director/Acting President	162 shares P6,480.00 (R)	Filipino	0.0000106176
Chester Y. Luy Director	10 shares P400.00 (R)	Filipino	0.0000006554
Estelito P. Mendoza Director	1,150 shares P46,000.00 (R)	Filipino	0.0000753720

Name of Beneficial Owner	Amount of Common Shares and Nature of Beneficial Ownership	Citizenship	Percentage of Ownership
Isabelita M. Papa Independent Director	1 share P40.00 (R)	Filipino	0.0000000655
Sheila T. Pascual Director	110 shares P4,400.00 (R)	Filipino	0.0000072095
Wilfrido E. Sanchez Independent Director	1 share P40.00 (R)	Filipino	0.0000000655
Eusebio V. Tan Director	10 shares P400.00 (R)	Filipino	0.0000006554
Lucio C. Tan III Director	300 shares P12,000.00 (R)	Filipino	0.0000196623
Michael G. Tan Director	62,250 shares P2,490,000.00 (R)	Filipino	0.0040799210
Vivienne K. Tan Director	10 shares P400.00 (R)	Filipino	0.0000006554
Maria Almasara Cyd N. Tuaño-Amador Independent Director	1 share P40.00 (R)	Filipino	0.0000000655
Domingo H. Yap Independent Director	1 share P40.00 (R)	Filipino	0.0000000655
Sub-total	64,112 shares ₱2,564,480.00 (R)		0.0042019581
All Directors & Executive Officers as a Group Officers – 73,237 shares	137,349 shares ₱5,493,960.00 (R)		0.0090019769

Voting Trust Holders of 5% or More

There are no voting trust holders of 5% or more PNB shares.

(3) Changes in Control

There has been no change in control in the Bank for the year 2023.

Item 12. Certain Relationships and Related Transactions

In the ordinary course of business, the Bank has loans and other transactions with its subsidiaries and affiliates, and with certain directors, officers, stockholders and related interests (DOSRI). Under the Bank's policy, these loans and other transactions are made substantially on the same terms as with other individuals and businesses of comparable risks. The amount of direct credit accommodations to each of the Bank's DOSRI, 70.00% of which must be secured, should not exceed the amount of their respective deposits and book value of their respective investments in the Bank.

In the aggregate, DOSRI loans generally should not exceed the Bank's equity or 15% of the Bank's total loan portfolio, whichever is lower. As of December 31, 2023, and 2022, the Bank was in compliance with such regulations.

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 Bank'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;
- subsidiaries, joint ventures and associates and their respective subsidiaries; and
- post-employment benefit plans for the benefit of the Group's employees.

For proper monitoring of related party transactions (RPT) and to assist the Board in performing its oversight functions in monitoring and managing potential conflicts of interest of management, board members and shareholders, the Bank created the Board Oversight RPT Committee (BORC). The BORC is composed of at least five (5) regular members which include three (3) independent directors and two (2) non-voting members (the Chief Audit Executive and the Chief Compliance Officer). The Chairman of the committee is an independent director and appointed by the Board.

Information related to transactions with related parties and with certain Directors, Officers, Stockholders and Related Interests (DOSRI) is shown under Note 33 of the Audited Financial Statements of the Bank and Subsidiaries and Exhibit II (c) of the Supplementary Schedules Required by SRC Rule 68 Annex J.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

This portion has been deleted pursuant to SEC Memorandum Circular No. 5, Series of 2013 and is transferred to the Annual Corporate Governance Report, which is a separate document to be submitted to the SEC.

PART V - EXHIBITS FOR SEC 17-A AND REPORTS ON SEC 17-C

A. Exhibits for SEC 17-A

	Securities Regulation Code Forms	Exhibit
1	Plan of Acquisition, Reorganization, Arrangement, Liquidation, or Succession	N/A
2	Instruments Defining the Rights of Security Holders, Including Indentures	N/A
3	Voting Trust Agreement	N/A
4	Annual Report to Security Holders	Exhibit I
5	Letter re: Change in Certifying Accountant	N/A
6	Letter re: Change in Accounting Principles	N/A
7	Report Furnished to Security Holders	N/A
8	Subsidiaries of the Registrant	Exhibit II (c)
9	Published Report Regarding Matters Submitted to Vote of Security Holders	N/A
10	Consents of Experts and Independent Counsel	N/A
	(a) Power of Attorney	N/A
	(b) Power of Attorney – Foreign Registrant	N/A
11	Additional Exhibits:	Exhibit II
	(a) List of Bank Owned Properties as of December 31, 2023	Exhibit II (a)
	(b) List of Branches Under Lease as of December 31, 2023	Exhibit II (b)
	(c) Supplementary Schedules Required Under Revised Securities Regulation Code Rule 68	Exhibit II (c)
	(d) Sustainability Report for the Year 2023	Exhibit II (d)

* N/A – not applicable

B. Reports on SEC 17-C

DATE	PARTICULARS
January 27, 2022	<p>Board approval of the following:</p> <ol style="list-style-type: none"> 1. Holding of the Bank’s Annual Stockholders’ Meeting (ASM) on April 25, 2023 at 8:00 a.m. through remote communication and allow voting in absentia to provide the stockholders a safer mode of attending and participating in the Bank’s ASM. Only stockholders of record as of March 27, 2023 will be entitled to notice of and to vote at the meeting. <p>The Agenda for the Meeting will be as follows:</p> <ol style="list-style-type: none"> 1. Call to Order 2. Secretary’s Proof of Notice and Quorum 3. Approval of the Minutes of the 2022 Annual Stockholders’ Meeting held on April 26, 2022 4. Report of the President on the Results of Operations for the Year 2022 5. Approval of the 2022 Annual Report 6. Ratification of All Legal Acts, Resolutions and Proceedings of the Board of Directors and Corporate Officers since the 2021 Annual Stockholders’ Meeting 7. Election of Directors 8. Appointment of External Auditor 9. Other Matters 10. Adjournment

	2. Appointment of Ms. Maria Paz D. Lim, FSVP, as Treasurer of Allied Integrated Holdings, Inc. (AIHI) on a concurrent officership position, effective January 1, 2023 until the winding up and liquidation of AIHI vice Ms. Marrison C. Lorenzo.
February 24, 2023	Board approval of the appointment of Ms. Juliet S. Dytoc, VP, as the Bank's Chief Risk Officer and Head of the Risk Management Group, effective March 1, 2023. As of date, Ms. Dytoc has 1,346 PNB shares under her name.
March 13, 2023	<p>Board approval of the nominees to the Board of Directors of the Bank for the year 2023-2024, as endorsed by the Corporate Governance and Sustainability Committee:</p> <p>1. Nominees to the Board of Directors of the Bank for the year 2023-2024, as endorsed by the Corporate Governance and Sustainability Committee:</p> <ul style="list-style-type: none"> a. Felix Enrico R. Alfiler b. Maria Almasara Cyd N. Tũaño-Amador c. Florido P. Casuela d. Leonilo G. Coronel e. Edgar A. Cua f. Estelito P. Mendoza g. Isabelita M. Papa h. Sheila T. Pascual i. Wilfrido E. Sanchez j. Carmen K. Tan k. Lucio C. Tan l. Lucio C. Tan III m. Michael G. Tan n. Vivienne K. Tan o. Domingo H. Yap <p>Ms. Maria Almasara Cyd N. Tũaño-Amador, Mr. Edgar A. Cua, Ms. Isabelita M. Papa, Mr. Wilfrido E. Sanchez and Mr. Domingo H. Yap were nominated as Independent Directors.</p>
March 15, 2023	Notice of Analysts' Briefing
March 17, 2023	Press Release – PNB sustains strong profitability in 2022, total operating income up by 19%
March 24, 2023	<p>Board approval of the following:</p> <p>1. Amendment of the Corporate Governance Manual; and</p> <p>2. Appointment of Ms. Teresita A. Uy-Sebastian, SVP and Head of International Banking and Remittance Group, as Director of PNB Europe PLC (PNB Europe), effective upon the final approval of the UK Regulators, the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA), through the PNB Europe Board. As of date, Ms. Sebastian has 3,630 PNB shares under her name.</p>
April 13, 2023	Board approval of the renewal of the Proxy in favor of LT Group, Inc. to vote all shares registered in the name of the Bank on any and all matters that may be taken up in the forthcoming Annual Stockholders' Meeting of PNB Holdings Corporation (PHC) on April 20, 2023. This aligns with the Bank's intention to engage competent and expert property managers for PHC which will further enhance shareholder value.
April 21, 2023	Board approval of the proposed amendments to the Articles of Association and By-Laws of Allied Commercial Bank.

April 25, 2023	Results of the 2023 Annual Stockholders' Meeting and the Board of Directors' Organizational Meeting																																																																																																																																																																																																																																								
May 4, 2023	Notice of Analysts' Briefing																																																																																																																																																																																																																																								
May 12, 2022	Press Release – PNB net income up 71% in Q1 2023																																																																																																																																																																																																																																								
May 26, 2023	<p>Board approval of the following:</p> <ol style="list-style-type: none"> Amendments to the 2023 Corporate Governance Manual of the Bank; Appointment of Mr. Roland V. Oscuro, FSVP, as the common Data Protection Officer (DPO) for the PNB Group in concurrent capacity as Chief Information Security Officer (CISO) and Head of the Enterprise Information and Cyber Security Group of the Bank effective May 26, 2023. As of date Mr. Oscuro has 7,610 PNB shares under his name; and Revisions to the memberships of the following Board Committees: <ul style="list-style-type: none"> A. Executive Committee <table border="1"> <thead> <tr> <th colspan="4">FROM</th> <th colspan="4">TO</th> </tr> <tr> <th></th> <th>Name</th> <th></th> <th>Position</th> <th></th> <th>Name</th> <th></th> <th>Position</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>Leonilo G. Coronel</td> <td>-</td> <td>Chairman</td> <td>1.</td> <td>Leonilo G. 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Coronel	-	Chairman	1.	Leonilo G. Coronel	-	Chairman	2.	Felix Enrico R. Alfiler	-	Vice Chairman	2.	Felix Enrico R. Alfiler	-	Vice Chairman	3.	Florido P. Casuela	-	Member	3.	Florido P. Casuela	-	Member	4.	Sheila T. Pascual	-	Member	4.	Sheila T. Pascual	-	Member	5.	Lucio C. Tan III	-	Member	5.	Lucio C. Tan III	-	Member	6.	Michael G. Tan	-	Member	6.	Michael G. Tan	-	Member	7.	Vivienne K. Tan	-	Member	7.	Vivienne K. Tan	-	Member	8.	Edgar A. Cua*	-	Non-Voting Member	8.	Edgar A. Cua*	-	Non-Voting Member					9.	Maria Almasara Cyd N. Tũaño-Amador*	-	Non-Voting Member	FROM				TO					Name		Position		Name		Position	1.	Maria Almasara Cyd N. Tũaño-Amador*	-	Chairman	1.	Maria Almasara Cyd N. Tũaño-Amador*	-	Chairman	2.	Domingo H. Yap*	-	Vice Chairman	2.	Domingo H. Yap*	-	Vice Chairman	3.	Felix Enrico R. Alfiler	-	Member	3.	Felix Enrico R. Alfiler	-	Member	4.	Isabelita M. Papa*	-	Member	4.	Leonilo G. Coronel	-	Member	5.	Vivienne K. Tan	-	Member	5.	Edgar A. Cua*	-	Member					6.	Isabelita M. 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6.	Maria Almasara Cyd N. Tuaño-Amador*	-	Member																																						
June 23, 2023	<p>Board approval of the following:</p> <ol style="list-style-type: none"> Plan for PNB to sell 14% of its stake in PNB Holdings Corporation (PHC) through private placement; Retirement of Mr. Claro P. Fernandez, SVP and Head of the Public Affairs Group, effective June 2, 2023; and Promotion of the following senior officers, effective July 1, 2023: <table border="1"> <thead> <tr> <th>Name</th> <th>Rank</th> <th>No. of PNB Shareholdings (Common Shares)</th> </tr> </thead> <tbody> <tr> <td>1. Reynaldo C. Burgos</td> <td>First Senior Vice President</td> <td>0</td> </tr> <tr> <td>2. Michael M. Morallos</td> <td>First Senior Vice President</td> <td>0</td> </tr> <tr> <td>3. Maria Theresa P. Del Rosario</td> <td>Senior Vice President</td> <td>0</td> </tr> <tr> <td>4. Editha R. Manalad</td> <td>Senior Vice President</td> <td>0</td> </tr> <tr> <td>5. Mary Lourdes T. Teng</td> <td>Senior Vice President</td> <td>2,408</td> </tr> <tr> <td>6. Juliet S. Dytoc</td> <td>First Vice President</td> <td>1,346</td> </tr> </tbody> </table>	Name	Rank	No. of PNB Shareholdings (Common Shares)	1. Reynaldo C. Burgos	First Senior Vice President	0	2. Michael M. Morallos	First Senior Vice President	0	3. Maria Theresa P. Del Rosario	Senior Vice President	0	4. Editha R. Manalad	Senior Vice President	0	5. Mary Lourdes T. Teng	Senior Vice President	2,408	6. Juliet S. Dytoc	First Vice President	1,346																			
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July 28, 2023	PNB Board of Directors noted the appointment of Mr. Jose German M. Licup, FSVP, as Officer-in-Charge of the Public Affairs Group effective July 1, 2023, in concurrent capacity as Chief of Staff under the Office of the President.																																								
August 1, 2023	Notice of Analysts' Briefing																																								
August 11, 2023	Press Release – PNB registers Php9.7B net income for first half of 2023																																								
August 25, 2023	<p>Board approval of the following:</p> <ol style="list-style-type: none"> Amendment to the Risk Oversight Committee Charter; Hiring of Mr. Francis B. Albalate as Chief Financial Officer (CFO) and Head of the Financial Management Sector with the rank of Executive Vice President (EVP), effective September 18, 2023. Mr. Albalate has more than 24 years of professional experience from financial institutions. Currently, he is the Controller and Head of the Financial Controllershship Group of the Union Bank of the Philippines. He acquired the Pacific Rim Bankers Program at the University of Washington, received a graduate degree from Asian Institute of Management and an undergraduate degree from San Beda College. Appointment/change in designation of the following senior officers: <table border="1"> <thead> <tr> <th>NAME</th> <th>POSITION</th> <th>No. of PNB Shareholdings (Common Shares)</th> </tr> </thead> <tbody> <tr> <td>FSVP Allan L. Ang</td> <td>Deputy Head of Institutional Banking Sector and Head of Corporate Banking Group</td> <td>4,632</td> </tr> <tr> <td>FSVP Mariana Flores-Caculitan</td> <td>Deputy Head of Institutional Banking Sector and Head of Institutional Transaction Banking Group</td> <td>0</td> </tr> </tbody> </table>	NAME	POSITION	No. of PNB Shareholdings (Common Shares)	FSVP Allan L. Ang	Deputy Head of Institutional Banking Sector and Head of Corporate Banking Group	4,632	FSVP Mariana Flores-Caculitan	Deputy Head of Institutional Banking Sector and Head of Institutional Transaction Banking Group	0																															
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SVP Humildad M. Santelices	Deputy Head of Institutional Banking Sector for Commercial Banking	3,610		
September 22, 2023	<p>Board approval of the following:</p> <ol style="list-style-type: none"> 1. Revisions in the Table of Organization of the Bank to reflect the following: <ol style="list-style-type: none"> a. Abolition of the Public Affairs Group (PAG) and transfers of its functions, effective October 1, 2023, as follows: <ol style="list-style-type: none"> a.1. Transfer of PAG’s Corporate Communications, Government and Media Relations, and Events functions to the Marketing Services/Intelligence Analytics and Performance Group; and a.2. Transfer of the Corporate Sustainability Unit to the Financial Management Sector (FMS) to report directly to the FMS Head/Chief Financial Officer (CFO) b. Renaming of FMS to Financial Management, Strategy and Sustainability Sector (FMSSS) 2. Change in the designation of Mr. Francis B. Albalate, EVP, from FMS Head and CFO to FMSSS Head and CFO, effective October 1, 2023. Mr. Albalate has 2,200 PNB shares under his name; 3. Recall of the temporary designation of Mr. Jose German M. Licup, FSVP, as Officer-in-Charge of PAG, effective October 1, 2023. Mr. Licup has no beneficial ownership over any PNB shares; 4. Recall of the appointment of Mr. Aidell Amor R. Gregorio, SVP, as Acting Chief Financial Officer and Officer-in-Charge of FMS, effective September 18, 2023. Mr. Gregorio has no beneficial ownership over any PNB shares; 5. Resignation of Dr. Lucio C. Tan as Director of the Bank, effective September 22, 2023. Dr. Tan has been a Director of the Bank since December 8, 1999; 6. Creation of the Chairman Emeritus position and the appointment of Dr. Lucio C. Tan as Chairman Emeritus of the Bank, effective September 22, 2023; 7. Resignation of Ms. Carmen K. Tan as Director of the Bank, effective September 22, 2023. Ms. Tan has been a Director of the Bank since May 31, 2016; 8. Appointment of Ms. Carmen K. Tan as Board Advisor of the Bank, effective September 22, 2023; 9. Election of Mr. Chester Y. Luy as Director of the Bank, effective September 22, 2023. <p>Mr. Chester (Chet) Y. Luy has been a Board Advisor of the Bank since 2020. He previously served as PNB’s Chief Strategy Officer and Head of the Wealth Management Group. He has extensive international leadership experience serving as Managing Director for several global 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, RCBC, and PNB.</p> <p>In addition to serving as Board Advisor of PNB, he serves on the board of various corporations including LT Group Inc., Tanduay Distillers Inc., Eton Properties Philippines Inc. Mr. Luy garnered the Top Analyst award by the Institutional Investor magazine in the</p>			

U.S. for several years and was conferred the “Men Who Matter” award by People Asia magazine.

Mr. Luy obtained his MBA (Masters of Management) from the J. L. Kellogg Graduate School of Management. He garnered a B.S. Business Administration degree from the University of the Philippines (Magna Cum Laude). He was awarded as the Most Outstanding University of the Philippines Business Administration student, graduating at the top of the class of 1990 and obtaining the highest G.P.A. in the graduating B.S. Business Administration batch of the University of the Philippines. Mr. Luy is a Chartered Financial Analyst (CFA).

10. Election of Mr. Eusebio V. Tan as Director of the Bank, effective September 22, 2023.

Atty. Eusebio (Ebot) V. Tan previously served as Managing Partner and currently serves as Senior Counsel at ACCRALAW. His areas of expertise include banking, mergers and acquisitions, investments, business law, among others. He served as the President of the Management Association of the Philippines, FINEX, and as Chairman of the Philippines-Japan Economic Cooperation Committee (PHILJEC) (where he now sits as a member of its Board of Advisers). He was conferred the award of “The Order of the Rising Sun, Gold Rays with Neck Ribbon” by the Emperor of Japan and the Japanese government.

Atty. Tan obtained his Bachelor of Arts degree, majoring in Economics (Summa Cum Laude), through the Liberal Arts Accelerated Honors Program from the De La Salle University in 1971 and was awarded the General Excellence Gold Medal and the Dr. Jose Rizal Honors Society ring. He obtained his Bachelor of Laws degree from the Ateneo de Manila University School of Law in 1975 and was awarded the Second Honors Silver Medal. He obtained his Master of Laws degree from Columbia University School of Law in the U.S.

11. Revisions to the memberships of the following Board Committees:

1. Executive Committee

FROM				TO			
	Name		Position		Name		Position
1.	Leonilo G. Coronel	-	Chairman	1.	Leonilo G. Coronel	-	Chairman
2.	Felix Enrico R. Alfiler	-	Vice Chairman	2.	Felix Enrico R. Alfiler	-	Vice Chairman
3.	Florido P. Casuela	-	Member	3.	Florido P. Casuela	-	Member
4.	Sheila T. Pascual	-	Member	4.	Sheila T. Pascual	-	Member
5.	Lucio C. Tan III	-	Member	5.	Lucio C. Tan III	-	Member
6.	Michael G. Tan	-	Member	6.	Michael G. Tan	-	Member
7.	Vivienne K. Tan	-	Member	7.	Vivienne K. Tan	-	Member
8.	Edgar A. Cua*	-	Non-Voting Member	8.	Chester Y. Luy	-	Member
9.	Maria Almasara Cyd N. Tũaño-Amador*	-	Non-Voting Member	9.	Eusebio V. Tan	-	Member
				10.	Edgar A. Cua*	-	Non-Voting Member
				11.	Maria Almasara Cyd N. Tũaño-Amador*	-	Non-Voting Member

2. Board Strategy and Policy Committee

FROM				TO			
	Name		Position		Name		Position
1.	Felix Enrico R. Alfiler	-	Chairman	1.	Felix Enrico R. Alfiler	-	Chairman
2.	Edgar A. Cua*	-	Vice Chairman	2.	Edgar A. Cua*	-	Vice Chairman
3.	Florido P. Casuela	-	Member	3.	Florido P. Casuela	-	Member
4.	Leonilo G. Coronel	-	Member	4.	Leonilo G. Coronel	-	Member
5.	Isabelita M. Papa*	-	Member	5.	Isabelita M. Papa*	-	Member
6.	Sheila T. Pascual	-	Member	6.	Sheila T. Pascual	-	Member
7.	Wilfrido E. Sanchez*	-	Member	7.	Wilfrido E. Sanchez*	-	Member
8.	Lucio C. Tan III	-	Member	8.	Lucio C. Tan III	-	Member
9.	Michael G. Tan	-	Member	9.	Michael G. Tan	-	Member
10.	Vivienne K. Tan	-	Member	10.	Vivienne K. Tan	-	Member

11.	Maria Almasara Cyd N. Tũaño-Amador*	-	Member	11.	Maria Almasara Cyd N. Tũaño-Amador*	-	Member
12.	Domingo H. Yap*	-	Member	12.	Domingo H. Yap*	-	Member
				13.	Chester Y. Luy	-	Member
				14.	Eusebio V. Tan	-	Member

3. Trust Committee

FROM				TO			
	<u>Name</u>		<u>Position</u>		<u>Name</u>		<u>Position</u>
1.	Sheila T. Pascual	-	Chairman	1.	Sheila T. Pascual	-	Chairman
2.	Leonilo G. Coronel	-	Vice Chairman	2.	Leonilo G. Coronel	-	Vice Chairman
3.	Felix Enrico R. Alfiler	-	Member	3.	Felix Enrico R. Alfiler	-	Member
4.	Vivienne K. Tan	-	Member	4.	Vivienne K. Tan	-	Member
5.	Wilfrido E. Sanchez*	-	Non-Voting Member	5.	Chester Y. Luy	-	Member
6.	Florido P. Casuela	-	Member (Ex-Oficio)	6.	Wilfrido E. Sanchez*	-	Non-Voting Member
7.	Joy Jasmin R. Santos	-	Member (Ex-Oficio)	7.	Florido P. Casuela	-	Member (Ex-Oficio)
				8.	Joy Jasmin R. Santos	-	Member (Ex-Oficio)

*Independent Director

D. Board Audit and Compliance Committee

FROM				TO			
	<u>Name</u>		<u>Position</u>		<u>Name</u>		<u>Position</u>
1.	Isabelita M. Papa*	-	Chairman	1.	Isabelita M. Papa*	-	Chairman
2.	Edgar A. Cua*	-	Vice Chairman	2.	Edgar A. Cua*	-	Vice Chairman
3.	Michael G. Tan	-	Member	3.	Michael G. Tan	-	Member
				4.	Eusebio V. Tan	-	Member
				5.	Domingo H. Yap*	-	Member

*Independent Director

The relinquishment by Dr. Lucio C. Tan and Ms. Carmen K. Tan of their directorships in PNB is part of succession planning and their commitment to good governance and promotes diversity in the board composition.

October 26, 2023

Notice of Analysts' Briefing

October 27, 2023

Board approval of the following:

1. Execution of a proxy in favor of LT Group, Inc. covering PNB Holdings Corporation (PHC) shares held by the Bank to represent the Bank and to vote all such shares at the Special Stockholders' Meeting of PHC on November 9, 2023;
2. Amendment to the 2023 Corporate Governance Manual;
3. Creation of a Consumer Finance Sector which consolidates the Cards and Payments Solutions Group, the Retail Lending Group and select Retail Lending Operations Department functions;
4. Appointment of Ms. Celeste Marie V. Lim, SVP, as Head of the Consumer Finance Sector, effective October 27, 2023. Ms. Lim has no beneficial ownership over any PNB shares;
5. Promotion of the following senior officers, effective November 1, 2023:

	Name	Rank	No. of PNB Shareholdings (common shares)
1.	Celeste Marie V. Lim	First Senior Vice President	0
2.	Damasen Paul C. Cid	Senior Vice President	2,032
3.	Roderick T. Enriquez	Senior Vice President	1,225
4.	Roderick R. Soriano	Senior Vice President	1,225
5.	Constantino T. Yap	Senior Vice President	1,875

6.	Michelle A. Pahati-Manuel	Vice President	520
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6. Revisions to the memberships of the following Board Committees:

A. Board IT Governance Committee

<u>FROM</u>				<u>TO</u>			
	Name		Position		Name		Position
1.	Vivienne K. Tan	-	Chairman	1.	Vivienne K. Tan	-	Chairman
2.	Lucio C. Tan III	-	Vice Chairman	2.	Lucio C. Tan III	-	Vice Chairman
3.	Felix Enrico R. Alfiler	-	Member	3.	Felix Enrico R. Alfiler	-	Member
4.	Florido P. Casuela	-	Member	4.	Florido P. Casuela	-	Member
5.	Isabelita M. Papa*	-	Member	5.	Chester Y. Luy	-	Member
				6.	Isabelita M. Papa*	-	Member

B. Risk Oversight Committee

<u>FROM</u>				<u>TO</u>			
	Name		Position		Name		Position
1.	Maria Almasara Cyd N. Tuaño-Amador*	-	Chairman	1.	Maria Almasara Cyd N. Tuaño-Amador*	-	Chairman
2.	Domingo H. Yap*	-	Vice Chairman	2.	Domingo H. Yap*	-	Vice Chairman
3.	Felix Enrico R. Alfiler	-	Member	3.	Felix Enrico R. Alfiler	-	Member
4.	Leonilo G. Coronel	-	Member	4.	Leonilo G. Coronel	-	Member
5.	Edgar A. Cua*	-	Member	5.	Edgar A. Cua*	-	Member
6.	Isabelita M. Papa*	-	Member	6.	Chester Y. Luy	-	Member
7.	Vivienne K. Tan	-	Member	7.	Isabelita M. Papa*	-	Member
				8.	Wilfrido E. Sanchez*	-	Member
				9.	Vivienne K. Tan	-	Member

*Independent Director

7. Creation of the Board Overseas Offices Oversight Committee (BOOOC) to provide oversight on the overseas offices in relation to operational, legal and regulatory risks; and

8. Composition of the membership of the BOOOC, as follows:

	Name		Position
1.	Felix Enrico R. Alfiler	-	Chairman
2.	Isabelita M. Papa*	-	Member
3.	Maria Almasara Cyd N. Tuaño-Amador*	-	Member

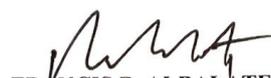
*Independent Director

November 10, 2023	Press Release – PNB posts 19% growth in net income for 9M 2023
November 24, 2023	<p>Board approval of the following:</p> <ol style="list-style-type: none"> Renaming of Marketing Services/Intelligence Analytics & Performance Group to Marketing Group; and Promotion of Ms. Analisa I. San Pedro, Chief Audit Executive and Head of Internal Audit Group, from Vice President to First Vice President, effective December 1, 2023. As of date, Ms. San Pedro has 671 PNB shares under her name.

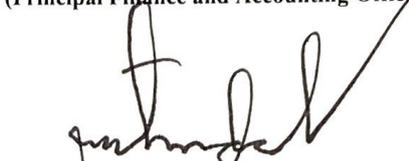
December 15, 2023	<p>Board approval of the following:</p> <ol style="list-style-type: none"> 1. End of Management Contract of Ms. Teresita U. Sebastian, SVP and Head of International Banking & Remittance Group (IBRG) under the Retail Banking Sector, effective December 19, 2023; 2. Appointment of Mr. Jose German M. Licup, FSVP, as Head of IBRG under the Retail Banking Sector in concurrent capacity as Chief of Staff under the Office of the President effective December 20, 2023, vice SVP Teresita U. Sebastian; 3. Appointment of Mr. Jose German M. Licup, FSVP, as Director with Senior Management Function 7 of PNB (Europe) PLC, subject to the final approval of the UK Regulators, the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA), vice SVP Teresita U. Sebastian; and 4. Mandatory retirement of Mr. Cenon C. Audencial, Jr., EVP and Head of the Institutional Banking Sector, effective January 31, 2024.
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Pursuant to the requirement of Section 17 of the Code and Section 177 of the Revised Corporation Code, this report is signed on behalf of the Philippine National Bank by the undersigned, thereunto duly authorized in the City of Pasay on _____, 2024.


FLORIDO P. CASUELA
President


FRANCIS B. ALBALATE
Executive Vice President and Chief Financial Officer
(Principal Finance and Accounting Officer)


REYNALDO C. BURGOS
First Senior Vice President
Operations Group Head
(Principal Operating Officer)


ATTY. RUTH PAMELA E. TANGHAL
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 11 day of APR 2024 affiants exhibiting to me their Identification No.

Doc. No. HC
Page No. 37
Book No. 211
Series of 2024


Atty. Jamie D. Rea
Commission No. 23-16/Roll No. 68794
Notary Public in and for Pasay City until December 31, 2024
9th Floor PNB Financial Center
Pres. Diosdado Macapagal Blvd., Pasay City
PTR No. 8456119/Jan. 03, 2024/Pasay City
IBP Lifetime No. 018651/Dec. 11 2017/Manila IV

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	S	0	9	6	-	0	0	5	5	5	5
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COMPANY NAME

P	H	I	L	I	P	P	I	N	E		N	A	T	I	O	N	A	L		B	A	N	K		A	N	D		S
U	B	S	I	D	I	A	R	I	E	S																			

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

P	N	B		F	i	n	a	n	c	i	a	l		C	e	n	t	e	r	,		P	r	e	s	i	d	e	n
t		D	i	o	s	d	a	d	o		M	a	c	a	p	a	g	a	l		B	o	u	l	e	v	a	r	d
		,		P	a	s	a	y		C	i	t	y																

Form Type

A	A	F	S
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Department requiring the report

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Secondary License Type, If Applicable

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COMPANY INFORMATION

Company's Email Address gregorioar@pnb.com.ph	Company's Telephone Number <input style="width: 100%;" type="text"/>	Mobile Number <input style="width: 100%;" type="text"/>
No. of Stockholders 36,081	Annual Meeting (Month / Day) 04/30	Fiscal Year (Month / Day) 12/31

CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person Mr. Aidell Amor R. Gregorio	Email Address <input style="width: 100%;" type="text"/>	Telephone Number/s 8891-6040 to 70	Mobile Number <input style="width: 100%;" type="text"/>
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CONTACT PERSON'S ADDRESS

NOTE 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.
2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.





**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

SUBSCRIBED AND SWORN to before me this 11 **MAR 2024** PASAY CITY day of March 2024 affiants exhibiting to me their Passport / SSS Identification Nos.

Doc. No. 153
Page No. 37
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, 2024
9th Floor PNB Financial Center
Pres. Diosdado Macapagal Blvd., Pasay City
PTR No. 8456119/Jan. 03, 2024/Pasay City
BP Lifetime No. 018651/Mar 11 2017/Manila

From: eafs@bir.gov.ph <eafs@bir.gov.ph>
Sent: Thursday, April 11, 2024 10:02 PM
To: Heherson U Butac <butachu@pnb.com.ph>
Cc: Heherson U Butac <butachu@pnb.com.ph>
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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.



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

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)						
<i>Items that recycle to profit or loss in subsequent periods:</i>						
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)
Accumulated translation adjustment	2,868,052	(5,650,192)	(3,736,331)	2,868,052	(5,657,458)	(3,821,862)
Share in changes in accumulated translation adjustment of subsidiaries and an associate (Note 12)	(341,822)	1,102,022	1,008,640	(109,124)	421,609	(117,264)
	–	–	–	(205,655)	389,442	902,788
	2,526,230	(4,548,170)	(2,727,691)	2,553,273	(4,846,407)	(3,036,338)
<i>Items that do not recycle to profit or loss in subsequent periods:</i>						
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



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)



	Consolidated			Parent Company		
	Years Ended December 31					
	2023	2022	2021	2023	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES						
Settlement of bills and acceptances payable	(P136,027,137)	(P277,002,294)	(P273,753,842)	(P134,014,712)	(P274,908,050)	(P272,556,037)
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
	P238,455,901	P217,235,773	P262,026,819	P229,718,958	P207,752,405	P252,619,420
OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS						
Interest paid	P13,298,198	P7,312,461	P7,690,053	P13,269,068	P7,256,130	P7,670,243
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.



PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

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 Erosion 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.

2.15.1 Interest Income

Interest on interest-bearing financial assets at FVTPL and held-for-trading investments is recognized based on contractual rate. Interest on financial instruments measured at amortized cost and FVOCI are recognized based on effective interest method of accounting to calculate the amortized cost of a financial asset or a financial liability and allocate the interest income or interest expense.

The Group records interest income using the EIR, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. In calculating EIR, the Group considers all contractual terms of the financial instrument (for example, prepayment options), and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses. The Group adjusts the carrying amount of the financial instrument through 'Interest income' in the statement of income based on the original EIR.

When a financial asset becomes credit-impaired and is, therefore, regarded as Stage 3, the Group calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis.

The Group defers the commitment fees for loans that are likely to be drawn down (together with any incremental costs) and includes them as part of the EIR of the loan. These are amortized using EIR and recognized as 'Interest income' over the expected life of the loan.

The Group recognizes income on direct financing leases and receivables financed using the effective interest method and any unearned discounts are shown as deduction against 'Loans and receivables'. Unearned discounts are amortized over the term of the note or lease using the effective interest method and consist of:

- transaction and finance fees on finance leases and loans and receivables financed with long-term maturities; and
- excess of the aggregate lease rentals plus the estimated residual value of the leased equipment over its cost.

2.15.2 Service Fees and Commission Income

The Group earns fee and commission income from diverse range of services it provides to its customers:

Fees from services that are provided over a certain period of time

The Group accrues fees earned for the provision of services over a period of time. These fees include investment fund fees, custodian fees, fiduciary fees, credit-related fees, trust fees, portfolio and other management fees, and advisory fees.

Bancassurance fees

The Group recognizes non-refundable access fees on a straight-line basis over the term of the period of the provision of the access. Milestone fees or variable and fixed earn-out fees are recognized in reference to the stage of achievement of the milestones.



Fee income from providing transaction services

The Group recognizes the fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, only upon completion of the underlying transaction. For fees or components of fees that are linked to a certain performance, the Group recognizes revenue after fulfilling the corresponding criteria. These fees include underwriting fees, corporate finance fees, remittance fees, brokerage fees, commissions, deposit-related and other credit-related fees.

The Group recognizes loan syndication fees as revenue when the syndication has been completed and the Group retains no part of the loans for itself or retains part at the same EIR as the other participants.

2.15.3 Credit Card Fees

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.

2.15.4 Trading and Investment Securities Gains - Net

The Group recognizes in 'Trading and investment securities gains - net' the results arising from trading activities, all gains and losses from changes in fair value of financial assets and financial liabilities at FVTPL, and gains and losses from disposal of debt securities at FVOCI.



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.

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	P591,914,148	95.98	P265,175,918	P126,073,582	P983,163,648
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
	P616,705,088	100.00	P298,248,783	P222,385,441	P1,137,339,312

*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	P552,755,901	93.23	P237,143,001	P120,952,612	P910,851,514
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
	P592,869,509	100.00	P275,998,686	P201,595,838	P1,070,464,033

*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	P591,118,755	98.17	P264,793,162	P127,884,433	P983,796,350
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
	P602,158,763	100.00	P297,230,695	P212,552,178	P1,111,941,636

*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
<p>High</p> <p>S&P Equivalent Global Rating: AAA to BBB-</p>	<p><i>BRR 1 Excellent</i> 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.</p> <p><i>BRR 2 Very Strong</i> 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.</p> <p><i>BRR 3 Strong</i> 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.</p> <p><i>BRR 4-6 Good</i> 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.</p> <p><i>BRR 7-9 Satisfactory</i> 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.</p> <p><i>BRR 10-12 Adequate</i> 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.</p>
<p>Standard</p> <p>S&P Equivalent Global Rating: BB+ to BB-</p>	<p><i>BRR 13-15 Average</i> 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.</p> <p><i>BRR 16-18 Acceptable</i> 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.</p> <p><i>BRR 19-20 Vulnerable</i> 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</p>



Credit quality	26-Grade BRR system
Substandard S&P Equivalent Global Rating: B+ to CCC-	<p><i>BRR 21-22 Weak</i> 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.</p> <p><i>BRR 23-25 Watchlist</i> 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.</p>
Impaired S&P Equivalent Global Rating: D	<p><i>BRR 26 Default</i> Default will be a general default. Borrower will fail to pay all or substantially all of its obligations as they come due.</p>

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^{1/} 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^{1/} 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					Total
	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	
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					Total
	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	
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)	-	(82,549,308)
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					Total
	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	
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					Total
	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	
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: <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> • 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				Total
	Carrying Value	Level 1	Level 2	Level 3	
Measured at fair value:					
Financial Assets					
Financial assets at FVTPL:					
Government securities	P8,174,405	P2,633,602	P5,540,803	P-	P8,174,405
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
	P175,048,356	P57,377,998	P92,906,618	P24,763,740	P175,048,356
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	P555,811	P-	P555,811	P-	P555,811
Fair values are disclosed:					
Financial Assets					
Financial assets at amortized cost:					
Investment securities at amortized cost*	P123,200,427	P24,840,676	P98,730,596	P-	P123,571,272
Receivables from customers**	604,188,788	-	-	623,817,129	623,817,129
	P727,389,215	P24,840,676	P98,730,596	P623,817,129	P747,388,401
Nonfinancial Assets					
Investment property:					
Land***	P12,359,795	P-	P-	P26,228,453	P26,228,453
Buildings and improvements***	2,219,763	-	-	7,975,404	7,975,404
	P14,579,558	P-	P-	P34,203,857	P34,203,857
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	P145,752,061	P-	P-	P145,538,240	P145,538,240
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
	P210,654,101	P-	P53,212,427	P156,097,651	P209,310,078

* 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	P4,371,671	P27,009	P4,344,662	P-	P4,371,671
Private debt securities	1,610,681	146,495	1,464,186	-	1,610,681
Derivative assets	1,361,951	-	1,361,951	-	1,361,951
Equity securities	2,898	2,898	-	-	2,898
Financial assets at FVOCI:					
Government securities	117,939,783	55,867,413	62,072,370	-	117,939,783
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
	P165,530,726	P56,521,337	P85,558,069	P23,451,320	P165,530,726
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	P1,039,776	P-	P1,039,776	P-	P1,039,776
Fair values are disclosed:					
Financial Assets					
Financial assets at amortized cost:					
Investment securities at amortized cost*	P110,467,960	P14,695,749	P96,707,252	P-	P111,403,001
Receivables from customers**	578,120,332	-	-	610,493,878	610,493,878
	P688,588,292	P14,695,749	P96,707,252	P610,493,878	P721,896,879
Nonfinancial Assets					
Investment property:					
Land***	P12,508,051	P-	P-	P29,868,859	P29,868,859
Buildings and improvements***	1,286,935	-	-	3,510,670	3,510,670
	P13,794,986	P-	P-	P33,379,529	P33,379,529
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	P112,113,308	P-	P-	P112,113,308	P112,113,308
LTNCDs	19,130,012	-	18,922,562	-	18,922,562
Bonds payable	58,439,097	39,955,398	16,878,070	-	56,833,468
Bills payable	7,702,325	-	-	7,625,229	7,625,229
	P197,384,742	P39,955,398	P35,800,632	P119,738,537	P195,494,567

* Net of expected credit losses (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	P8,174,405	P2,633,602	P5,540,803	P-	P8,174,405
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
	P174,500,230	P56,737,297	P92,999,193	P24,763,740	P174,500,230
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	P555,811	P-	P555,811	P-	P555,811

(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*	P122,730,465	P24,370,714	P98,730,596	P-	P123,101,310
Receivables from customers**	590,301,047	-	-	609,930,601	609,930,601
	P713,031,512	P24,370,714	P98,730,596	P609,930,601	P733,031,911
Nonfinancial Assets					
Investment property:					
Land***	P11,807,630	P-	P-	P25,628,608	P25,628,608
Buildings and improvements***	2,303,976	-	-	7,806,117	7,806,117
	P14,111,606	P-	P-	P33,434,725	P33,434,725
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	P141,770,924	P-	P-	P141,557,103	P141,557,103
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
	P206,672,964	P-	P53,212,427	P152,116,514	P205,328,941

* 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	P4,371,671	P27,008	P4,344,663	P-	P4,371,671
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
	P164,401,592	P55,920,174	P85,030,098	P23,451,320	P164,401,592
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	P1,039,776	P-	P1,039,776	P-	P1,039,776
Fair values are disclosed:					
Financial Assets					
Financial assets at amortized cost					
Investment securities at amortized cost*	P110,328,678	P14,556,467	P96,707,252	P-	P111,263,719
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***	P11,953,099	P-	P-	P29,264,637	P29,264,637
Buildings and improvements***	1,311,721	-	-	3,316,776	3,316,776
	P13,264,820	P-	P-	P32,581,413	P32,581,413
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	P108,766,087	P-	P-	P108,766,087	P108,766,087
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
	P192,945,184	P39,955,398	P35,800,632	P115,298,978	P191,055,008

* 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		2022	
		-2%	+2%	-2%	+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	(P717,463)	P28,943,234	P16,370,415	P91,085	(P94,428)	P44,592,843
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	P20,053,266	P9,211,147	P4,353,225	(P172,739)	P–	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						P17,979,257
Other segment information:						
Capital expenditures	P348,679	P147,739	P5,350	P141,085	P–	P642,853
Unallocated capital expenditures						375,975
Total capital expenditures						P1,018,828
Depreciation and amortization	P1,182,493	P424,316	P19,483	P293,714	P–	P1,920,006
Unallocated depreciation and amortization						2,056,063
Total depreciation and amortization						P3,976,069
Provision for (reversal of) impairment, credit and other losses	P160,141	P5,804,991	(P69,600)	P27,522	P–	P5,923,054

* 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	P1,067,003	P27,860,354	P8,535,524	P20,517	(P155,828)	P37,327,570
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	P13,464,693	P13,059,404	P1,040,579	P1,581,238	P–	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		Parent Company	
	2023	2022	2023	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								Total
	2023								
	Corporate Loans	LGU	Credit Cards	Retail SMEs	Housing Loans	Auto Loans	Other Loans	Other Receivables	
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	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							Total
	2023							
	Land	Building	Furniture, Fixtures and Equipment	Long-term Leasehold Land	Construction in-Progress	Leasehold Improvements	Right-of-Use Asset – Bank Premises (Note 33)	
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	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:

	Principal Activities	Equity interest of NCI		Accumulated balances of material NCI		Profit allocated to material NCI	
		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	(P804,162)	P610,988
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	P1,517,493	P1,494,051
Statement of Comprehensive Income		
Revenues/Net income/Total comprehensive income	P33,692	P1,715
Statement of Cash Flows		
Net cash provided by operating activities	P23,442	P129,062

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 (P2.1 billion) and USD21.1 million (P1.0 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 P392.0 million and P245.0 million, respectively.

Summarized financial information of APLII (unaudited) as of December 31, 2023 and 2022 follows:

	2023	2022
Current assets	P2,181,489	P1,452,894
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	P1,590,645	P1,071,812



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							Total
	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		
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							Total
	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		
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	–
<i>(Forward)</i>								



	Consolidated							
	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Provisions (reversals)	(P11,015)	P61,308	P463,438	P513,731	P80,882	(P39,484)	P402,656	P444,054
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	P3,226,347	P3,371,618	P35,973,941	P42,571,906	P2,719,897	P6,416,988	P29,807,896	P38,944,781

	Parent Company							
	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Corporate Loans								
Beginning Balance	P1,671,731	P5,954,139	P18,336,117	P25,961,987	P798,447	P848,687	P25,253,746	P26,900,880
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	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
					₱12,803,543	₱19,130,012
					₱19,170,000	

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	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	
	Actual	Required	Actual	Required
Consolidated				
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	
	Actual	Required	Actual	Required
Parent Company				
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 (Forward)	274,788	279,363	294,090	225,202	220,880	245,853



	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													
	Net benefit costs *						Remeasurements in other comprehensive income						
	January 1, 2023	Current service cost	Past service cost	Net interest	Settlement loss	Subtotal	Benefits paid	Return on plan asset excluding amount included in net interest	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in financial assumptions	Subtotal	Contributions by employer	December 31, 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													
	Net benefit costs *						Remeasurements in other comprehensive income						
	January 1, 2022	Current service cost	Past service cost	Net interest	Settlement loss	Subtotal	Benefits paid	Return on plan asset excluding amount included in net interest	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in financial assumptions	Subtotal	Contributions by employer	December 31, 2022
Present value of pension obligation	₱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												
	Net benefit costs *					Remeasurements in other comprehensive income						
	January 1, 2023	Current service cost	Past service cost	Net interest	Subtotal	Benefits paid	Return on plan asset excluding amount included in net interest	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in financial assumptions	Subtotal	Contributions by employer	December 31, 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												
	Net benefit costs *					Remeasurements in other comprehensive income						
	January 1, 2022	Current service cost	Past service cost	Net interest	Subtotal	Benefits paid	Return on plan asset excluding amount included in net interest	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in financial assumptions	Subtotal	Contributions by employer	December 31, 2022
Present value of pension obligation	₱8,959,007	₱588,010	₱312,332	₱424,265	₱1,324,607	(₱1,069,819)	₱-	₱151,832	(₱1,159,910)	(₱1,008,078)	₱-	₱8,205,717
Fair value of plan assets	8,035,891	-	-	381,705	381,705	(1,069,819)	(372,362)	-	-	(372,362)	847,853	7,823,268
	₱923,116	₱588,010	₱312,332	₱42,560	₱942,902	₱-	₱372,362	₱151,832	(₱1,159,910)	(₱635,716)	(₱847,853)	₱382,449

*Net benefit costs are included in 'Compensation and fringe benefits' in the statements of income

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-cancellable 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
Avaliments	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



2023			
Category	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

2022			
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Significant Investors			
Deposit liabilities		₱1,323,009	Peso and foreign currency deposits with annual rates ranging from 0.0% to 4.75%
Net deposits	₱1,318,594		Net deposits during the period
Interest expense	17,621		Interest expense on deposits
Accrued interest payable		2,060	Accrued interest on deposit liabilities
Subsidiaries			
Receivables from customers		₱1,105,000	Term loan maturing in January 2023 with nominal interest rate of 8.4%; includes domestic bills purchased; fully provided with allowance for credit losses
Loan releases	₱1,680,302		
Loan collections	2,057,558		
Credit facilities		11,925,849	Includes omnibus line and revocable revolving credit lines, domestic bills purchase lines and letters of credit/ trust receipt lines; also includes irrevocable standby letters of credit; with provision for liability of ₱649.7 million relating to undrawn loan commitments of PMLFC
Interbank loans receivable		15,147	Foreign currency-denominated interbank term loans with interest rates ranging from 0.01% to 4.50% and maturity on March 2023 with ACB
Availments	80,632		
Settlements	94,888		
Due from other banks		269,904	Foreign currency-denominated demand deposits



2022

Category	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%
Avaliments	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



2022

Category	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 leivable 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 [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c-d]
				Financial instruments [d]	Fair value of financial collateral	
	[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 [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c-d]
				Financial instruments [d]	Fair value of financial collateral	
	[a]	[b]	[c]	[d]		[e]
Derivative assets	₱61,149,066	₱59,787,115	₱1,361,951	₱73,039	₱-	₱1,288,912
Securities held under agreements to resell (Note 8)	64,523,863	-	64,523,863	-	64,334,349	189,514
Total	₱125,672,929	₱59,787,115	₱65,885,814	₱73,039	₱64,334,349	₱1,478,426

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 [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c-d]
				Financial instruments [d]	Fair value of financial collateral	
	[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 [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c-d]
				Financial instruments [d]	Fair value of financial collateral	
	[a]	[b]	[c]	[d]		[e]
Derivative liabilities	₱70,051,569	₱69,011,793	₱1,039,776	₱456,745	₱-	₱583,031
Securities sold under agreements to repurchase (Notes 9 and 19)*	6,595,689	-	6,595,689	-	7,981,190	-
Total	₱76,647,258	₱69,011,793	₱7,635,465	₱456,745	7,981,190	₱583,031

* Included in bills and acceptances payable in the statements of financial position



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 [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c-d]
				Financial instruments	Fair value of financial collateral	
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 [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c-d]
				Financial instruments	Fair value of financial collateral	
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 [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c-d]
				Financial instruments	Fair value of financial collateral	
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 [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c-d]
				Financial instruments	Fair value of financial collateral	
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)
	<u>(₱19,460)</u>

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	<u>(₱755,981)</u>

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)
	<u>₱222,601</u>

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 account	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	%						
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)



	Consolidated				Parent Company			
	2023		2022		2023		2022	
	Carrying Amount	%						
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	%						
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 of collateral, if any. All other loans, even if not considered impaired, are considered NPL if any principal and/or interest are unpaid for more than 90 days from contractual due date, or accrued interests for more than 90 days have been capitalized, refinanced, or delayed by agreement. Microfinance and other small loans with similar credit characteristics are considered NPL after contractual due date or after they have become past due. Restructured loans are considered NPL. However, if prior to restructuring, the loans were categorized as performing, such classification is retained.

NPLs remain classified as such until (a) there is sufficient evidence to support that full collection of principal and interests is probable and payments of interest and/or principal are received for at least six (6) months; or (b) written-off.

In 2022, the Parent Company adopted BSP Memorandum No. M-2021-056, *Regulatory Treatment of Restructured Loans for Purposes of Measuring Expected Credit Losses*, which provides guidance on the regulatory treatment of loans with terms and conditions that have been modified due to the impact of the COVID-19 pandemic, especially consumption loans, for purposes of measuring ECL and classifying the accounts as NPL.

The table below shows the gross and net NPL ratios of the Group and the Parent Company as reported to the BSP (with certain adjustments) as of December 31, 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 of their respective deposits and book value of their respective investments in the Parent Company.

In the aggregate, DOSRI loans generally should not exceed the Parent Company's equity or 15.00% of the 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



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Philippine National Bank
PNB Financial Center
President Diosdado Macapagal Boulevard
Pasay City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Philippine National Bank and its Subsidiaries (the Group) as at December 31, 2023 and 2022, and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated February 23, 2024. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

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



INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
Philippine National Bank
PNB Financial Center
President Diosdado Macapagal Boulevard
Pasay City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Philippine National Bank and its Subsidiaries (the Group) as at December 31, 2023 and 2022, and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated February 23, 2024. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Company's consolidated financial statements as at December 31, 2023 and 2022 for each of the three years in the period ended December 31, 2023 and no material exceptions were noted.

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

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February 23, 2024



**PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
INDEX TO THE FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2023**

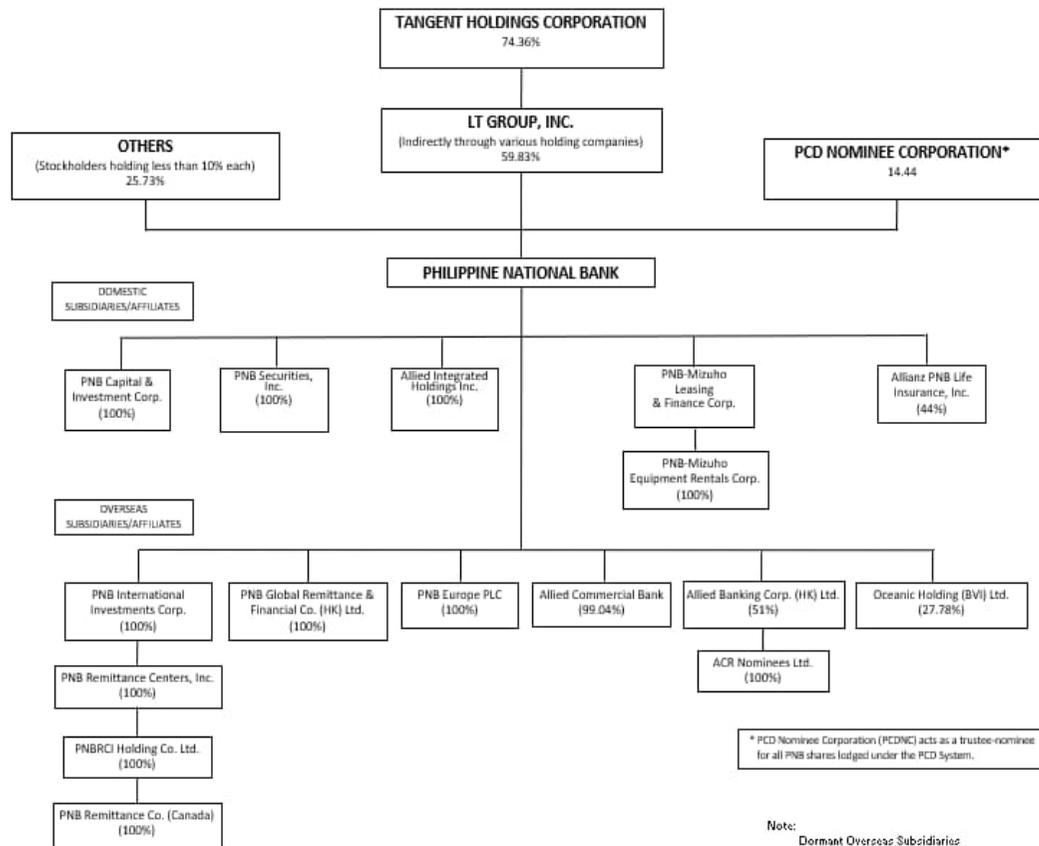
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PART I
Schedule A

PHILIPPINE NATIONAL BANK (PARENT COMPANY)
AVAILABLE FOR DIVIDEND DECLARATION
December 31, 2023
(In thousands)

Unappropriated Retained Earnings, beginning of reporting period	₱11,830,809
Add: Category A - Items that are directly credited to Unappropriated Retained Earnings	
Reversal of Retained Earnings Appropriation/s	251,312
Unappropriated Retained Earnings, as adjusted	12,082,121
Add: Net income for the current year	18,002,945
Less: Category C.1 - Unrealized income recognized in the profit or loss during the reporting period (net of tax)	
Equity in net income of associate/joint venture, net of dividends declared	368,086
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	559,019
Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	5,982
Unrealized fair value gain of investment property	4,326,663
Sub-total	5,259,750
Add: Category C.3 - Unrealized income recognized in profit or loss in prior periods but reversed in the current reporting period (net of tax)	
Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents	1,019,871
Reversal of previously recorded fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	5,309
Reversal of previously recorded fair value gain of Investment Property	3,797,649
Sub-total	4,822,829
Adjusted Net Income	17,566,024
Add/Less: Category F - Other items that should be excluded from the determination of the amount of available for dividends distribution	
Net movement of deferred tax asset not considered in the reconciling items under the previous categories	(354,078)
Total Retained Earnings, End Available for Dividend, December 31, 2023	₱29,294,067

**PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP
December 31, 2023**



PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2023

Financial Assets at Fair Value through Profit or Loss
(Amounts in thousands except for Number of Shares)

Name of Issuing Entity and Association of each Issue	Number of Shares	Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet based on bid prices on the balance sheet date	Income received and accrued
<i>Government securities</i>				
Bangko Sentral ng Pilipinas	–	₱4,297,120	₱4,287,073	₱–
Fixed Rate Treasury Notes	–	567,849	555,987	94,275
Republic of the Philippines (ROP) Bonds	–	241,205	239,283	12,672
Retail Treasury Bonds	–	3,156,963	3,072,721	29,544
Treasury Bills	–	19,623	19,341	17,600
	–	8,282,760	8,174,405	154,091
<i>Private debt securities</i>				
Ayala Land Inc	–	–	–	239
Petron	–	697,195	676,280	47,535
San Miguel Global Power Holdings Corp	–	274,850	272,439	17,187
SM Prime Holdings Inc.	–	501,950	495,923	24,431
Vista Land & Lifestyle	–	148,000	145,848	8,411
	–	1,621,995	1,590,490	97,803
<i>Equity securities</i>				
GT Capital Pref Series B	1,000	824	941	–
San Miguel Corp - Pref 2I	25,970	1,909	1,830	–
	26,970	2,733	2,771	–
<i>Derivatives</i>				
Allied Banking Hongkong	–	–	4,985	–
Asia United Bank	–	166,425	315	–
Australia and New Zealand Bank- Manila	–	3,306,035	39,059	–
Banco de Oro Universal Bank	–	15,880,248	142,316	–
Bangko Sentral ng Pilipinas	–	30,370,158	191,558	–
Bank of China	–	2,690,623	5,177	–
Bank of Commerce	–	276,965	115	–
Bank of the Philippine Islands	–	1,958,325	20,238	–
China Banking Corporation	–	3,623,395	24,343	–
Chinatrust Phils Commercial Bank Corp.	–	665,870	1,297	–
Citibank N.A. Manila Branch	–	558,800	5,100	–
Deutsche Bank AG Manila Branch	–	2,230,850	15,988	–
East West Banking Corporation	–	221,855	375	–
Goldman Sachs International	–	1,384,250	1,854	–
Hongkong and Shanghai Banking Corp.	–	1,455,282	2,273	–
Hongkong	–	–	–	–
Hongkong and Shanghai Banking Corp. Manila	–	3,071,265	25,995	–
Individuals	–	523,649	5,812	–
Insular Oil Corporation	–	1,826,384	15,212	–
Internationale Nederlanden Bank Manila	–	2,005,025	11,704	–
JPMorgan Chase Bank Manila Branch	–	221,845	365	–
JPMorgan Chase Bank Singapore Branch	–	4,652,376	44,460	–
Landbank of the Philippines	–	110,800	60	–
Maybank Philippines Inc.	–	3,125,885	25,156	–
Metropolitan Bank & Trust Company	–	2,270,765	1,919	–
MUFG Bank, Ltd., Manila Branch	–	670,540	5,996	–
Petron Corporation	–	6,962,960	41,297	–
Philippine Bank of Communication	–	110,960	220	–
Philippine Business Bank	–	55,460	90	–

Name of Issuing Entity and Association of each Issue	Number of Shares	Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet based on bid prices on the balance sheet date	Income received and accrued
Philippine National Bank- Singapore Branch	–	–	456	–
Republic of the Philippines	–	15,337	–	–
River Valley Distribution Inc.	–	51,599	34	–
Rizal Commercial Banking Corp.	–	1,668,640	7,525	–
Robinsons Bank Corporation	–	25,932	13	–
Security Bank Corporation	–	1,450,870	11,477	–
Standard Chartered Bank London Branch	–	3,805,392	4,533	–
Standard Chartered Bank Manila Branch	–	2,228,315	13,448	–
The Living Christian Church Foundation, Inc.	–	31,005	65	–
UBS AG Zurich	–	2,429,608	24,052	–
Union Bank of the Philippines	–	2,074,400	25,724	–
Wells Fargo Bank N.A.	–	1,308,051	28,589	–
Xchanged Inc	–	5,537	3	–
	–	105,491,681	749,198	–
<i>Total Financial Assets at Fair Value through Profit or Loss</i>	26,970	₱115,399,169	₱10,516,864	₱251,894

Financial Assets at Fair Value through Other Comprehensive Income
(Amounts in thousands except for Number of Shares)

Name of Issuing Entity and Association of each Issue	Number of Shares	Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet based on bid prices on the balance sheet date	Income received and accrued
Government securities				
Bangko Sentral ng Pilipinas	–	₱58,186,040	₱57,955,309	₱2,946,328
China National Offshore Oil Corp LTD	–	769,643	766,603	16,872
Fixed Rate Treasury Notes	–	16,542,786	16,014,753	689,170
Kingdom of Saudi Arabia	–	2,823,870	2,775,849	34,040
Power Sector	–	1,273,510	1,296,471	13,240
Republic of Indonesia	–	234,979	234,648	4,402
Republic of the Philippines (ROP) Bonds	–	2,844,733	2,668,536	93,860
Retail Treasury Bonds	–	42,491,000	41,210,516	1,096,617
Small Business Loan asset backed securities	–	55,093	224	30
Monetary Authority of Singapore	–	335,601	335,322	12,016
Treasury Bills	–	23,000	22,088	69
Treasury Gilts	–	160,386	295,749	7,297
US Government	–	–	–	40,775
US Treasury Notes	–	803,640	796,342	37,400
	–	126,544,281	124,372,410	4,992,116
Private debt securities				
Aboitiz Power Corp	–	562,300	553,176	29,665
AC Energy Finance International Limited	–	2,931,842	2,229,862	101,270
Arthaland Corporation	–	28,799	28,715	14,104
Ayala Land Inc	–	394,530	393,088	26,654
Banco De Oro	–	–	–	1,350
Bank of the Philippine Island	–	83,055	81,069	1,606
Energy Development Corp	–	–	–	170
Export-Import Bank of Korea	–	1,162,770	1,150,972	9,203
First Pacific Company Limited	–	858,235	825,536	–
First Pacific Company Resources	–	–	–	29,333
First Pacific Company Treasury Limited	–	–	–	387
Globe Telecoms, Inc.	–	1,301,195	972,982	16,940
Hutchison Whampoa Limited	–	2,287,335	2,265,665	24,842
International Container Terminal Services Inc.	–	1,894,485	1,872,570	60,683
Megaworld Corp	–	860,000	857,834	46,040
Petron Corporation	–	2,342,317	2,204,097	130,303
Rizal Commercial Banking Corp	–	240,860	235,710	4,880
San Miguel Global Corp	–	94,900	94,072	5,931
Sinopec Corp	–	192,134	187,815	2,881
SM Investments Corp	–	163,342	162,695	7,035
SM Prime Holdings	–	15,000	14,718	704
STI Education	–	50,000	49,976	2,904
	–	15,463,099	14,180,552	516,885
Equity securities				
Allied Banker Insurance	200,000	20,000	20,000	–
Alphaland Balesin Island Resort Corp.	1	2,500	2,500	–
Apo Golf & Country Club	1	100	315	–
Asia Pacific Trust & Development	–	1,500	–	–
Bacnotan Steel Industries	3,345,000	–	–	–
Baguio City Country Club	1	60	6,000	–
Baguio Gold Mining (Now: PAL Holdings)	8,452,500	99	99	–
Bancnet, Inc.	49,999	5,000	5,000	–
BAP Credit Guaranty Corp.	29,800	2,980	1,138	–
Bayantel	8,244	8	–	–
Bayantel 31% Tranche B.	83,997	14,851	–	–
Camp John Hay	1	650	277	–
Camp John Hay Golf Club	2	160	555	–
Capitol Hills Golf and Country Club, Inc.	10	29	400	–
Cebu Country Club, Inc.	1	29	15,000	–
Club Filipino	2	26	658	–

Name of Issuing Entity and Association of each Issue	Number of Shares	Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet based on bid prices on the balance sheet date	Income received and accrued
Cruz Tel Co.	30	3	–	–
Development Academy Of the Phillippines	1,500	1,500	–	–
Eagle Ridge Golf & Country Club	30	3,450	18,500	–
Eastridge Golf Course & Village (A)	2	1,800	1,800	–
Evercrest Golf	2	500	–	–
Evercrest Golf Club-A	2	1,000	1,000	–
Fairways & Bluewater Resort	294	359,695	53,520	–
Fastech Synergy	1,337,807	8,519	–	–
Fil-Am Resources	2,500,000	27	–	–
Forest Hills Golf And Country Club	1	170	170	–
Heavenly Garden Dev't Corp.	5,000	500	500	–
Iligan Golf & Country Club	1	1	–	–
Iloilo Golf & Country Club	1	88	14	–
Inco Mining Corp	46,875	2	–	–
Infanta Minerals	1,000,000	10	–	–
Investment in Management Account	–	–	48,575	–
Lepanto Consolidated Mining Co."A"	4,973	1	–	–
Lepanto Consolidated Mining Co."B"	1,776	–	–	–
LGU Guarantee Corp.	100,000	10,000	2	–
Luisita Golf & Country Club	1	840	308	–
Makati Sports Club-A	1	30	1,000	–
Manila Electric Cooperative	8,884	89	1	–
Manila Golf & Country Club Inc-Corporate	2	412	247,942	–
Manila Polo Club	1	2,600	45,000	–
Manila Southwoods Golf & Country Club A	1	850	4,000	–
Manila Southwoods Golf & Country Club B	1	1,500	4,763	–
Marikudo Country Club of Iloilo City	1	18	–	–
Mimosa Golf & Country Club	1	827	400	–
Mount Malarayat Golf & Country Club	15	35,380	19,500	–
Mount Malarayat Golf Club C	1	2,750	1,500	–
Mount Malarayat I	1	1,512	1,300	–
Negros Occidental Golf & Country Club	5	100	150	–
Northern Tel Co.	1,800	18	–	–
Orchard Golf & Country Club	2	3,250	4,000	–
PAL Holdings Inc.	4,494,947	53,040	22,789	–
Palicpican Beach and Sport Club	2	170	170	–
Paper Ind.Corp. of the Phils.	13,525	19	–	–
Philex Mining Corporation	151	–	1	–
Philippine Central Depository & Trust Corp.	31,690	3,169	6,431	–
Philippine Central Depository Inc.	28,466	3,692	5,776	–
Philippine Airlines, Inc.	19,855,803	–	19,856	–
Philippine Clearing House Corporation	42,000	4,200	2,101	–
Philippine Columbian Association	1	8	90	–
Philippine Dealing System-Fixed Income	170,436	14,600	34,585	–
Philippine Overseas Drilling & Oil Dev't	695,625	69	5	–
Philippine Racing Club	30,331,103	142,582	151,959	–
Phillippine Electric Corporation	202,440	95	–	–
Phillippine Long Distance Company	401	4	1	–
Phillippine Long Distance Company	108,375	1,084	–	–
Phillippine Oil Development Co., Inc.	500,000	13	–	–
Philippine Telegraph & Telephone Corporation (PT&T)	5,000,000	–	–	–
PICOP Resources Inc.	19,008,000	798	–	–
PLDT Communications & Energy Ventures Inc. (Piltel)	650	10	–	–
PNB Holding Corporation	2,551,000	377,876	24,567,214	–
Primo Oleo Chemicals	6,638,151	66,382	66,382	–
Proton Chemical Industries Common Shares	44,419	–	–	–
Pueblo De Oro Golf Country Club	2	1,411	718	–
Puerto Azul Sports & Beach Club	2	170	500	–
Quezon City Sports Club	1	32	714	–

Name of Issuing Entity and Association of each Issue	Number of Shares	Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet based on bid prices on the balance sheet date	Income received and accrued
Republic Telephone Company	6,052	5	–	–
Riviera Golf & Country Club	2	2,627	2,008	–
Rural Bank of Ibaday	340	11	16	–
Santa Elena Golf & Country Club	1	852	15,000	–
Santa Elena Golf Club-A	2	3,100	30,000	–
Sierra Grande Country Club, Inc.	100	32	32	–
Southern Iloilo Telephone Co.	20	2	–	–
Subic Bay Golf & Country Club	1	950	–	–
Subic Bay Yatch Club	58	93,000	12,760	–
SWIFT - ABC	8	–	–	–
SWIFT Shareholders-PNB	9	–	–	–
Tagaytay Highlands	1	500	1,928	–
Tagaytay Midlands	1	500	1,693	–
Tayud Golf & Country Club	1	6	–	–
Universal Rightfield Prop. Inc.	2,883,000	69	–	–
Valle Verde Country Club, Inc.	1	13	450	–
Valley Golf & Country Club	4	106	20,000	–
Victoria Golf & Country Club	1	110	120	–
Wack Wack Golf & Country Club	5	21,631	364,172	–
Wack Wack Golf & Country Club (PNB Savings)	2	31,300	145,172	–
Western Minolco Corp.	11,382,000	17	–	–
	121,167,369	1,309,689	25,978,530	–
<i>Total Financial Assets at Fair Value through Comprehensive Income</i>	121,167,369	₱143,317,069	₱164,531,492	₱5,509,001

Investment Securities at Amortized Cost
(Amounts in thousands except for Number of Shares)

Name of Issuing Entity and Association of each Issue	Number of Shares	Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet based on bid prices on the balance sheet date	Income received and accrued
<i>Government securities</i>				
Bangko Sentral ng Pilipinas	–	₱221,480	₱258,270	₱9,224
China National Offshore Oil Corp Ltd.	–	2,566,400	2,557,249	124,199
Fixed Rate Treasury Notes	–	47,181,456	50,112,417	3,031,418
Kingdom of Saudi Arabia	–	166,110	165,593	8,158
Landbank of the Philippines	–	132,885	128,792	10,908
Power Sector Assets & Liabilities Mgt Corporation	–	1,066,426	1,157,299	38,061
Republic of Indonesia	–	2,724,902	2,756,255	110,839
Republic of the Philippines (ROP) Bonds	–	12,416,170	12,470,199	401,249
Retail Treasury Bonds	–	31,832,585	32,177,299	1,680,124
Treasury Bills	–	515,910	507,068	25,808
US Government	–	1,661,100	1,645,763	223,102
US Treasury Notes	85,000	470,645	469,962	6,737
	85,000	100,956,069	104,406,166	5,669,827
<i>Private debt securities</i>				
AC Energy Finance International Limited	–	664,440	664,151	31,322
Agricultural Bank of China LTD HK	–	1,661,100	1,654,121	145,929
AT&T Inc.	–	66,444	65,660	652
Ayala Land Inc	–	641,900	641,786	38,256
Banco de Oro	–	–	–	23,427
Bank of China	–	2,104,060	2,100,821	280,555
Bank of the Philippine Island	–	143,962	145,424	6,974
China Constuction Bank	–	–	–	19,435
Cyberzone Properties Inc	–	–	–	676
Export- Import Bank of Korea	–	1,096,326	1,094,600	34,882
Filinvest Development Cayman Islands	–	1,937,950	1,915,793	82,482
Filinvest Land Inc	–	–	–	4
First Pacific Company Treasury Limited	–	–	–	6,728
International Container Terminal Services Inc.	–	14,950	15,040	1,065
Jollibee Foods Corporation	–	5,470,556	5,453,693	214,318
Kookmin Bank Co Ltd	–	1,107,400	1,107,393	27,730
Korea Development Bank	–	221,480	224,023	5,121
Pilipinas Hino Incorporated	–	6,988	–	–
Rizal Commercial Banking Corp	–	149,499	146,838	19,277
Security Bank Corporation Comm	–	–	–	4,109
Sinopec Corp	–	166,110	166,257	37,478
SM Prime Holdings	–	300,000	300,000	15,505
State Bank of India	–	1,101,863	1,100,526	35,083
Vista Land and Lifescape	–	2,000,000	1,998,135	398,334
	–	18,855,028	18,794,261	1,429,342
Total Investment Securities at Amortized Cost	85,000	₱119,811,097	₱123,200,427	₱7,099,169

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
SCHEDULE B – AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES
AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2023

(In thousand pesos)

Name and Designation of Debtor	Balance at Beginning of Period (12/31/2022)	Net Releases	Net Collections and Other Movements	Amounts Written-off	Balance at End of Period (12/31/2023)	Due Within One Year	Due Beyond One Year
Absolut Distillers, Inc.	P-	P-	P-	P-	P-	P-	P-
Activasia Inc.	31,801	236,875	(150,288)	-	118,388	116,066	2,322
Alcazar, Raul Cartel	673	-	(198)	-	475	-	475
Asia Brewery (Xiamen) Ltd.	467,101	-	-	-	467,101	-	467,101
BNP Paribas of Tokyo – PAL Deal	526,882	-	(81,217)	-	445,665	-	445,665
Build Erect Corporation	113,600	111,115	(113,600)	-	111,115	-	111,115
Dobles, Christian Jerome Ordenez	2,550	-	(544)	-	2,006	-	2,006
EEl Corporation	-	207,365	-	-	207,365	207,365	-
Eton Properties (Xiamen) Ltd.	640,269	-	-	-	640,269	-	640,269
Eton Properties Philippines, Inc.	1,189,410	-	(1,189,410)	-	-	-	-
Federal Land, Inc.	-	2,000,000	(2,000,000)	-	-	-	-
Foremost Farm	87,750	-	(7,000)	-	80,750	-	80,750
Full Circle Craft Distillers Co., Inc.	13,000	13,000	(13,000)	-	13,000	13,000	-
Golden Investment TMK	11,708,550	-	(2,295,650)	-	9,412,902	-	9,412,902
Horizon Land Property Development.	2,000,000	-	-	-	2,000,000	2,000,000	-
Lisbona, Manuel Antonio Grageda	2,675	2,400	(3,037)	-	2,039	-	2,039
Lufthansa Technick Philippines, Inc.	43,808	-	(43,808)	-	-	-	-
Macroasia Airport Services Corporation	176,866	-	(76,498)	-	100,368	784	99,584
Macroasia SATS Food Industries Corp.	427,275	-	(112,645)	-	314,630	50,000	264,630
Majent Management Development Corporation	923	-	(183)	-	740	-	740
Major Win Enterprises Limited	-	-	-	-	-	-	-
Maranaw Hotels and Resort Corporation	9,321	-	(9,321)	-	-	-	-

Name and Designation of Debtor	Balance at Beginning of Period (12/31/2022)	Net Releases	Net Collections and Other Movements	Amounts Writen-off	Balance at End of Period (12/31/2023)	Due Within One Year	Due Beyond One Year
Metro Pacific Investments Corporation	15,802,250	–	(161,500)	–	15,640,750	–	15,640,750
NAIC Water Supply Corporation	250,000	50,000	(154,167)	–	145,833	12,500	133,333
Next Century Building System	–	3,376	(2,044)	–	1,332	1,332	–
Ng, David Go	32,950	30,100	(30,475)	–	32,575	30,000	2,575
Petron Corporation	–	15,200,000	–	–	15,200,000	15,200,000	–
Philippine Airlines, Inc.	–	–	–	–	–	–	–
Phoenix Aviation Leasing Limited	5,055,044	–	(569,535)	–	4,485,509	–	4,485,509
Prima Aircraft Leasing Limited	1,443,473	–	(178,615)	–	1,264,858	–	1,264,858
Rapid Movers and Forwarders Co., Inc.	36,848	15,940	(18,277)	–	34,511	2,582	31,929
San Miguel Foods Inc	–	11,770,000	(9,620,000)	–	2,150,000	2,150,000	–
Seventy 7 Seeds, Inc.	63,542	–	(29,353)	–	34,189	34,189	–
Summa Water Resources Inc.	–	50,000	–	–	50,000	50,000	–
Summatrade International Corporation	211	–	(211)	–	–	–	–
Tan, Roberto Ong	–	–	–	–	–	–	–
Tanduary Distillers, Inc.	–	–	–	–	–	–	–
Tangent Holdings Corporation	–	–	–	–	–	–	–
Toyota Financial Services Phil. Corporation	1,850,000	1,300,000	(1,000,000)	–	2,150,000	400,000	1,750,000
Toyota Motor Philippines Corporation	–	500,000	(500,000)	–	–	–	–
The Table Group, Inc.	198,124	124,400	(132,949)	–	189,575	–	189,575
Uy, Danilo Alvarez	3,000	2,000	(5,000)	–	–	–	–
Victorias Milling Company Inc.	6,497	154,048	(158,605)	–	1,940	1,940	–
Key Management Personnel	2,778	1,071	(2,778)	–	1,071	174	897
	₱42,187,171	₱31,771,690	(₱18,659,908)	₱–	₱55,298,956	₱20,269,932	₱35,029,024

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
SCHEDULE C – AMOUNTS RECEIVABLE FROM RELATED PARTIES
WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2023

(In thousand pesos)

Name and Designation of Debtor	Balance at Beginning of Period (12/31/2023)	Net Releases	Net Collections and Other Movements	Amounts Written-off	Balance at End of Period (12/31/2022)	Due Within One Year	Due Beyond One Year
PNB Global Remittance and Financial Company (HK) Limited	-	-	-	-	-	-	-
PNB-Mizuho Equipment Rentals Corporation	₱160,000	₱400,000	(560,000)	-	-	-	-
PNB-Mizuho Leasing and Finance Corporation	945,000	1,064,000	(2,009,000)	-	-	-	-
	₱1,105,000	₱1,464,000	(₱2,569,000)	₱-	₱-	₱-	₱-

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
SCHEDULE D – LONG TERM DEBT
DECEMBER 31, 2023

(In thousand pesos)

Type of Issue and Type of Obligation	Amount Authorized by Indenture	Due Within One Year	Due Beyond One Year	Interest Rates	Maturity Date
Long Term Negotiable Certificates of Deposits					
Issued October 11, 2019	P4,600,000	P–	P4,591,288	4.38%	April 11, 2025
Issued February 27, 2019	8,220,000	8,212,255	–	5.75%	August 27, 2024
	12,820,000	8,212,255	4,591,288		
Bills Payable					
Various	10,607,626	9,499,349	1,108,277	Various	Various
Bonds Payable					
<i>Fixed rate medium term senior notes</i>					
Issued June 27, 2019	USD750,000	41,490,871	–	3.28%	September 27, 2024
		P59,202,475	P5,699,565		

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
SCHEDULE E – INDEBTEDNESS TO RELATED PARTIES
DECEMBER 31, 2023

Name of Related Parties	Balance at Beginning of Period	Balance at Ending of Period	Nature, Terms and Conditions
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None to report

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
SCHEDULE F – GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2023

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount of guaranteed and outstanding	Amount owned by person of which statement is filed	Nature of Guarante
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None to report

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
SCHEDULE G – CAPITAL STOCK
DECEMBER 31, 2023

(Absolute number of shares)

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under the related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common shares	1,750,000,001	1,525,764,850	–	–	15,463,813	–

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2023 AND 2022

Ratios	Formula	2023	2022
Liquidity Ratios			
a. Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	70.57%	64.68%
b. Liquid assets ratio	$\frac{\text{Liquid assets}^{1/}}{\text{Liquid liabilities}^{2/}}$	36.88%	35.63%
c. Net loans to total deposits	$\frac{\text{Net loans}^{3/}}{\text{Total deposits}}$	65.11%	66.36%
Solvency Ratio			
a. Debt-to-equity ratio	$\frac{\text{Total liabilities}}{\text{Total equity}}$	5.33	5.74
Asset-to-Equity Ratio			
a. Asset-to-equity ratio	$\frac{\text{Total assets}}{\text{Total equity}}$	6.33	6.74
Interest Rate Coverage Ratio			
a. Times interest earned ratio	$\frac{\text{Earnings before interest and taxes}}{\text{Interest expense}}$	2.5x	3.1x
Profitability Ratios			
a. Return on assets	$\frac{\text{Net income}}{\text{Average total assets}^{4/}}$	1.53%	0.99%
b. Return on equity	$\frac{\text{Net income}}{\text{Average total equity}^{5/}}$	9.95%	7.00%
Capital Adequacy Ratios			
a. Tier 1 capital ratio	$\frac{\text{Tier 1 capital}}{\text{Total risk-weighted assets}}$	16.85%	14.58%
b. Capital adequacy ratio	$\frac{\text{Total qualifying capital}}{\text{Total risk-weighted assets}}$	17.70%	15.38%

Ratios	Formula	2023	2022
Other Ratios			
a. Net interest margin	$\frac{\text{Net interest income}}{\text{Average interest-earning assets}}$	4.23%	3.61%
b. Efficiency ratio	$\frac{\text{Total operating expenses}}{\text{Total operating income}}$	49.56%	54.47%
c. Loan coverage ratio	$\frac{\text{Total loan loss provisions}^{6/}}{\text{Total loans}^{7/}}$	6.45%	6.35%
d. Nonperforming loans coverage ratio	$\frac{\text{Total loan loss provisions}^{6/}}{\text{Total nonperforming loans}}$	88.53%	88.52%

^{1/} Composed of cash and other cash items, due from Bangko Sentral ng Pilipinas, due from other banks, interbank loans receivable, securities held under agreements to resell, financial assets at fair value through profit or loss, and financial assets at fair value through other comprehensive income, net of applicable allowance for credit losses, that are due within one year

^{2/} Composed of financial liabilities that are due within one year

^{3/} 'Net loans' caption refers to receivables from customers, net of allowance for credit losses and unearned interest and discount

^{4/} Computed as the average of the beginning and ending balances of total assets

^{5/} Computed as the average of the beginning and ending balances of total equity

^{6/} Total of allowance for credit losses on loans (contra-asset account against receivables from customers) and the reserves appropriated in equity representing the excess of 1% general loan loss provisions over the computed ECL for Stage 1 accounts as prescribed by BSP Circular 1011

^{7/} "Gross loans" caption refers to receivable from customers, gross of allowance for credit losses and unearned interest and discount

Exhibit II (a)

PHILIPPINE NATIONAL BANK
LIST OF BANK OWNED PROPERTIES
As of December 31, 2023

NO.	BRANCH NAME	ADDRESSES
	Metro Manila	
1	Binondo-Plaza Del Conde	G/F, San Fernando Towers, Plaza del Conde Street, Binondo, Manila
2	Binondo-Quintin Paredes	Alliance Building, 410 Quintin Paredes Street, Binondo, Manila
3	Cainta-Felix Ave.-San Isidro	F. P. Felix Avenue, Barangay San Isidro, Cainta, Rizal
4	Caloocan-Rizal Ave. Ext.	1716 Rizal Avenue Extension corner L. Bustamante Street, Caloocan City
5	Caloocan-Sangandaan	Gen. San Miguel Street, Barangay 4, Zone 1, Sangandaan, District II, Caloocan City
6	Divisoria-Sto. Cristo	767 Sto. Cristo corner M. delos Santos Streets Divisoria, Manila
7	Las Piñas-City Hall	#19 Alabang Zapote Road, Pamplona II, Las Piñas City
8	Makati-Ayala Ave.	G/F, VGP Center, 6772 Ayala Avenue, Makati City
9	Makati-Ayala Rufino	Unit 1-B, G/F, Rufino Tower, Ayala Avenue corner Rufino Street, Makati City
10	Makati-Benavidez	Unit G-1D, G/F BSA Mansion, 108 Benavidez Street, Legaspi Village, Makati City
11	Makati-Buendia-Dian	56 Senator Gil Puyat Avenue (formerly Buendia), Barangay San Isidro, Makati City
12	Makati-Buendia-Petron Mega Plaza	G/F, Petron Mega Plaza Building, 358 Senator Gil Puyat Avenue (formerly Buendia), Makati City
13	Makati-C. Palanca	G/F, Unit G1 and G2, BSA Suites, G103 C. Palanca corner dela Rosa Streets, Makati City
14	Makati-Legaspi Sotto	VMC Building Legaspi & Sotto Streets, Legaspi Village, Makati City
15	Makati-Poblacion	Corner Angono and Cardona Streets, 1210 JP Rizal Makati City
16	Makati-San Lorenzo	G/F, Jackson Building, 926 A. Arnaiz Avenue, Makati City
17	Malabon-Rizal Ave.	701 Rizal Avenue Extension, corner Magsaysay Street, Malabon City
18	Mandaluyong-Centera Reliance	Unit 1C-03, Avida Towers Centera, EDSA corner Reliance Street, Barangay Highway Hills, Mandaluyong City
19	Mandaluyong-Highway Hills	471 Shaw Boulevard, Mandaluyong City
20	Manila-Arranque	1427 Citiriser Building, Soler Street, Sta. Cruz, Manila
21	Manila-Dapitan	1710 Dapitan Street corner M. dela Fuente Street, Sampaloc, Manila
22	Manila-Earnshaw	1357 Earnshaw corner Jhocson Streets, Sampaloc, Manila
23	Manila-J. Abad Santos-Bambang	Unit B, Dynasty Towers, J. Abad Santos corner Bambang Streets, Manila
24	Manila-Paco-Pedro Gil	756 Pedro Gil corner Pasaje-Rosario Streets, Paco, Manila
25	Manila-Rizal Ave.-Herrera	Rizal Avenue corner Saturnino Herrera Street, Sta. Cruz, Manila
26	Marikina-A. Tuazon	45 Gil Fernando Avenue corner Chestnut Street, Barangay San Roque, Marikina City
27	Navotas-M. Naval	865 M. Naval Street, Navotas City, Metro Manila
28	Parañaque-Better Living	50 ABC Building, Doña Soledad Avenue, Better Living Subdivision, Parañaque City
29	Pasay-Baclaran	2976 Mexico Avenue, Pasay City
30	Pasig-Julia Vargas (formerly Jade-Ortigas)	Lot 5, Blk. 13-A, Julia Vargas & Jade Drive, Barangay San Antonio, Ortigas Center, Pasig City
31	Pasig-Ortigas Center	G/F, JMT Building, ADB Avenue, Ortigas Center, Pasig City
32	Pasig-Shaw	G/F, Jade Center Condominium, 105 Shaw Boulevard, Barangay Oranbo, Pasig City
33	Q.,C.-Delta	92 West Avenue, Quezon City
34	Q.C.-Cubao Main	Aurora Boulevard corner General Araneta Street, Cubao, Quezon City
35	Q.C.-Elliptical Road	Elliptical Road corner Kalayaan Avenue, Diliman, Quezon City
36	Q.C.-Kamuning	118 Kamuning Road, Quezon City
37	Q.C.-New Manila	322 E. Rodriguez Sr. Avenue, New Manila, Quezon City
38	Q.C.-Novaliches-Gulod	903 Quirino Hi-way, Barangay Gulod, Novaliches, Quezon City

Exhibit II (a)

PHILIPPINE NATIONAL BANK
LIST OF BANK OWNED PROPERTIES
As of December 31, 2023

NO.	BRANCH NAME	ADDRESSES
39	Q.C.-P. Tuazon	279 P. Tuazon Boulevard, Cubao, Quezon City
40	Q.C.-Quadrangle	Unit I, Paramount Building, EDSA corner West Avenue, Quezon City
41	Q.C.-West Avenue	92 West Avenue, Barangay Philam, Quezon City
42	Q.C.-West Triangle	1396 Quezon Avenue, Barangay South Triangle, Quezon City
43	Rizal-Angono	Quezon Avenue corner E. Dela Paz Street, Barangay San Pedro, Angono, Rizal
44	Valenzuela-Karuhatan	313 San Vicente Street corner MacArthur Highway, Karuhatan, Valenzuela City
45	Valenzuela-MacArthur	101 MacArthur Hi-way, Barrio Marulas, Valenzuela City
Northern Luzon		
1	Abra-Bangued	McKinley corner Peñarrubia Streets, Zone 4, Bangued, Abra
2	Abra-Bangued-Magallanes	Taft corner Magallanes Streets, Zone 5, Bangued, Abra
3	Agoo-Consolacion	Corner Verceles Street, Consolacion Agoo, La Union
4	Alaminos City-Quezon Ave.	Quezon Avenue, Poblacion, Alaminos City, Pangasinan
5	Angeles-Sto. Rosario	730 Santo Rosario Street, Angeles City, Pampanga
6	Baguio City-Session Road	51 Session Road corner Upper Mabini Street, Baguio City
7	Bataan-Balanga	Zulueta Street, Poblacion, Balanga, Bataan
8	Batanes-Basco	NHA Building, Caspo Fiesta Road Kaychanarianan, Basco, Batanes
9	Bulacan-Baliuag	015 Rizal Street, San Jose, Baliuag, Bulacan
10	Cabanatuan-Central Market	Corner Paco Roman and Del Pilar Streets, Cabanatuan City, Nueva Ecija
11	Cagayan-Aparri	J.P.Rizal Street, Aparri, Cagayan
12	Cagayan-Tuguegarao-Bonifacio	Bonifacio Street, Tuguegarao City, Cagayan
13	Candon City-Nat'l. Hi-Way	National Hi-way, Barangay San Juan, Candon City, Ilocos Sur
14	Candon City-San Antonio	National Highway corner Dario Street, San Antonio, Candon City, Ilocos Sur
15	Dagupan City-A.B. Fernandez	A.B. Fernandez Avenue, Dagupan City, Pangasinan
16	Ilocos Norte-Batac	Barangay 1, S. Valdez corner San Marcelino and Concepcion Streets, Batac City, Ilocos Norte
17	Isabela-Cauayan	Maharlika Hi-way corner Cabatuan Road, Cauayan, Isabela
18	Isabela-Ilagan	Old Capitol Site, Calamagui 2, Ilagan City, Isabela
19	Isabela-Roxas (former name Mallig Plains)	Corner Don Mariano Marcos Avenue & Bernabe Street, Roxas, Isabela
20	Isabela-Santiago-Maharlika	Marcos Highway corner Camacam Street, Centro East, Santiago City, Isabela
21	La Union-San Fernando Plaza	Quezon Avenue, San Fernando City, La Union
22	La Union-San Fernando-Quezon Ave.	612 Quezon Avenue, San Fernando City, La Union
23	Laoag City-J.P. Rizal	Barangay 10, Trece Martires Street corner J.P. Rizal Street, Laoag City, Ilocos Norte
24	Malolos City-Sto. Niño	Sto. Niño, Malolos City, Bulacan
25	Nueva Ecija-Gapan-San Vicente	Tinio Street, San Vicente, Gapan City, Nueva Ecija
26	Nueva Ecija-Muñoz	D. Delos Santos corner Tobias Streets, Science City of Muñoz, Nueva Ecija
27	Nueva Ecija-San Jose	Maharlika Hi-way corner Cardenas Street, San Jose City, Nueva Ecija
28	Nueva Vizcaya-Bayombong	J.P. Rizal Street, District 4, Bayombong, Nueva Vizcaya

**PHILIPPINE NATIONAL BANK
LIST OF BANK OWNED PROPERTIES
As of December 31, 2023**

NO.	BRANCH NAME	ADDRESSES
29	Nueva Vizcaya-Solano	Maharlika Highway, Solano, Nueva Vizcaya
30	Olongapo City-Rizal Ave.	2440 Rizal Avenue, East Bajac-Bajac, Olongapo City, Zambales
31	Pampanga-Guagua	PNB Guagua Building, Barangay Santo Cristo, Guagua, Pampanga
32	Pampanga-Mabalacat-Dau	MacArthur Highway, Dau, Malabalacat, Pampanga
33	Pangasinan-Lingayen	Avenida Rizal East corner Maramba Boulevard, Lingayen, Pangasinan
34	Pangasinan-Rosales	MacArthur Highway, Carmen East, Rosales, Pangasinan
35	Pangasinan-Tayug	PNB Tayug Branch Building, Zaragoza Street, Poblacion, Tayug, Pangasinan
36	San Fernando City-A. Consunji	A. Consunji Street, Santo Rosario, City of San Fernando, Pampanga
37	Tarlac City-F. Tañedo	F. Tanedo Street, San Nicolas, Tarlac City
38	Tarlac-Concepcion	A. Dizon Street, San Nicolas, Concepcion, Tarlac
39	Tarlac-Paniqui	M.H. Del Pilar Street corner MacArthur Hi-way, Paniqui, Tarlac
40	Urdaneta City-Nancayasan	MacArthur Highway, Nancayasan, Urdaneta City, Pangasinan
41	Vigan City-Florentino	Leona Florentino Street, Vigan City, Ilocos Sur
42	Zambales-Iba-R. Magsaysay Ave.	1032 Magsaysay Avenue, Iba, Zambales
Southern Luzon		
1	Albay-Daraga	Baylon Compound, Market Site, Rizal Street, Daraga, Albay
2	Albay-Tabaco	Ziga Avenue corner Bonifacio Street, Tayhi, Tabaco City
3	Bacoor City-Aguinaldo Hi-Way	KM. 17, Aguinaldo Highway, Bacoor, Cavite
4	Batangas-Balayan	147 Plaza Mabini, Balayan, Batangas
5	Batangas-Bauan	San Jose St., Poblacion IV, Bauan, Batangas
6	Camarines Norte-Daet-Carlos II	Carlos II Street, Barangay, 3, Daet, Camarines Norte
7	Cavite City-Caridad	P. Burgos Avenue, Caridad, Cavite City
8	Cavite-Kawit-Binakayan	Allied Bank Building, Gen. Tirona Highway, Balsahan, Binakayan, Kawit, Cavite
9	Cavite-Silang	166 J.P. Rizal Street, Silang, Cavite
10	Iriga City-San Roque	Highway 1, San Roque, Iriga City, Camarines Sur
11	Laguna-Calamba-Poblacion	Burgos Street, Calamba City
12	Laguna-San Pablo City	M. Paulino Street, San Pablo City, Laguna
13	Laguna-San Pedro	KM. 30 National Hi-way, San Pedro, Laguna
14	Laguna-Sta. Cruz-P. Guevarra	Pedro Guevarra Avenue, Barangay Uno Sta. Cruz, Laguna
15	Legazpi City-Don B. Erquiaga	Corner Don B. Erquiaga and Rizal Streets, Legaspi City, Albay
16	Lipa City-B. Morada	B. Morada Avenue, Lipa City, Batangas
17	Lucena City-Quezon Ave.	Quezon Avenue, Barangay IX, Lucena City, Quezon
18	Masbate City	Quezon Street, Barangay Pating, Masbate City, Masbate
19	Naga City-Gen. Luna	General Luna Street, Barangay Abella, Naga City, Camarines Sur
20	Occ. Mindoro-Mamburao	National Road, Barangay Payompon, Mamburao, Occidental Mindoro
21	Occ. Mindoro-San Jose	Quirino corner M.H. Del Pilar Streets, Barangay 6, San Jose, Occidental Mindoro

Exhibit II (a)

PHILIPPINE NATIONAL BANK
LIST OF BANK OWNED PROPERTIES
As of December 31, 2023

NO.	BRANCH NAME	ADDRESSES
22	Or. Mindoro-Bongabong	Caraig Street, Poblacion, Bongabong, Oriental Mindoro
23	Or. Mindoro-Calapan	J.P.Rizal Street, Camilmil, Calapan City, Oriental Mindoro
24	Or. Mindoro-Pinamalayan Malvar	Malvar St., Pinamalayan, Oriental Mindoro
25	Or. Mindoro-Roxas	Administration St., Bagumbayan, Roxas, Oriental Mindoro
26	Or. Mindoro-Victoria	M. Roldan cor. Apostol Sts., Victoria, Oriental Mindoro
27	Quezon-Candelaria	Rizal Street, National Highway, Poblacion, Candelaria, Quezon
28	Quezon-Lopez	San Francisco Street, Talolong, Lopez, Quezon
29	Romblon-Odiongan	#15 J.P. Laurel Street, corner M. Formilleza Street, Ligaya, Odiongan, Romblon
30	Sorsogon City-Rizal	Rizal Street, Sorsogon City
31	Tagaytay-Aguinaldo	E. Aguinaldo Hi-way, Kaybagal South, Tagaytay City
Visayas		
1	Aklan-Kalibo-Pastrana	0508 G. Pastrana Street, Kalibo, Aklan
2	Antique-T.A. Fornier	T. A. Fornier Street, Bantayan, San Jose, Antique
3	Bacolod-Araneta	Araneta Avenue corner Luzuriaga Street, Bacolod City, Negros Occidental
4	Bacolod-Luzuriaga	Corner Luzuriaga and Araneta Streets, Bacolod City, Negros Occidental
5	Biliran-Naval	Ballesteros Street, Naval, Biliran
6	Bohol-Tubigon	Corner Cabangbang Avenue & Jesus Vaño Street, Centro, Tubigon, Bohol
7	Boracay-Station 2	Barangay Balabag, Boracay Island, Malay, Aklan
8	Capiz Roxas-C.M. Recto	Corner CM Recto & G. Del Pilar Streets, Barangay III, Roxas City, Capiz
9	Capiz-Roxas Downtown	Roxas Avenue, Roxas City, Capiz
10	Cebu-Danao	Juan Luna Street, Danao City, Cebu
11	Cebu-Jakosalem	D. Jakosalem corner Legaspi Streets, Cebu City
12	Cebu-Lapu-Lapu-Pajo	Manuel L. Quezon National Highway, Pajo, Lapu-lapu City, Cebu
13	Cebu-M.C. Briones	Corner M.C. Briones and Jakosalem Streets, Cebu City
14	Cebu-Toledo	Rafols Street, Poblacion, Toledo City, Cebu
15	Dumaguete City-Locsin	33 Dr. V. Locsin Street, Dumaguete City, Negros Oriental
16	Dumaguete City-Silliman Ave.	Silliman Avenue corner Real Street, Dumaguete City, Negros Oriental
17	Eastern Samar-Borongon City	Real Street, Barangay Songco, Borongan City, Eastern Samar
18	Iloilo-Iznart	Iznart corner Montinola Streets, Barangay Pres. Roxas City Proper, Iloilo City
19	Iloilo-Ledesma	Ledesma corner Quezon Streets, Barangay Ed Ganson, Iloilo City
20	Iloilo-Passi City	F. Palmares Street, Passi City, Iloilo
21	Iloilo-Plaza Libertad	JM Basa Street, Iloilo City 5000
22	Iloilo-Pototan	Guanco Street, Pototan, Iloilo
23	Leyte-Baybay City	148 R. Magsaysay Avenue, Baybay City, Leyte
24	Leyte-Ormoc City-Bonifacio	Corner Cata-ag and Bonifacio Streets, Ormoc City, Leyte
25	Negros Occ.-Binalbagan	Don Pedro R. Yulo Street, Binalbagan, Negros Occidental

Exhibit II (a)

PHILIPPINE NATIONAL BANK
LIST OF BANK OWNED PROPERTIES
As of December 31, 2023

NO.	BRANCH NAME	ADDRESSES
26	Negros Occ.-Cadiz City	Corner Luna and Cabahug Streets, Cadiz City, Negros Occidental
27	Negros Occ.-Kabankalan City	NOAC National Highway corner Guanzon Street, Kabankalan City, Negros Occidental
28	Negros Occ.-San Carlos City	V. Gustilo Street, San Carlos City, Negros Occidental
29	Negros Occ.-Silay City	Rizal Street, Silay City, Negros Occidental
30	Negros Occ.-Victorias City	Corner Ascalon and Montinola Streets, Victorias City, Negros Occidental
31	Negros Or.-Bayawan	National Highway corner Mabini Street, Barangay Suba, Bayawan City, Negros Oriental
32	Negros Or.-Tanjay	Magallanes corner E. Romero Streets, Tanjay City, Negros Oriental.
33	Northern Samar-Catarman	Corner Garcia & Jacinto Streets, Barangay Narra, Catarman, Northern Samar
34	Palawan-Puerto Princesa-Valencia	Rizal Avenue corner Valencia Street, Barangay Tagumpay, Puerto Princesa City, Palawan
35	Samar-Calbayog City	Maharlika Highway, Barangay Obrero, Calbayog City, Samar
36	Samar-Catbalogan City	Del Rosario Street, Allen Avenue, Catbalogan City, Samar
37	Siquijor-Larena	Roxas Street, Larena, Siquijor
38	Southern Leyte-Maasin City	Corner Juan Luna & Allen Streets, Tunga-Tunga, Maasin City, Southern Leyte
39	Tacloban City-Justice Romualdez	J. Romualdez Street, Tacloban City, Leyte
40	Tacloban City-Zamora	111 Zamora Street, Tacloban City, Leyte
41	Tagbilaran-C.P. Garcia Ave.	C. P. Garcia Avenue corner J. A. Clarin Street, Poblacion, Tagbilaran City, Bohol
Mindanao		
1	Agusan Del Sur-San Francisco	Roxas Street, Barangay 4, San Francisco, Agusan del Sur
2	Basilan-Isabela-Roxas	Roxas Avenue, Isabela City, Basilan
3	Butuan City-Montilla	Montilla Boulevard, Barangay Dagohoy, Butuan City, Agusan del Norte
4	Camiguin-Mambajao	Corner General Aranas & Burgos Streets, Barangay Poblacion, Mambajao, Camiguin
5	CDO-Cogon	JR Borja corner V. Roa Streets, Cagayan De Oro City, Misamis Oriental
6	CDO-Corrales-Chaves	Corrales Avenue corner T. Chavez Street, Cagayan de Oro City, Misamis Oriental
7	CDO-Limketkai Drive	Limketkai Center, Lapasan, Cagayan de Oro City, Misamis Oriental
8	CDO-Tiano	Tiano Brothers corner Cruz Taal Streets, Cagayan de Oro City, Misamis Oriental
9	Cotabato City-Dorotheo	Jose Lim Sr. and Alejandro Dorotheo Streets (formerly Corcuera Street), Cotabato City, Maguindanao
10	Cotabato City-Makakua	39 Makakua Street, Cotabato City, Maguindanao
11	Cotabato City-S.K. Pendatun	Quezon Avenue, Cotabato City, Maguindanao
12	Davao Del Norte-Tagum-Rizal	Rizal Street, Magugpo, Poblacion, Tagum City, Davao del Norte
13	Davao Del Sur-Digos	Quezon Avenue, Digos, Davao del Sur
14	Davao Oriental-Mati	Rizal Extension, Barangay Central, Mati, Davao Oriental
15	Davao-C.M. Recto	G/F, PNB Building, C.M. Recto Street, Davao City
16	Davao-San Pedro	San Pedro Street, Davao City
17	Davao-San Pedro-C.M. Recto	San Pedro corner C.M. Recto Streets, Davao City, Davao del Sur
18	Dipolog City-Gen. Luna	General Luna corner C.P. Garcia Streets, Dipolog City, Zamboanga del Norte
19	General Santos-City Hall Drive	Osmeña Street, City Hall Drive, General Santos City, South Cotabato
20	Iligan City-Aguinaldo	Corner General Aguinaldo & Labao Streets, Poblacion, Iligan City, Lanao del Norte
21	Jolo-Arolas	Gen. Arolas corner Magno Streets, Jolo, Sulu
22	Koronadal City-Morrow	Morrow Street, Koronadal, South Cotabato

Exhibit II (a)**PHILIPPINE NATIONAL BANK
LIST OF BANK OWNED PROPERTIES
As of December 31, 2023**

NO.	BRANCH NAME	ADDRESSES
23	Koronadal City-Poblacion	General Santos Drive, Barangay Zone 1, Koronadal City, South Cotabato
24	Lanao Del Norte-Maranding	National Highway, Maranding, Lala, Lanao del Norte
25	Misamis Occ.-Oroquieta City	Senator Jose Ozamis Street, Lower Lamac, Oroquieta City, Misamis Occidental
26	Misamis Oriental-Gingoog City	National Highway, Barangay 23, Gingoog City, Misamis Oriental
27	North Cotabato-Kidapawan	Quezon Boulevard, Kidapawan City, North Cotabato
28	North Cotabato-Midsayap	Quezon Avenue, Midsayap, North Cotabato
29	Ozamis City-Rizal Ave.	Rizal Avenue, Aguada, Ozamis City, Misamis Occidental
30	Pagadian City-Pajares	F.S. Pajares Avenue corner Cabrera Street, Barangay San Francisco, Pagadian City, Zamboanga del Sur
31	Pagadian City-Rizal Ave.	Rizal Avenue, Balangasan District, Pagadian City, Zamboanga del Sur
32	Sultan Kudarat-Tacurong	Alunan Highway, Tacurong City, Sultan Kudarat
33	Surigao City-Rizal	45 Rizal Street, Barangay Washington, Surigao City, Surigao del Norte
34	Surigao Del Sur-Bislig City	Corner Abarca and Espiritu Streets, Mangagoy, Bislig, Surigao del Sur
35	Surigao Del Sur-Tandag City	Napo, National Highway, Tandag, Surigao del Sur
36	Tawi-Tawi-Bongao	Datu-Halun Street, Bongao, Tawi-Tawi
37	Zamboanga Del Sur-Molave	Mabini Street, Molave, Zamboanga del Sur
38	Zamboanga Sibugay-Buug	National Highway, Poblacion, Buug, Zamboanga Sibugay
39	Zamboanga Sibugay-Ipil	National Hi-way, Poblacion, Ipil, Zamboanga Sibugay
40	Zamboanga-J.S. Alano	J.S. Alano Street, Zamboanga City, Zamboanga del Sur
41	Zamboanga-Sucabon	Mayor MS Jaldon Street, Zamboanga City, Zamboanga del Sur

Exhibit II (b)

PHILIPPINE NATIONAL BANK
LIST OF BRANCHES UNDER LEASE
As of December 31, 2023

NO.	BRANCH NAME	ADDRESSES	MONTHLY RENTAL	EXPIRY DATE
Metro Manila				
1	Head Office Center	G/F, PNB Financial Center, Pres. Diosdado Macapagal Boulevard, Pasay City	1,142,725	June 05, 2030
2	Antipolo-Circumferential	Circumferential Road, Barangay Dalig, Antipolo City, Rizal	100,000	April 21, 2026
3	Antipolo-P. Oliveros	89 P. Oliveros Street, Kapitolyo Arcade, San Roque, Antipolo City, Rizal	97,241	December 31, 2024
4	Antipolo-Sumulong-Masinag	F. N. Crisostomo Building 2, Sumulong Highway, Mayamot, Antipolo City, Rizal	97,241	February 28, 2030
5	BGC-10th Avenue	G/F, Shop 2, Philplans Corp. Center, 10th Avenue cor. Kalayaan Ave., BGC, Taguig City	165,917	January 14, 2027
6	BGC-7th Avenue	G/F, Twenty-Four Seven Mckinley Building, 24th Street corner 7th Avenue, Bonifacio Global City, Taguig City	369,970	December 28, 2026
7	BGC-Burgos Circle	Unit GF-4, The Fort Residences, 30th Street, corner 2nd Avenue, Padre Burgos Circle, Bonifacio Global City, Taguig City	262,000	November 30, 2029
8	BGC-Infinity	G/F, 101 The Infinity Tower, 26th Street, Fort Bonifacio, Taguig City	271,959	May 15, 2026
9	BGC-Luxe Residences	Shop 2, The Luxe Residences 28th Street, corner 4th Avenue, Bonifacio Global City, Taguig City	400,896	November 30, 2024
10	BGC-Menarco	Unit C, G/F, The Menarco Tower, 32nd Street, Bonifacio Global City, Taguig City	527,625	December 31, 2024
11	BGC-One Mckinley Place	Unit 6, G/F, One Mckinley Place, 26th Street corner 4th Avenue, Bonifacio Global City, Taguig City	303,212	May 31, 2027
12	BGC-Ore Central	Unit 6, G/F Ore Central, 9th Avenue corner 31st Street, Bonifacio Global City, Taguig City	536,530	September 14, 2027
13	BGC-W City Center	Unit A, G/F W City Center, 7th Avenue corner 30th Street, Bonifacio Global City, Taguig City	697,479	July 14, 2027
14	BGC-World Plaza	Unit 3, G/F World Plaza, 5th Avenue, Bonifacio Global City, Taguig City	753,750	August 31, 2027
15	Binondo-Masangkay	916 G. Masangkay Street, Binondo, Manila	277,111	November 30, 2026
16	Binondo-Nueva	Lot 17-18, Blk. 2037, Yuchengco (formerly Nueva) and Tomas Pinpin Streets, Binondo, Manila	201,987	November 30, 2025
17	Binondo-Reina Regente	1067 Don Felipe Street, (near corner Reina Regente), Binondo, Manila	84,426	March 31, 2026
18	Binondo-San Fernando	452 San Fernando Street corner Elcano Street, Binondo, Manila	180,000	December 31, 2026
19	Binondo-San Nicolas	534 Gedisco Towers, Asuncion Street, San Nicolas, Manila	196,904	March 31, 2024
20	Cainta-San Isidro	RRCG Transport Building, Km. 18 Ortigas Avenue Extension, Barangay San Isidro, Cainta, Rizal	87,054	September 8, 2026

Exhibit II (b)**PHILIPPINE NATIONAL BANK
LIST OF BRANCHES UNDER LEASE
As of December 31, 2023**

NO.	BRANCH NAME	ADDRESSES	MONTHLY RENTAL	EXPIRY DATE
21	Cainta-Village East	G/F, Arellano Building, Felix Avenue, corner Village East Avenue, Cainta, Rizal	76,854	January 15, 2027
22	Caloocan-A. Mabini	451 A. Mabini corner J. Rodriguez Street, Caloocan City	120,473	November 11, 2028
23	Caloocan-EDSA Balintawak	337-339 EDSA corner Don Vicente Ang Street, Caloocan City	116,160	June 10, 2024
24	Caloocan-Grace Park-10th Ave.	354 A-C 10th Avenue corner 2nd street., Grace Park, Caloocan City	95,721	May 13, 2024
25	Caloocan-Grace Park-3rd Ave.	126 Rizal Avenue Extension, between 2nd and 3rd Avenue, Grace Park, Caloocan City	109,396	October 31, 2026
26	Caloocan-Grace Park-7th Ave.	322 Rizal Avenue Extension near 7th Avenue, Grace Park, Caloocan City	78,400	July 31, 2027
27	Caloocan-Monumento	419 D&I Building, EDSA, Caloocan City	155,621	June 30, 2027
28	Caloocan-Samson Road	149 Samson Road corner P. Bonifacio Street, Caloocan City	98,547	January 31, 2024
29	Divisoria-168 Mall	Stall 3S-04, 168 Shopping Mall, Sta. Elena, Soler Street, Binondo, Manila	209,989	September 30, 2025
30	Divisoria-Elcano	706-708 Elcano Street, Binondo, Manila	274,882	November 30, 2027
31	Divisoria-Juan Luna	CK Building, 750 Juan Luna Street, Binondo, Manila	157,848	March 31, 2028
32	Greenhills-Club Filipino Drive	G/F, One Kennedy Place, Club Filipino Drive, Greenhills, San Juan City	273,347	May 31, 2025
33	Greenhills-Ortigas Ave.	G/F, Limketkai Building, Ortigas Avenue, Greenhills, San Juan City	338,033	June 18, 2028
34	Las Piñas-Aguilar Avenue	G/F, Las Piñas Doctors' Hospital, Aguilar Avenue, Citadella Subdivision, Las Piñas City	158,279	March 14, 2026
35	Las Piñas-Almanza	Consolidated Asiatic Project, Inc. Building, Alabang-Zapote Road, Barangay Almanza Uno, Las Piñas City	211,783	March 31, 2027
36	Las Piñas-Almanza Uno	Hernz Arcade, Alabang-Zapote Road, Almanza, Las Piñas City	181,637	March 31, 2024
37	Las Piñas-BF Resort Village	Unit I, Ground floor, MJ Square Building, Blk 18, Lot 16, BF Resort Drive, BF Resort Village, Talon 2, Las Piñas City	33,000	February 19, 2024
38	Las Piñas-Naga Road	Lot 2A, Naga Road corner DBP Extension, Pulang Lupa Dos, Las Piñas City	84,000	March 12, 2027
39	Las Piñas-One Townsquare Place	G/F, Unit A101 One Townsquare Place, Alabang-Zapote Road, Las Piñas City	225,647	January 31, 2025
40	Las Piñas-Pamplona	267 Alabang-Zapote Road, Pamplona Tres, Las Piñas City	155,577	February 7, 2028
41	Las Piñas-Zapote	99 Real Street, Alabang-Zapote Road, Pamplona 1, Las Piñas City	53,425	November 26, 2025
42	Makati-Aguirre	G/F, 112 All Seasons Building, Aguirre Street, Legaspi Village, Makati City	144,818	September 26, 2024
43	Makati-Allied Bank Center	G/F, Allied Bank Center, 6754 Ayala Avenue corner Legazpi Street, Makati City	2,146,420	June 05, 2030
44	Makati-Amorsolo	114 Don Pablo Building, Amorsolo Street, Legazpi Village, Makati City	291,480	July 31, 2028
45	Makati-Bangkal	G/F, E. P. Hernandez Building, 1646 Evangelista Street, Bangkal, Makati City	168,000	October 31, 2027

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LIST OF BRANCHES UNDER LEASE
As of December 31, 2023**

NO.	BRANCH NAME	ADDRESSES	MONTHLY RENTAL	EXPIRY DATE
46	Makati-Bel-Air	52 Jupiter Street, Bel-Air, Makati City	250,000	June 5, 2026
47	Makati-Buendia-Edison	Visard Bldg, #19 Senator Gil Puyat Avenue (formerly Buendia), Makati City	98,796	February 7, 2026
48	Makati-Dasmariñas Village	2284 Allegro Center, Chino Roces Avenue Extension, Makati City	122,493	October 31, 2025
49	Makati-Dela Costa	G/F, Classica Tower Condominium, 114 H.V. Dela Costa Street, Salcedo Village, Makati City	113,881	September 30, 2024
50	Makati-Eton Yakal	Unit 14, G/F, Ewest Mall, Chino Roces Avenue corner Yakal Street, Makati City	142,430	September 14, 2024
51	Makati-Greenbelt	G/F, 114 Charter House Building, Legazpi Street, Legazpi Village, Makati City	101,857	September 30, 2026
52	Makati-Guadalupe	Pacmac Building, 23 EDSA Guadalupe Nuevo, Makati City	111,888	October 18, 2026
53	Makati-Leviste St.-Salcedo Village	G/F, LPL Mansions Condominium, 122 L.P. Leviste Street, Salcedo Village, Makati City	220,904	April 19, 2026
54	Makati-Metropolitan Avenue	G/F, 1012 BUMA Building, Metropolitan Avenue, San Antonio Village, Makati City	108,803	October 15, 2028
55	Makati-P. Ocampo	G/F, PMI Tower, P. Ocampo St., Brgy. La Paz, Makati City	118,000	January 31, 2026
56	Makati-Pasong Tamo	2233 Chino Roces Avenue, Makati City	151,439	June 30, 2026
57	Makati-Rockwell Center	Stall No. RS-03, G/F Manansala Tower, Estrella Street corner Joya Drive Rockwell Center, Makati City	304,805	March 31, 2027
58	Makati-Salcedo St.-Legaspi Village	First Life Center, 174 Salcedo Street, Legazpi Village, Makati City	149,922	October 15, 2024
59	Makati-San Lorenzo-Arnaiz	G/F, Power Realty Building, 1012 A. Arnaiz Avenue, Barangay San Lorenzo, Makati City	85,085	June 30, 2026
60	Malabon-Gov. Pascual	157 Gov. Pascual Avenue, Acacia, Malabon City	51,973	June 15, 2028
61	Malabon-Potrero	A & S Building, 189 MacArthur Highway, Potrero, Malabon City	90,411	February 11, 2025
62	Mandaluyong-Boni Avenue	654 Boni Avenue, Mandaluyong City	156,538	December 31, 2026
63	Mandaluyong-D. Guevarra	G/F, Libertad Heights Building, 16 Domingo M. Guevarra St., Brgy. Highway Hills, Mandaluyong City	192,000	November 17, 2024
64	Mandaluyong-Pioneer	G/F, B. Guerrero Complex, 123 Pioneer Street, Mandaluyong City	153,154	April 14, 2024
65	Mandaluyong-Shangri-La Plaza	Unit AX 116 P3 Carpark Building, Shangri-la Annex Plaza Mall, Edsa corner Shaw Boulevard, Mandaluyong City	183,155	September 30, 2025
66	Mandaluyong-Shaw Blvd.	Unit G06, Global Link Center, No. 710-712 Shaw Boulevard, Barangay Wack-Wack, Mandaluyong City	194,070	September 30, 2028
67	Mandaluyong-Shaw-Acacia Lane	VSK Building, 2 Acacia Lane corner Shaw Boulevard, Mandaluyong City	162,289	June 15, 2024

Exhibit II (b)**PHILIPPINE NATIONAL BANK
LIST OF BRANCHES UNDER LEASE
As of December 31, 2023**

NO.	BRANCH NAME	ADDRESSES	MONTHLY RENTAL	EXPIRY DATE
68	Manila-Bambang-Masangkay	G/F, ST Condominium, 1480 G. Masangkay Street, Sta. Cruz, Manila	158,919	February 28, 2026
69	Manila-Blumentritt-L. Rivera	Citidorm Blumentritt, 1848 Blumentritt corner Leonor Rivera Streets, Sta. Cruz, Manila	109,395	November 30, 2024
70	Manila-BSP	G/F, Cafetorium Building, BSP Complex, A. Mabini corner P. Ocampo Streets, Malate, Manila	180,755	December 31, 2024
71	Manila-Century Park Hotel	G/F Century Park Hotel, P. Ocampo (Vito Cruz Ext.) cor. M. Adriatico Sts., Malate, Manila	256,363	February 29, 2024
72	Manila-Ermita U.N. Ave.	Physician's Tower, 533 U.N. Avenue, corner San Carlos Street, Ermita, Manila	234,146	January 31, 2028
73	Manila-Ermita-Roxas Blvd.	Roxas Boulevard corner Arquiza Street, Ermita, Manila	243,581	January 15, 2026
74	Manila-Escolta	G/F, Regina Building, Escolta, Manila	234,357	September 30, 2025
75	Manila-España	Unit 104, Street Thomas Square, 1150 España Boulevard corner Padre Campa Street, Sampaloc East, Manila	91,056	March 15, 2028
76	Manila-Fugoso St.	JT Centrale, No. 1686, Barangay 311 Zone 31, V. Fugoso corner Felix Huertas Streets., Sta. Cruz, Manila	134,928	August 5, 2026
77	Manila-G. Tuazon	Greeny Rose Residences Inc., G. Tuazon corner 311 Algeciras Streets, Balic-Balic, Sampaloc, Manila	103,056	September 22, 2027
78	Manila-Intramuros-Cathedral	707 Shipping Center Condominium, A. Soriano Jr. Street, Intramuros, Manila	117,350	November 30, 2024
79	Manila-J.P. Laurel	G/F, Gama Building, J. P. Laurel corner Minerva Streets, San Miguel, Manila	122,321	February 28, 2024
80	Manila-Jose Abad Santos	1450-1452 Coyuco Building, Jose Abad Santos, Tondo, Manila	70,859	August 31, 2026
81	Manila-Leon Guinto	G/F, Marlow Building, 2120 Leon Guinto Street, Malate, Manila	274,363	July 15, 2025
82	Manila-Maceda-Laon Laan	G/F, Maceda Place Building, Laong-Laon corner Maceda Streets, Sampaloc, Manila	102,201	July 29, 2025
83	Manila-Malate-Adriatico	G/F, Pearl Garden Hotel, 1700 M. Adriatico corner Malvar Streets, Malate, Manila	173,571	June 30, 2024
84	Manila-Malate-Taft	Mark 1 Building, 1971 Taft Avenue, Malate, Manila	170,800	July 17, 2026
85	Manila-Morayta	929 Consuelo Building, Nicanor Reyes Street, Sampaloc, Manila	211,974	July 31, 2028
86	Manila-North Bay	511 Honorio Lopez Boulevard, Balut, Tondo, Manila	49,020	October 31, 2025
87	Manila-P. Ocampo Sr.	550 Pablo Ocampo cor. Mabini Sts. Malate, Manila	130,343	May 31, 2026
88	Manila-Padre Rada	647 RCS Building, Padre Rada Street, Tondo, Manila	213,517	October 31, 2024
89	Manila-Pandacan	Jesus corner T. San Luis Sts, Pandacan, Manila	73,764	October 31, 2025
90	Manila-PGH	PGH Compound, Taft Avenue, Ermita, Manila	195,449	November 10, 2026

Exhibit II (b)**PHILIPPINE NATIONAL BANK
LIST OF BRANCHES UNDER LEASE
As of December 31, 2023**

NO.	BRANCH NAME	ADDRESSES	MONTHLY RENTAL	EXPIRY DATE
91	Manila-Quiapo-C. Palanca	201 C. Palanca corner Quezon Boulevard, Quiapo, Manila	146,700	November 30, 2028
92	Manila-Remedios	G/F, Royal Plaza Twin Towers Condominium, 648 Remedios corner Ma. Orosa Streets, Malate, Manila	126,470	August 31, 2025
93	Manila-San Andres	1155 Swanson Building corner Linao Street, San Andres, Manila	110,000	July 30, 2025
94	Manila-T. Alonzo	905 T. Alonzo corner Ongpin Streets, Sta. Cruz, Manila	196,928	March 31, 2025
95	Manila-Tondo-Juan Luna	1941-1943 Juan Luna Street, Tondo, Manila	130,000	October 31, 2027
96	Manila-Tutuban Mall	LS 31 Podium Level, Tutuban Prime Block Mall, Tutuban Center, C.M. Recto, Manila	162,937	June 14, 2026
97	Manila-U.E. Recto	G/F, Dalupan Building, University of the East, 2219 Claro M. Recto Avenue, Manila	61,529	September 30, 2026
98	Manila-U.N. Ave.	G/F, UMC Building, 900 U.N. Avenue, Ermita, Manila	121,275	November 30, 2027
99	Marikina-Concepcion	Bayan-Bayanan Avenue corner Eustaquio Street, Concepcion, Marikina City	255,436	June 30, 2027
100	Marikina-Lilac	G/F, Paulmarcs Centre, Lot 1 Blk. 11 Lilac Street corner Rancho Avenue, Hacienda Heights Village, Concepcion Dos, Marikina City	95,000	January 7, 2024
101	Marikina-Shoe Ave.	Shoe Avenue corner W. Paz Street, Sta. Elena, Marikina City	205,838	November 13, 2025
102	Muntinlupa-Alabang-Ayala South Park (Tai	G/F, Ayala Malls South Park, Alabang, Muntinlupa City	86,723	December 31, 2026
103	Muntinlupa-Alabang-Madrugal Business Par	G/F, Page 1 Building, 1215 Acacia Avenue, Madrigal Business Park, Ayala Alabang, Muntinlupa	276,640	May 14, 2027
104	Muntinlupa-Bellevue-Filinvest	G/F, Bellevue Hotel, North Bridgeway, Northgate Cyberzone, Filinvest Corporate City, Alabang, Muntinlupa City	180,000	July 31, 2024
105	Muntinlupa-East Service Road	Uratex Building, Km. 23, East Service Road, Barangay Cupang, Muntinlupa City	72,000	August 13, 2028
106	Muntinlupa-Filinvest Avenue	BC Group Center, Filinvest Avenue & East Asia Drive, Filinvest Corporate City, Muntinlupa City	250,678	January 15, 2027
107	Muntinlupa-Poblacion	G/F, Arbar Building, National Highway, Poblacion, Muntinlupa City	100,000	June 18, 2024
108	Muntinlupa-Starmall Alabang	Upper Ground Level, Starmall Alabang, South Superhighway, Alabang, Muntinlupa City	69,574	July 18, 2026
109	NAIA 1-Departure Area	Departure Area, NAIA Terminal 1, Parañaque City	9,926	December 31, 2025
110	NAIA 2-Departure Area	NAIA Centennial Terminal 2, Northwing Level Departure International Building, Pasay City	42,877	December 31, 2025
111	NAIA 3-Arrival Area	Arrival Area , NAIA Terminal 3, Pasay City	20,539	December 31, 2025

Exhibit II (b)**PHILIPPINE NATIONAL BANK
LIST OF BRANCHES UNDER LEASE
As of December 31, 2023**

NO.	BRANCH NAME	ADDRESSES	MONTHLY RENTAL	EXPIRY DATE
112	Parañaque-Aseana City	G/F, Space 127, Monarch Parksuites, Bradco Avenue, Aseana Business Park, Parañaque City	289,893	November 20, 2027
113	Parañaque-BF Homes-Aguirre Avenue	47 Aguirre Ave. cor. Tirona St., BF Homes, Parañaque City	108,588	July 12, 2027
114	Parañaque-BF Homes-Pres. Ave.	43-C President Avenue, BF Homes, Parañaque City	103,318	December 31, 2028
115	Parañaque-East Service Road	Iba corner Malugay Streets, East Service Road, Barangay San Martin de Porres, United Parañaque	89,850	November 30, 2024
116	Parañaque-Oyster Plaza	Unit D1, Oyster Plaza Building, Ninoy Aquino Avenue, Barangay San Dionisio, Paranaque City	88,647	October 31, 2025
117	Parañaque-Sucat-A. Santos	G/F, Kingsland Building, Dr. A. Santos Avenue, Sucat, Parañaque City	154,746	October 31, 2025
118	Parañaque-Sucat-Evacom	G/F, AC Raftel Center, 8193 Dr. A. Santos Avenue, Sucat Road, Paranaque City	157,000	May 31, 2029
119	Pasay-Cartimar	SATA Corp. Building, 2217 Cartimar-Taft Avenue, Pasay City	134,188	October 15, 2024
120	Pasay-Coral Way	Unit 103, G/F, Philflex Bay Center, Coral Way Drive, Mall of Asia Complex, Pasay City	224,400	November 12, 2028
121	Pasay-Domestic Airport Rd.	G/F, PAL Data Center Building, Domestic Airport Road, Pasay City	P10,506.83 - Bldg.5,262	Month-to-Month
122	Pasay-GSIS	Level 1 GSIS Building, Financial Center, Roxas Boulevard, Pasay City	148,766	May 31, 2028
123	Pasay-Libertad	277 P. Villanueva Street, Libertad, Pasay City	137,370	December 31, 2026
124	Pasay-Macapagal-DD Meridian	G/F, DoubleDragon Center West, EDSA Extension corner Macapagal Avenue, Bay Area, Pasay City	184,600	August 27, 2024
125	Pasay-Roxas Blvd.	Suite 101, CTC Building, 2232 Roxas Boulevard, Pasay City	283,920	February 28, 2027
126	Pasay-Taft	2482 Taft Avenue, Pasay City	240,145	January 31, 2028
127	Pasay-Villamor Air Base	G/F, Airmens Mall Building corner Andrews & Sales Streets, Villamor Air Base, Pasay City	27,000	December 31, 2026
128	Pasig-C. Raymundo	G/F, JG Building, C. Raymundo Avenue, Maybunga, Pasig City	69,128	August 2, 2025
129	Pasig-Capital Commons	Unit 2, G/F, Unimart Capitol Commons, Shaw Boulevard corner Meralco Avenue, Barangay Oranbo, Pasig City	444,880	September 30, 2025
130	Pasig-Kapasigan	Emiliano A. Santos Building, A. Mabini corner Dr. Sixto Antonio Avenue, Pasig City	244,052	September 30, 2025
131	Pasig-Ortigas Ext.	103 B. Gan Building, Ortigas Avenue Extension, Rosario, Pasig City	155,000	August 31, 2028
132	Pasig-Ortigas Garnet	Unit 104, Taipan Place Building, Emerald Avenue, Ortigas Center, Pasig City	182,023	October 15, 2027
133	Pasig-Santolan	Amang Rodriguez Avenue, Barangay Dela Paz, Santolan, Pasig City	178,571	December 7, 2028

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LIST OF BRANCHES UNDER LEASE
As of December 31, 2023**

NO.	BRANCH NAME	ADDRESSES	MONTHLY RENTAL	EXPIRY DATE
134	Pasig-Tiendesitas	G/F, Units 4-5, Silver City Building, No. 03, Frontera Verde Drive, Ortigas Center, Pasig City	224,754	September 29, 2025
135	Pateros-Almeda	Tri-Ax One Center, 133 M. Almeda cor. Morcilla Sts., Pateros	117,384	November 30, 2026
136	Q.C.-A. Bonifacio	789 A. Bonifacio Avenue Barangay Pag-Ibig sa Nayon, Balintawak, Quezon City	107,520	May 14, 2024
137	Q.C.-Acropolis	251 TriQuetra Building, E. Rodriguez Jr. Avenue, Barangay Bagumbayan, Quezon City	206,636	October 31, 2025
138	Q.C.-Araneta Center	Unit 5, G/F, Manhattan Heights, Araneta Center, Cubao, Quezon City	242,030	September 30, 2026
139	Q.C.-Banawe-N. Roxas	G/F, Prosperity Banawe Center, 395 Banawe corner N. Roxas Streets, Quezon City	230,000	December 31, 2024
140	Q.C.-Batasang Pambansa	Main Entrance, Batasan Pambansa Complex, Constitutional Hills, Quezon City	10,000	January 13, 2025
141	Q.C.-BSP	Bangko Sentral ng Pilipinas, Security Plant Complex, East Avenue, Diliman, Quezon City	13,225	December 31, 2024
142	Q.C.-Commonwealth Avenue	G/F, KC Square Building, 529 Commonwealth Avenue, Diliman, Quezon City	109,396	December 1, 2024
143	Q.C.-Cubao-Harvard	SRMC Building, 901 Aurora Boulevard corner Harvard & Stanford Streets, Cubao, Quezon City	123,200	September 30, 2026
144	Q.C.-Del Monte	116 Del Monte Avenue corner D. Tuazon Street, Barangay Maharlika, Quezon City	115,474	July 31, 2026
145	Q.C.-Del Monte-Frisco	972 Del Monte Avenue, corner San Pedro Bautista Street, San Francisco del Monte, Quezon City	105,533	December 24, 2027
146	Q.C.-Don Antonio Heights	30 G/F, Puno Foundation Building, Barangay Holy Spirit, Quezon City	123,200	February 28, 2027
147	Q.C.-E. Rodriguez-G.Araneta	599 B, G. Araneta Avenue corner E. Rodriguez Sr. Avenue, Doña Imelda, Quezon City	50,030	August 31, 2027
148	Q.C.-EDSA Roosevelt	1024 Global Trade Center Building, EDSA, Quezon City	200,725	January 31, 2024
149	Q.C.-EDSA-Eton Centris	G/F, One Cyberpod Centris, EDSA Eton Centris, corner EDSA & Quezon Avenue, Quezon City	131,335	March 31, 2025
150	Q.C.-Eton-Corinthian	Unit 78 E-Life, Eton Cyberpod Corinthian, EDSA corner Ortigas Avenue, Barangay Ugong Norte, Quezon City	156,933	March 14, 2025
151	Q.C.-Ever Commonwealth	Lower G/F, Stall No. 20, Ever Commonwealth Mall, Commonwealth Avenue, Quezon City	268,119	March 6, 2026
152	Q.C.-Fairview Commonwealth	70 Commonwealth Avenue, Fairview Park Subdivision, Fairview, Quezon City	118,303	March 31, 2028

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LIST OF BRANCHES UNDER LEASE
As of December 31, 2023**

NO.	BRANCH NAME	ADDRESSES	MONTHLY RENTAL	EXPIRY DATE
153	Q.C.-Fairview-Regalado Ave.	No. 41, Regalado Avenue, West Fairview, Quezon City	146,588	May 31, 2026
154	Q.C.-Frisco	136 Roosevelt Avenue, Barangay Paraiso, San Francisco del Monte, Quezon City	60,000	October 19, 2024
155	Q.C.-Galas	20 A. Bayani Street, corner Bustamante, Galas, Quezon City	93,578	May 31, 2026
156	Q.C.-Grace Village	G/F, TSPS Building, Christian corner Grace Streets, Grace Village, Quezon City	137,652	December 31, 2026
157	Q.C.-Granada	G/F, Xavier Hills Condominium, 32 Granada corner N. Domingo Streets, Brgy Valencia, Quezon City	156,026	February 28, 2025
158	Q.C.-Katipunan-Aurora Blvd.	Aurora Boulevard, near PSBA, Barangay Loyola Heights, Quezon City	56,882	November 15, 2026
159	Q.C.-Katipunan-Loyola Heights	335 Agcor Building, Katipunan Avenue, Loyola Heights, Quezon City	202,456	December 31, 2024
160	Q.C.-Katipunan-St. Ignatius	G/F, Linear Building, 142 Katipunan Road, Quezon City	124,437	January 31, 2024
161	Q.C.-Lagro	BDI Center Inc., Lot 33, Blk. 114, Regalado Avenue, Greater Lagro, Quezon City	183,680	September 16, 2028
162	Q.C.-Lagro-Quirino	KM. 21, Lester Building, Quirino Highway, Lagro, Quezon City	140,000	June 30, 2024
163	Q.C.-Matalino	21 Tempus Building, Matalino Street, Diliman, Quezon City	136,750	June 30, 2026
164	Q.C.-Mindanao Avenue	888 Yrreverre Square Building, Mindanao Avenue, Barangay Talipapa, Novaliches, Quezon City	125,512	June 30, 2026
165	Q.C.-MWSS	MWSS Compound, Katipunan Road, Balara, Quezon City	128,250	April 30, 2024
166	Q.C.-N.S. Amoranto	Unit 103, "R" Place Building, 255 N.S. Amoranto Sr. Avenue, Quezon City	108,484	May 31, 2028
167	Q.C.-NFA	SRA Building, Barangay Vastra, North Avenue, Quezon City	55,834	August 31, 2026
168	Q.C.-Novaliches-Talipapa	513 Quirino Highway, Talipapa, Novaliches, Quezon City	57,372	February 24, 2025
169	Q.C.-NPC	Agham Road, Diliman, Quezon City	312,434	February 14, 2025
170	Q.C.-Project 8	Mecca Trading Building, Congressional Avenue, Project 8, Quezon City	95,090	May 31, 2026
171	Q.C.-Roces Avenue	Units 16 & 17, The Arcade at 68 Roces, Don Alejandro Roces Avenue, Barangay Obrero, Quezon City	215,550	April 5, 2026
172	Q.C.-Roosevelt Ave.	256 Roosevelt Avenue, Barangay San Antonio, San Francisco del Monte, Quezon City	175,000	April 30, 2024
173	Q.C.-SSS Diliman	G/F, SSS Building, East Avenue Diliman, Quezon City	232,773	January 31, 2025
174	Q.C.-Tandang Sora	102 Tandang Sora Avenue corner San Miguel Village, Barangay Pasong Tamo, Quezon City	66,550	September 25, 2026
175	Q.C.-Timog EDSA	Upper G/F, Caswynn Building 134 Timog Avenue, Barangay Sacred Heart, Quezon City	134,000	June 26, 2027

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LIST OF BRANCHES UNDER LEASE
As of December 31, 2023**

NO.	BRANCH NAME	ADDRESSES	MONTHLY RENTAL	EXPIRY DATE
176	Q.C.-Tomas Morato	114 Tomas Morato Avenue, Barangay Kamuning, Quezon City	85,110	April 10, 2024
177	Q.C.-UERMMM	G/F, UERMMM, No. 64 Aurora Boulevard, Barangay Dona Imelda, Quezon City	126,313	May 31, 2026
178	Q.C.-UP Campus	No. 3 Apacible Street, UP Campus, Diliman, Quezon City	416,960	monthly
179	Q.C.-Visayas Avenue	Wilcon City Center, 121 Visayas Avenue, Barangay Bahay Toro, Quezon City	132,767	June 5, 2026
180	Q.C.-Welcome Rotonda	10 Doña Natividad Building, Quezon Avenue, Welcome Rotonda, Quezon City	82,947	February 28, 2026
181	Q.C.-Zabarte	1131 Quirino Hi-way, Barangay Kaligayahan, Novaliches, Quezon City	107,143	July 31, 2026
182	Rizal-Binangonan	8002 La Plaza Bldg., J.P. Rizal corner P. Gomez Sts., Poblacion, Brgy. Libis, Binangonan, Rizal	63,700	February 28, 2024
183	Rizal-Montalban	E. Rodriguez Avenue corner Midtown Subdivision, Rosario, Rodriguez, Rizal	76,576	May 31, 2026
184	Rizal-San Mateo	19 General Luna Street, Barangay Banaba, San Mateo, Rizal	52,328	October 31, 2026
185	Rizal-Tanay	Tanay New Public Market Road, Barangay Plaza Aldea, Tanay, Rizal	141,308	October 29, 2027
186	Rizal-Taytay	Ilog Pugad National Road, Barangay San Juan, Taytay, Rizal	67,002	October 22, 2028
187	San Juan-Annapolis	G/F, Continental Plaza, Annapolis Street, Greenhills, San Juan City	151,938	February 28, 2028
188	San Juan-Eton Square Ortigas	ETON Square Ortigas, Ortigas Avenue, Greenhills, San Juan City, Metro Manila	203,280	October 31, 2023
189	San Juan-F. Blumentritt	213 F. Blumentritt Street corner Lope K. Santos, San Juan City	97,237	March 31, 2028
190	San Juan-Jose Abad Santos	G/F, TNA Building #17 Jose Abad Santos Street, Little Baguio, San Juan City	205,722	March 31, 2027
191	Taguig- FTI Complex	Lot 55, G/F, Old Admin Building, FTI Complex, Taguig City	98,452	June 7, 2027
192	Taguig-Bagong Calzada	Skyler Realty Building, Bagong Calzada, Barangay Ususan, Taguig City	120,270	March 17, 2024
193	Taguig-Bayani Road	G/F, GPI Building, 53 Bayani Road, Fort Bonifacio, Taguig City	158,760	March 31, 2027
194	Taguig-Mckinley West	G/F, Unit A108, West Campus Building, Mckinley West, Taguig City	340,500	July 31, 2022
195	Valenzuela-Gen. T. De Leon	4024 General T. de Leon Street, Barangay General T. de Leon, Valenzuela City	82,738	July 31, 2026
196	Valenzuela-MacArthur-Marulas	G/F, Cabiltes Bldg., 182 MacArthur Highway, Marulas, Valenzuela City	80,000	August 12, 2025
197	Valenzuela-Malinta	Moiriah's Building, 407 MacArthur Highway, Malinta, Valenzuela City	102,860	August 31, 2025
198	Valenzuela-Paso De Blas	179 Paso de Blas, Valenzuela City	133,100	May 31, 2024

Northern Luzon

Exhibit II (b)**PHILIPPINE NATIONAL BANK
LIST OF BRANCHES UNDER LEASE
As of December 31, 2023**

NO.	BRANCH NAME	ADDRESSES	MONTHLY RENTAL	EXPIRY DATE
1	Angeles-MacArthur Highway	V&M Building Barangay Sto Cristo, MacArthur Highway, Angeles City, Pampanga	116,765	July 14, 2026
2	Aurora-Baler	G/F, DNR Bldg., Quezon Street, Barangay Suklayin, Baler, Aurora Province	45,000	November 1, 2025
3	Baguio City-Magsaysay Ave.	G/F, Lyman Ogilby Centrum Building, 358 Magsaysay Avenue, Baguio City	88,683	June 30, 2027
4	Baguio City-Naguilian Road	G/F, High Country Inn, Naguilian Road, Baguio City	81,034	October 31, 2026
5	Baguio City-Rizal Park	G/F, Travelite Express Hotel, Shuntug Street corner Fernando G. Bautista Drive, Baguio City	213,678	July 31, 2026
6	Bataan-Dinalupihan	BDA Building, San Ramon Highway, Dinalupihan, Bataan	67,005	February 5, 2027
7	Bataan-Mariveles-BEPZ	Bataan Economic Zone, Luzon Avenue, Freeport Area of Bataan, Mariveles, Bataan	67,768	March 6, 2024
8	Bataan-Orani	Agustina Building, MacArthur Highway, Parang-Parang, Orani, Bataan	54,033	October 18, 2028
9	Bataan-Orion	19 Daan Bilolo, Orion, Bataan	33,628	March 31, 2024
10	Benguet-La Trinidad	Benguet State University Compound, Barangay Balili, KM. 5, La Trinidad, Benguet	46,080	October 5, 2027
11	Bulacan-Balagtas	G/F D & A Building, MacArthur Highway, San Juan, Balagtas, Bulacan	53,571	June 30, 2030
12	Bulacan-Bocaue	JM Mendoza Building, MacArthur Hi-way, Lolomboy, Bocaue, Bulacan	109,462	October 7, 2027
13	Bulacan-Guiguinto	G.S. Bldg., Cagayan Valley Road, Sta. Rita, Guiguinto, Bulacan	38,584	July 10, 2026
14	Bulacan-Marilao	Units 104 & 105 Plaza Cecilia Bldg., Marilao-San Jose Road, Sta. Rosa 1, Marilao, Bulacan	62,400	December 18, 2026
15	Bulacan-Obando	G/F, Fisherman Building, J.P. Rizal St., Brgy. Paliwas, Obando, Bulacan	50,962	July 31, 2027
16	Bulacan-Plaridel	Cagayan Valley Road, Banga 1st, Plaridel, Bulacan	72,603	June 5, 2027
17	Bulacan-Robinsons Pulilan	Robinsons Mall Pulilan, Maharlika Highway, Cutcut, Pulilan, Bulacan	52,468	December 31, 2024
18	Bulacan-Pulilan RISG	Unit No. 02, Ground Floor, Richfield Industrial Complex-Pulilan, Esguerra Street, Barangay Inaon & Barangay Sta. Peregrina, Pulilan, Bulacan	56,000	August 5, 2028
19	Bulacan-San Rafael	San Rafael Public Market, Cagayan Valley Road, Barangay Cruz na Daan, San Rafael, Bulacan	60,116	October 7, 2025
20	Bulacan-Sta. Maria	Jose Corazon De Jesus Street, Poblacion, Santa Maria, Bulacan	122,166	September 1, 2028
21	Cabanatuan-Dicarma	R. Macapagal Building, Barangay Dicarma, Maharlika Highway, Cabanatuan City, Nueva Ecija	45,600	August 31, 2024
22	Cabanatuan-Maharlika	KM. 114 Maharlika Highway, De Guzman Building, Barangay Bernardo Cabanatuan City, Nueva Ecija	69,458	May 15, 2024

Exhibit II (b)**PHILIPPINE NATIONAL BANK
LIST OF BRANCHES UNDER LEASE
As of December 31, 2023**

NO.	BRANCH NAME	ADDRESSES	MONTHLY RENTAL	EXPIRY DATE
23	Cagayan-Sanchez Mira	C-2 Maharlika Highway, Sanchez Mira, Cagayan	77,812	December 1, 2037
24	Cagayan-Tuao	G/F, Villacete Building, National Highway, Pata, Tuao, Cagayan	18,000	September 23, 2028
25	Cagayan-Tuguegarao-Brickstone Mall	G/F, Brickstone Mall, KM. 482, Maharlika Highway, Pengue Ruyu, Tuguegarao City, Cagayan	72,201	November 15, 2025
26	Dagupan City-A.B. Fernandez-Nable	A. B. Fernandez Avenue corner Nable Street, Dagupan City, Pangasinan	88,785	December 31, 2024
27	Dagupan City-Perez Blvd.	Orient Pacific Building, Perez Boulevard corner Rizal Extension, Dagupan City, Pangasinan	103,464	March 5, 2027
28	Ifugao-Lagawe	JDT Building, Inguiling Drive, Poblacion East, Lagawe, Ifugao	30,368	October 11, 2028
29	Ilocos Norte-Pasuquin	Farmers Trading Center Building, Maharlika Hi-way, Poblacion 1, Pasuquin, Ilocos Norte	22,400	June 27, 2027
30	Ilocos Sur-Narvacan	Annex Building, Narvacan Municipal Hall, Sta. Lucia, Narvacan, Ilocos Sur	72,930	December 31, 2027
31	Isabela-Alicia	Armando & Leticia de Guia Building, San Mateo Road, Antonino, Alicia, Isabela	54,095	November 30, 2025
32	Isabela-Cauayan-Maharlika Hi-Way	Disston Building, Maharlika Highway, Barangay San Fermin, Cauayan, Isabela	64,286	March 31, 2024
33	Isabela-Centro Ilagan	Rizal Street, Centro Poblacion, Ilagan City, Isabela	56,075	August 13, 2026
34	Kalinga-Tabuk	West Gate Building, Provincial Road, Poblacion Centro, Tabuk City, Kalinga	63,856	December 20, 2025
35	Laoag City-Castro	F.R. Castro Street, Barangay 17, Laoag City, Ilocos Norte	120,608	March 31, 2025
36	Malolos City-MacArthur Hi-way	FC Building, KM. 40, MacArthur Hi-way, Sumapang Matanda, Malolos City, Bulacan	88,446	December 31, 2026
37	Meycauayan City- MacArthur-Saluysoy	The Maryville Square Bldg. Annex, MacArthur Highway, Saluysoy, Meycauayan City, Bulacan	96,753	November 17, 2029
38	Meycauayan City-Esperanza Mall	G/F, Stalls 8 & 9, Esperanza Mall, MacArthur Highway, Barangay Calvario, Meycauayan, Bulacan	59,640	September 30, 2026
39	Mountain Province-Bontoc	G/F, Mount Province Commercial Center, Poblacion, Bontoc, Mountain Province	28,453	September 10, 2026
40	Nueva Ecija - Sta. Rosa	JNB Building, Maharlika Highway, Barangay Cojuanco, Sta. Rosa, Nueva Ecija	45,600	September 30, 2026
41	Nueva Ecija-Guimba	CATMAN Building, Provincial Road corner Faigal Street, Saranay District, Guimba, Nueva Ecija	57,900	September 5, 2027
42	Olongapo City-Magsaysay Drive	97 YBC Leisure Center, Magsaysay Drive, East Tapinac, Olongapo City, Zambales	220,633	May 1, 2028

Exhibit II (b)**PHILIPPINE NATIONAL BANK
LIST OF BRANCHES UNDER LEASE
As of December 31, 2023**

NO.	BRANCH NAME	ADDRESSES	MONTHLY RENTAL	EXPIRY DATE
43	Olongapo City-Subic Bay	Lot 5 Retail 2, Times Square Mall, Sta. Rita Road, Subic Bay Freeport Zone, Olongapo City, Zambales	91,024	October 8, 2026
44	Pampanga-Apalit	G/F, Primemed Quest Alliance Building, MacArthur Highway, San Vicente, Apalit, Pampanga	97,500	September 30, 2028
45	Pampanga-Clark Field	Clark Center II, Retail 4 & 5. Berthaphil III, Jose Abad Santos Avenue Clark Freeport Zone, Pampanga	\$2,316.00 (Tax Exempt)	May 31, 2029
46	Pampanga-Lubao	OG Road, Ela Paz Arcade, Barangay Santa Cruz, Lubao, Pampanga	52,255	December 31, 2025
47	Pampanga-Mabalacat-Mabiga	Destiny Building, MacArthur Highway, Mabiga, Mabalacat City, Pampanga	45,995	January 31, 2026
48	Pampanga-Macabebe	SGB Building, San Gabriel, Macabebe, Pampanga	40,000	March 27, 2026
49	Pampanga-San Simon	Unit A, Global Aseana Business Park 1, Quezon Road, San Simon, Pampanga	52,906	November 17, 2024
50	Pangasinan-Bayambang	Prime Building, Rizal Street, Zone 2, Bayambang, Pangasinan	86,171	October 11, 2025
51	Pangasinan-Calasiao	G/F, Elguira Bldg., National Highway, Barangay Nalsian, Calasiao, Pangasinan	115,763	April 30, 2027
52	Pangasinan-Mangaldan	G/F, Abad Biascan Building, Rizal Street, Poblacion, Mangaldan, Pangasinan	70,223	March 31, 2025
53	Pangasinan-San Carlos City	Plaza Jaycee, San Carlos City, Pangasinan	86,450	August 14, 2024
54	San Fernando City-Dolores	Units 4 & 5, G/F, Peninsula Plaza Building, MacArthur Highway, Dolores, City of San Fernando, Pampanga	80,155	May 31, 2024

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LIST OF BRANCHES UNDER LEASE
As of December 31, 2023**

NO.	BRANCH NAME	ADDRESSES	MONTHLY RENTAL	EXPIRY DATE
55	San Fernando City-East Gate	East Gate City Walk Commercial Building, Olongapo-Gapan Road, San Jose, City of San Fernando, Pampanga	84,000	November 23, 2028
56	San Fernando City-MacArthur Hi-way	LNG Building, MacArthur Highway, Barangay Dolores, City of San Fernando, Pampanga	143,562	July 1, 2024
57	San Fernando City-Sindalan	G/F, Sindalan Commercial Building, Barangay Sindalan, City of San Fernando, Pampanga	85,001	August 31, 2027
58	San Jose Del Monte-Quirino Hi-way	Dalisay Building, Quirino Hi-way, Tungkong Mangga, City of San Jose Del Monte, Bulacan	150,000	December 31, 2024
59	Tarlac City-Zamora	Unit 123, A & E Building, #06 Zamora Street, Barangay San Roque, Tarlac City	108,039	October 5, 2027
60	Tarlac-Camiling	Rizal Street, Poblacion G, Camiling, Tarlac	90,000	February 5, 2028
61	Tarlac-Capas	491 Arcade Tizon Compound., McArthur Hi-way, Sto. Domingo II, Capas, Tarlac	66,950	October 15, 2026
62	Urdaneta City-Alexander	AAG Building 2, Alexander Street, Urdaneta City, Pangasinan	106,867	January 1, 2028
63	Vigan City Market	G/F, Unit 6, Puregold Vigan, Alcantara Street, Poblacion, Vigan City, Ilocos Sur	68,558	July 13, 2024
64	Zambales-Sta. Cruz	Barangay Hall, Poblacion South, Sta. Cruz, Zambales	25,000	December 31, 2028
<u>Southern Luzon</u>				
1	Albay-Ligao	San Jose Street, Dunao, Ligao City, Albay	90,000	September 5, 2027
2	Albay-Polangui	National Road, Ubaliw, Polangui, Albay	42,000	April 30, 2026
3	Bacoor City-Molino	I.K. Commercial Building, Villa Maria Subdivision, Molino Highway, Molino III, Bacoor, Cavite	86,640	May 31, 2024
4	Bacoor City-Panapaan	San Miguel Commercial Building, 215 E. Aguinaldo Highway, Barangay Panapaan I, Bacoor, Cavite	121,573	April 14, 2027

Exhibit II (b)**PHILIPPINE NATIONAL BANK
LIST OF BRANCHES UNDER LEASE
As of December 31, 2023**

NO.	BRANCH NAME	ADDRESSES	MONTHLY RENTAL	EXPIRY DATE
5	Batangas City-Kumintang	JPA AMA Building, National Hi-way, Kumintang Ilaya, Batangas City	66,000	February 28, 2025
6	Batangas City-P. Burgos	Unit G1E, G/F Expansion Area, Nuciti Central Mall, P. Burgos Street, Batangas City, Batangas	143,212	March 22, 2025
7	Batangas City-Pallocan West	GF, MAJ Building, National Highway, Pallocan West, Batangas City	85,085	June 26, 2026
8	Batangas-Lemery	Humarang Building corner Ilustre Avenue and P. De Joya Street, Lemery, Batangas	101,846	June 30, 2026
9	Batangas-Mabini	Casa Sorella Commercial Bldg., F. Castillo Street, Poblacion, Mabini, Batangas	35,714	May 29, 2026
10	Batangas-Malvar	Pres. Laurel Highway, Brgy Poblacion, Malvar, Batangas	57,881	November 30, 2026
11	Batangas-Nasugbu	J. P. Laurel corner F. Alix Streets, Nasugbu, Batangas	85,000	May 31, 2024
12	Batangas-Rosario	G/F, JCO Building, Carandang Street, Brgy. C, Rosario, Batangas	70,036	March 31, 2027
13	Batangas-Sto. Tomas Market	Sto. Tomas Market, Maharlika Highway, Barangay Poblacion 2, Sto. Tomas, Batangas	100,626	December 11, 2028
14	Batangas-Tanauan	G/F, V. Luansing Bldg, J.P. Laurel Highway, Tanauan City, Batangas	81,396	August 21, 2026
15	Batangas-Tanauan-Victory Mall	GF-09 Victory Mall & Market, Barangay Poblacion VII, Tanauan City, Batangas	119,841	July 22, 2026
16	Camarines Norte-Daet-Pimentel Ave.	F. Pimentel Avenue corner Dasmaringas Street, Daet, Camarines Norte	96,025	March 16, 2025
17	Camarines Sur-Goa	Juan Go Building, corner Rizal & Bautista Streets, Goa, Camarines sur	50,139	May 31, 2024
18	Camarines Sur-Pili	Cu Building, Old San Roque, Pili, Camarines Sur	78,719	August 31, 2027
19	Catanduanes-Virac	G/F, Johnson Building, Rizal Avenue Santa Cruz, Virac, Catanduanes	80,000	April 27, 2028
20	Cavite-Carmona	767 Barangay Maduya, Carmona, Cavite	104,249	April 1, 2028
21	Cavite-Gen. Trias	129 Governor's Drive, Manggahan, General Trias, Cavite	68,861	February 27, 2024
22	Cavite-Imus Bayan	GF, J. Antonio Building 1167 Gen. Aguinaldo Highway, Bayan Luma 7, Imus, Cavite	152,369	November 10, 2026
23	Cavite-Imus-Aguinaldo	Sayoc Abella Building, E. Aguinaldo Hi-way, Imus, Cavite	110,809	August 31, 2025
24	Cavite-Kawit-Centennial Road	G/F, Robertson Plaza, Centennial Road, Brgy. Tabon 1, Kawit, Cavite	69,616	November 30, 2024
25	Cavite-Naic	P. Poblete Street, Ibayo Silangan, Naic, Cavite	91,126	January 5, 2027
26	Cavite-Rosario-CEPZ	General Trias Drive, Rosario, Cavite	28,700	February 12, 2042
27	Cavite-Silang-Lucuhin	GF, LS-52 Premier Plaza, 7180 E. Aguinaldo Highway, Brgy. Lucuhin, Silang, Cavite	51,000	June 15, 2025
28	Cavite-Tanza	G/F, Annie's Plaza Building, A. Soriano Highway, Daang Amaya, Tanza, Cavite	75,848	October 15, 2025

Exhibit II (b)**PHILIPPINE NATIONAL BANK
LIST OF BRANCHES UNDER LEASE
As of December 31, 2023**

NO.	BRANCH NAME	ADDRESSES	MONTHLY RENTAL	EXPIRY DATE
29	Dasmariñas-Aguinaldo Hi-Way	G/F, LCVM Building, Aguinaldo Hi-Way, Zone IV, Dasmariñas, Cavite City	145,000	December 20, 2025
30	Dasmariñas-Salitran	Michael's Building, Aguinaldo Highway, Salitran, Dasmariñas City, Cavite	73,000	October 24, 2025
31	Laguna-Biñan	Ammar Commercial Center, Nepa National Highway, Barangay Sto. Domingo, Biñan, Laguna	137,989	March 31, 2028
32	Laguna-Cabuyao-ABI	Asia Brewery Complex, National Hi-way, Barangay Sala, Cabuyao, Laguna	51,967	March 31, 2026
33	Laguna-Cabuyao-Centro Mall	Unit 124, Centro Mall, Barangay Pulo, Cabuyao, Laguna	68,763	June 21, 2025
34	Laguna-Calamba Crossing	G/F, Unit Building, J. Alcasid Business Center, Crossing Calamba City, Laguna	113,626	March 14, 2026
35	Laguna-Calamba-Bucal	G/F, Prime Unit 103 Carolina Center Building, corner Ipil-ipil Street, Barangay Bucal, Calamba, Laguna	343,384	September 1, 2028
36	Laguna-Calamba-Parian	G/F, Sta. Cecilia Business Center II, Barangay Parian, Calamba City, Laguna	43,501	October 15, 2026
37	Laguna-Paseo de Santa Rosa	Blk. 5 Lot 3B, Sta. Rosa Estate 2-A, Balibago, Tagaytay Road, Barangay Sto. Domingo, Sta. Rosa City, Laguna	164,250	May 14, 2026
38	Laguna-San Pablo City Colago	Mary Grace Building, Colago Avenue corner Quezon Avenue, San Pablo City, Laguna	63,319	November 30, 2026
39	Laguna-San Pedro-Nat'l. Hi-Way	KM. 31, National Highway, Barangay Nueva, San Pedro, Laguna	107,559	February 1, 2028
40	Laguna-Siniloan	G. Redor Street, Siniloan, Laguna	89,205	January 17, 2026
41	Laguna-Southwoods	Unit A-28, G/F, Southwoods Mall, Barangay San Francisco, Biñan, Laguna	292,164	September 1, 2027
42	Laguna-Sta. Cruz-Regidor	37 A. Regidor Street, Sta. Cruz, Laguna	104,186	February 21, 2024
43	Laguna-Sta. Rosa	Old National Hi-way, Balibago, Sta Rosa City, Laguna	121,151	June 9, 2026
44	Laguna-UPLB	Andres Aglibut Avenue, UPLB Batong Malake, Los Baños, Laguna	68,865	Month-to-Month
45	Legazpi City-Albay Capitol	ANST Building II, Rizal Street, Barangay 14, Albay District, Legaspi City, Albay	80,905	April 30, 2024
46	Legazpi City-Imperial	35 F. Imperial Street, Legaspi City, Albay	160,714	May 31, 2026
47	Lipa City-Ayala Highway	High 5 Square Building, Ayala Highway, Mataas na Lupa, Lipa City, Batangas	91,066	June 5, 2027
48	Lucena City-Enriquez	Enriquez corner Enverga Streets, Poblacion, Lucena City, Quezon	112,000	August 5, 2027
49	Lucena City-Red V	Maharlika Highway, Red V, Brgy. Ibabang Dupay, Lucena City, Quezon Province	69,500	February 28, 2025
50	Marinduque-Boac	Governor Damian Reyes Street, Barangay Murallon, Boac, Marinduque	34,821	July 31, 2024
51	Marinduque-Sta. Cruz	G/F, RMR Building, Quezon Street, Barangay Maharlika, Santa Cruz, Marinduque	62,000	July 31, 2025

Exhibit II (b)**PHILIPPINE NATIONAL BANK
LIST OF BRANCHES UNDER LEASE
As of December 31, 2023**

NO.	BRANCH NAME	ADDRESSES	MONTHLY RENTAL	EXPIRY DATE
52	Naga City-Magsaysay Ave.	G/F, G Square Building, Magsaysay Avenue corner Catmon II Street, Balatas, Naga City, Camarines Sur	86,366	April 14, 2024
53	Naga City-Panganiban	DECA Corporate Center, Panganiban Drive, Barangay Tinago, Naga City, Camarines Sur	113,469	February 13, 2028
54	Or. Mindoro-Pinamalayan	G/F, San Agustin Building, Mabini Street, Zone IV, Pinamalayan, Oriental Mindoro	56,131	September 30, 2025
55	Or. Mindoro-Puerto Galera	Muelle St., Puerto Galera, Oriental Mindoro	110,000	April 10, 2026
56	Quezon-Atimonan	Our Lady of the Angels Parish Compound, Quezon Street, Atimonan, Quezon	80,000	July 15, 2025
57	Quezon-Gumaca	Andres Bonifacio Street, Barangay San Diego Poblacion, Gumaca, Quezon	97,978	November 29, 2025
58	Quezon-Infanta	Mabini cor. Burgos Sts., Poblacion 38, Infanta, Quezon Province	41,650	August 31, 2025
59	Quezon-Lucban	Concepcion Street, Barangay San Luis, Lucban, Quezon Province	75,000	January 31, 2028
60	Quezon-Pagbilao	G/F, APT Bldg., Maharlika Highway cor. Alvarez St., Brgy. Del Carmen, Pagbilao, Quezon Province	90,758	July 31, 2027
61	Romblon-Republika	Republika Street, Barangay 1, Romblon, Romblon	21,495	October 11, 2024
62	Sorsogon City-Magsaysay	Doña Nening Building, Magsaysay Street Sorsogon City	147,746	November 18, 2028
63	Sorsogon-Bulan	Zone 4, Tomas de Castro Street, Bulan, Sorsogon	46,000	July 5, 2027
64	Tagaytay-Mendez	Vistamart Building, Gen. E. Aguinaldo Highway, Mendez Crossing West, Tagaytay City	100,000	November 29, 2024
<u>Visayas</u>				
1	Aklan-Caticlan	Edsa Building, National Road, Caticlan, Malay, Aklan	104,186	September 30, 2025
2	Bacolod-East-Burgos	G/F, Besca Properties Building, Burgos Extension, Bacolod City, Negros Occidental	68,857	October 2, 2024
3	Bacolod-Hilado	Hilado corner L.N. Agustin Streets, Bacolod City, Negros Occidental	63,038	February 19, 2027
4	Bacolod-Lacson	10th Lacson Street, Bacolod City, Negros Occidental	100,000	October 12, 2065
5	Bacolod-Libertad	Penghong Building, Poinsetia Street, Libertad Extension, Bacolod City, Negros Occidental	54,698	November 3, 2026
6	Bacolod-Negros Cyber Centre	Negros First Cyber Centre Building, Lacson corner Hernaez Streets, Bacolod City, Negros Occidental	58,000	June 30, 2026

Exhibit II (b)**PHILIPPINE NATIONAL BANK
LIST OF BRANCHES UNDER LEASE
As of December 31, 2023**

NO.	BRANCH NAME	ADDRESSES	MONTHLY RENTAL	EXPIRY DATE	
7	Bohol-Panglao Island	G/F, Cherry's Home Too Building, Hontanosas Road, Barangay Tawala, Panglao Island, Bohol	104,000	January 31, 2029	
8	Bohol-Talibon	UG 5, Talibon Commercial Center 1, Poblacion, Talibon, Bohol	38,393	December 19, 2024	
9	Bohol-Ubay	G/F, LM Commercial Building, National Hi-way corner Tan Pentong Street, Poblacion, Ubay, Bohol	93,031	June 10, 2026	
10	Cebu Business Park	Unit F, Upper G/F, FLB Corporate Center, Archbishop Reyes Avenue, Cebu Business Park, Cebu City	139,783	September 30, 2025	
11	Cebu I.T. Park	G/F, TGU Tower, Cebu IT Park, Salinas Drive corner J.M del Mar Street, Apas, Cebu City	274,008	December 15, 2027	
12	Cebu Uptown	G/F, Visayas Community Medical Center Mixed Use Building, Osmeña Boulevard, Cebu City	127,543	February 28, 2025	
13	Cebu-Banawa	One Pavilion Mall, R. Duterte Street, Banawa, Cebu City	131,900	October 7, 2025	
14	Cebu-Banilad-Fortuna	AS Fortuna Street, Banilad, Mandaue City, Cebu	75,045	March 31, 2027	
15	Cebu-Banilad-Ma. Luisa Park	Gov. M. Cuenco Avenue corner Paseo Saturnino Street, Banilad, Cebu City	117,315	February 5, 2025	
16	Cebu-Bantayan	J.P. Rizal Street, Ticad, Bantayan, Cebu City	53,340	June 21, 2025	
17	Cebu-Bogo	Corner R. Fernan & San Vicente Streets, Bogo City, Cebu	39,759	April 16, 2026	
18	Cebu-Carbon	41-43 Plaridel Street, Ermita, Cebu City	P93,767.63	31,255.87	October 31, 2024
19	Cebu-Carcar	Jose Rizal Street, Poblacion 1, Carcar City, Cebu	72,749	February 21, 2026	
20	Cebu-Colon	G/F, J. Avila Building, Collonnade Mall, Colon Street, Cebu City	163,242	December 31, 2024	
21	Cebu-Consolacion	Consolacion Government Center Extension, Poblacion, Oriental, Consolacion, Cebu City	66,000	August 2, 2025	
22	Cebu-Escario	G/F, Capitol Square, N. Escario Street, Cebu City	78,750	August 27, 2025	
23	Cebu-Fuente Osmeña	BF Paray Building, Osmeña Boulevard, Cebu city	140,187	June 30, 2028	
24	Cebu-Lapu-Lapu Market	Mangubat corner Rizal Streets, Lapu-lapu City, Cebu	25,640	December 31, 2027	
25	Cebu-Lapu-Lapu-Maribago	Unit B, JTO Building, ML Quezon National Highway, Looc, Maribago, Lapu-Lapu City, Mactan, Cebu	117,707	July 5, 2026	
26	Cebu-Lapu-Lapu-Pusok	M. L. Quezon National Highway, Pusok, Lapu-Lapu City, Cebu	31,599	February 28, 2026	
27	Cebu-Liloan	Units 11-12, G/F, Gaisano Grand Liloan, Barangay Poblacion, Liloan, Cebu	56,250	February 28, 2026	
28	Cebu-Mabolo	G/F, GPH Central, F. Cabahug corner President Roxas Sts., Brgy. Kasambagan, Mabolo, Cebu City, Cebu	193,595	January 31, 2024	
29	Cebu-Mambaling	GF, Supermetro Mambaling, F. Llamas Street, corner Cebu South Road, Basak, San Nicolas, Cebu City	68,000	October 31, 2026	

Exhibit II (b)**PHILIPPINE NATIONAL BANK
LIST OF BRANCHES UNDER LEASE
As of December 31, 2023**

NO.	BRANCH NAME	ADDRESSES	MONTHLY RENTAL	EXPIRY DATE
30	Cebu-Mandaue Centro	G/F, Gaisano Grand Mall, Mandaue Centro, A. Del Rosario Street, Mandaue City, Cebu	153,655	February 28, 2027
31	Cebu-Mandaue-A. Cortes	A. C. Cortes Avenue, Ibabaw, Mandaue City, Cebu	66,000	February 28, 2026
32	Cebu-Mandaue-Lopez Jaena	J. D. Building, Lopez Jaena Street, Highway, Tipolo, Mandaue City, Cebu	124,330	April 14, 2025
33	Cebu-Mandaue-North Road	Unit 101A, Ground Floor, Insular Square, Northroad Basak, Mandaue City, Cebu	113,920	February 28, 2028
34	Cebu-Mandaue-Subangdaku	National Highway, Subangdaku, Mandaue City	66,009	August 15, 2026
35	Cebu-MEPZ	1st Avenue, MEPZ 1, Ibo, Lapu-lapu City, Cebu	12,034	Month-to-Month
36	Cebu-Minglanilla	Ward 4, Poblacion, Minglanilla, Cebu	81,939	October 14, 2027
37	Cebu-Moalboal	G/F, Stalls MBL-GFS 7-9, Gaisano Grand Mall, Poblacion East, Moalboal, Cebu	54,000	April 30, 2025
38	Cebu-Tabunok Nat'l. Hi-Way	G/F, Paul Sy Building, National Highway, Tabunok, Talisay City, Cebu	80,454	January 16, 2026
39	Cebu-Tabunok-Talisay	G/F, Viva Lumber Building, Tabunok, Talisay City, Cebu	84,051	April 30, 2025
40	Cebu-Talamban	Banilad Road, Gov. M. Cuenco Ave., Brgy. Talamban, Cebu City	101,376	July 31, 2025
41	Dumaguete City-South Road	Manhattan Suites, South Road, Calindagan, Dumaguete City, Negros Oriental	95,976	October 14, 2027
42	Eastern Samar-Guiuan	Guimbaolibot Ave., Lactason St., Brgy. 4, Guiuan, Eastern Samar	50,400	November 30, 2024
43	Iloilo-Aldeguer	Saint Catherine Arcade, Aldeguer Street, Iloilo City	80,000	November 15, 2026
44	Iloilo-Diversion Road	G/F, Unicom Building, Senator Benigno Aquino Avenue (Diversion Road), Barangay San Rafael, Mandurriao, Iloilo City	66,000	October 31, 2024
45	Iloilo-Gen. Luna	G/F, Go Sam Building, Gen. Luna Street, Iloilo City	82,770	December 17, 2026
46	Iloilo-Jaro	#8 Lopez Jaena Street, Jaro, Iloilo City	85,693	May 2, 2026
47	Iloilo-Jaro Hechanova	P.T. Española Building, Gran Plains Subdivision, Barangay M.V. Hechanova, Tabuk Suba, Jaro, Iloilo City	57,294	August 29, 2026
48	Iloilo-La Paz	G/F, Inayan Building, Rizal Street, La Paz, Iloilo City	58,036	December 31, 2028
49	Iloilo-Miag-ao	One TGN Building, corner Noble & Santo Tomas Streets, Miag-ao, Iloilo	51,343	May 14, 2028
50	Iloilo-Sta. Barbara	Liz Complex, Bangga Dama, Barangay Bolong Oeste, Santa Barbara, Iloilo	74,699	October 31, 2028
51	Leyte-Baybay City-VSU	G/F, Technology Business Incubation Center Building, Visayas State University, Barangay Pangasugan, Baybay City, Leyte	7,000	August 2, 2028
52	Leyte-Ormoc City-Cogon	G/F, Gabas Building, Lilia Avenue, Barangay Cogon, Ormoc City, Leyte	60,608	October 14, 2027
53	Leyte-Palompon	G/F, Municipal Building, Rizal Street, Palompon, Leyte	28,000	May 16, 2028
54	Negros Occ.-La Carlota City	Corner La Paz & Rizal Streets, Barangay I, La Carlota City, Negros Occidental	48,210	May 31, 2026

Exhibit II (b)**PHILIPPINE NATIONAL BANK
LIST OF BRANCHES UNDER LEASE
As of December 31, 2023**

NO.	BRANCH NAME	ADDRESSES	MONTHLY RENTAL	EXPIRY DATE
55	Negros Or.-Bais City	Rosa Dy-Teves Building, Quezon Street, Bais City, Negros Oriental	53,571	November 30, 2026
56	Negros Or.-Guihulngan	New Guihulngan Public Market, S. Villegas Street, Guihulngan, Negros	25,000	February 8, 2026
57	Palawan-Coron	45 Don Pedro St., Brgy. 2, Coron, Palawan	59,322	March 31, 2024
58	Palawan-Puerto Princesa-San Pedro	Unit no. 115, G/F, SJD Center, National Highway, Brgy. San Pedro, Puerto Princesa City, Palawan	120,000	July 31, 2030
59	Southern Leyte-Hinunangan	Corner National Highway and Washington Street, Barangay Salog, Hinunangan, Southern Leyte	Rent Free - 1st 18 months P7,500.00 - start on the 19th month	August 19, 2043
60	Southern Leyte-Sogod	Osmeña Street, Zone 2, Sogod, Southern Leyte	50,415	November 30, 2025
61	Tacloban City-Rizal Ave.	G/F, Washington Building, Rizal Avenue, Tacloban City, Leyte	115,748	October 22, 2026
62	Tagbilaran-Alturas Mall	G/F, Stall 10, Alturas Mall, C.P. Garcia Avenue, M.H. del Pilar & B. Inting Streets, Tagbilaran City, Bohol	82,644	February 21, 2026
63	Tagbilaran-Island City Mall	Upper Ground Floor 33-34, Island City Mall, Dampas District, Tagbilaran City, Bohol	73,270	July 31, 2026
<u>Mindanao</u>				
1	Agusan Del Sur-Bayugan City	Mendoza Square, Narra Avenue, Poblacion, Bayugan City, Agusan del Sur	52,674	August 31, 2024
2	Bukidnon-Maramag	J. Tan, Building, Sayre Highway, North Poblacion, Maramag, Bukidnon	61,000	September 30, 2026
3	Butuan City-J.C. Aquino	J.C. Aquino Avenue, Butuan City, Agusan del Norte	75,701	May 31, 2028
4	CDO-Carmen	REGO Building, 296 Agoho Drive, Carmen, Cagayan de Oro City, Misamis Oriental	71,429	July 1, 2025
5	CDO-Lapasan Highway	G/F, RMT Building, Lapasan Highway, Cagayan de Oro City, Misamis Oriental	112,740	January 17, 2027
6	CDO-Tin-Ao	National Highway, TIN-AO, Agusan, Cagayan De Oro City, Misamis Oriental	58,036	February 22, 2026
7	Davao - Samal Island	Purok 1, Sitio Pantalan, Barangay Miranda, Babak District, Island Garden City of Samal, Davao del Norte	57,367	July 1, 2028
8	Davao Del Norte-Panabo	G/F, Gaisano Grand Mall of Panabo, Quezon Street, Barangay Sto. Niño, Panabo City, Davao Del Norte	66,145	November 30, 2026
9	Davao Del Norte-Tagum-Apokon	GL 04-06, Gaisano Grand Arcade, Apokon Road corner Lapu-Lapu Extension, Barangay Visayan Village, Tagum City, Davao del Norte	82,096	August 16, 2027

Exhibit II (b)**PHILIPPINE NATIONAL BANK
LIST OF BRANCHES UNDER LEASE
As of December 31, 2023**

NO.	BRANCH NAME	ADDRESSES	MONTHLY RENTAL	EXPIRY DATE
10	Davao-Agdao	G/F, Chavez Building, Lapu-Lapu Street, Agdao, Davao City	100,000	November 30, 2024
11	Davao-Ateneo	G/F, Community Center, Ateneo de Davao University, Jacinto Street, Davao City	61,800	October 31, 2025
12	Davao-Bangoy	G/F, Roman Paula Building, C. Bangoy Street, Davao City	75,893	July 20, 2024
13	Davao-Cabaguio Ave.	G/F, HPC Building, Cabaguio Avenue, Barangay, Governor Paciano, Bangoy, Davao City	52,488	August 4, 2026
14	Davao-Calinan	LTH Building, Davao-Bukidnon Highway, Calinan, Davao City	55,600	November 30, 2027
15	Davao-Diversion Road	D3G Y10 Building, Davao Diversion Road, Carlos P. Garcia Hi-way, Buhangin, Davao City	60,613	July 14, 2024
16	Davao-Gaisano Cabantian	G/F, Units 22-24, Gaisano Grand CityGate Mall, Cabantian corner Tiggato Road, Buhangin, Davao City	84,000	October 31, 2028
17	Davao-Lanang	KM. 7, Lanang, Davao City	50,000	June 25, 2026
18	Davao-Ma-a	Valrey Bldg., 879 Ma-a Road, District 1, Brgy. Ma-a, Davao City, Davao del Sur	90,758	April 21, 2027
19	Davao-Magsaysay-Lizada	R. Magsaysay Avenue corner Lizada Street, Davao City	157,201	May 9, 2028
20	Davao-Matina-GSIS	G/F, HIJ Building, MacArthur Highway, Barangay Matina, Davao City	80,896	April 2, 2028
21	Davao-Monte Verde Chinatown	42 T.Monte Verde corner S. Bangoy Streets, Davao City	129,789	March 31, 2025
22	Davao-Monte Verde-Sales	G/F, Mintrade Building, Monte Verde Street corner Sales Street, Davao City	168,000	April 1, 2027
23	Davao-Obrero	G/F, JJ's Commune Building, Loyola Street, Barangay Obrero, Davao City	64,000	July 1, 2025
24	Davao-Sasa	G/F, Carmart Building, Km 8, Sasa, Davao City	72,157	October 15, 2028
25	Davao-Sta. Ana	G/F, Bonifacio Tan Building, Rosemary corner Bangoy Streets, Santa Ana Dist., Davao City	74,221	April 30, 2028
26	Davao-Toril	G/F, Anecita G. Uy Building, Saavedra Street, Toril, Davao City	86,167	June 2, 2027
27	General Santos-KCC Mall	Unit 018, Lower G/F, KCC Mall of Gensan, Jose Catolico Sr. Avenue, General Santos City, South Cotabato	291,660	May 31, 2026
28	General Santos-P. Acharon	Pedro Acharon Boulevard, General Santos City, South Cotabato	32,320	June 30, 2027
29	General Santos-Santiago	G/F, RD Realty Development Building, Santiago Boulevard, General Santos City, South Cotabato	85,517	February 1, 2028
30	Iligan City-Pala-o	G/F, Iligan Day Inn Building, Benito S. Ong Street, Pala-O, Iligan City, Lanao del Norte	66,968	September 5, 2028
31	Malaybalay City-Rizal	G/F, Flores Building, corner Rizal & Tabios Streets, Barangay 5, Malaybalay City, Bukidnon	83,738	December 31, 2027

Exhibit II (b)**PHILIPPINE NATIONAL BANK
LIST OF BRANCHES UNDER LEASE
As of December 31, 2023**

NO.	BRANCH NAME	ADDRESSES	MONTHLY RENTAL	EXPIRY DATE
32	Marawi City-MSU Campus	Dimaporo Gymnasium, MSU-Main Campus, Barangay Rapasun/Sikap, Marawi City, Lanao del Sur	25,000	January 23, 2039
33	Siargao Island-Dapa	G/F, Dapa Commercial Center, Juan Luna Street, Barangay 7 Poblacion, Dapa, Siargao Island, Surigao del Norte	14,000	May 20, 2028
34	Sultan Kudarat-Isulan	Senator Ninoy Aquino Avenue, Barangay Kalawag III, Isulan, Sultan Kudarat	54,636	October 3, 2028
35	Valencia City-Mabini	G/F, Tamaylang Building, Mabini Street, Poblacion, Valencia City, Bukidnon	30,000	February 28, 2026
36	Zamboanga Del Norte-Liloy	G/F, Venus Uy Building, Liloy-Labason Road, Baybay, Liloy, Zamboanga del Norte	40,000	April 30, 2024
37	Zamboanga Del Norte-Sindangan	Corner Rizal & Bonifacio Streets, Poblacion, Sindangan, Zamboanga del Norte	98,908	August 12, 2027
38	Zamboanga-Climaco	G/F, JNB Building, Buenavista Street, Zamboanga City, Zamboanga del Sur	117,990	June 24, 2027
39	Zamboanga-KCC Mall	Upper Ground Floor, KCC Mall de Zamboanga, Governor Camins Street, Barangay Camino Nuevo, Zamboanga City, Zamboanga del Sur	229,350	November 21, 2025
40	Zamboanga-MCLL Highway	G/F, Auroma Building, MCLL Highway, Guiwan District, Zamboanga City, Zamboanga del Sur	60,000	September 24, 2027
41	Zamboanga-San Jose	San Jose, Zamboanga City, Zamboanga del Sur	35,000	April 21, 2029
42	Zamboanga-Veterans Avenue	G/F, Zamboanga Doctors' Hospital, Annex Building, Veterans Avenue, Zamboanga City, Zamboanga del Sur	112,000	May 16, 2027

2023 PNB Sustainability Report

OUR SUSTAINABILITY PERFORMANCE

	Year 2022	Year 2023
Economic and Governance		
SDG 1: No Poverty SDG 2: Zero Hunger	PhP62.1 Bn or 12.3% of total loan portfolio supports agricultural production, food manufacturing, wholesale/retail food selling, and food-related activities.	PhP71.2Bn of total loan portfolio support agricultural production, food manufacturing, wholesale/retail food-selling, and food-related activities.
SDG 3: Good Health and Well-Being	PhP1.28 Bn of the total loan portfolio supports medical facilities and health programs	PhP1.62Bn of the total loan portfolio support medical facilities and programs.
SDG 5: Gender Equality	<ul style="list-style-type: none"> • 59.13% of employees at management level are female • 26% of Board Members and Board Advisors are female • 3 out of 8 Board Committees are chaired by women 	<ul style="list-style-type: none"> • 57.77% at management level are female • 33% of Board Members and Board Advisors are female.
SDG 6: Clean Water and Sanitation	PhP4.6 Bn of the total loan portfolio supports water collection and supply, and wastewater treatment and disposal	PhP3.9Bn of the total loan portfolio support water collection and supply, and wastewater treatment and disposal.
SDG 7: Affordable and Clean Energy	PhP73.4 Bn of total loan portfolio supports power transmission, generation and distribution (of which <i>Clean Energy is P4.1B or 0.8% of the total loan portfolio</i>)	PhP79.9Bn of total loan portfolio support power transmission, generation, and distribution (of which <i>Clean Energy is PhP9.3B which is 1.8% of the total loan portfolio.</i>)
SDG 8: Decent Work and Economic Growth	<ul style="list-style-type: none"> • PhP19,676 Mn direct economic value generated • PhP9,763 Mn spent in employee wages and benefits 	<ul style="list-style-type: none"> • Ph73,628M direct economic value generated • PhP10,464M spent in employee wages and benefits
SDG 9: Industry, Innovation, and Infrastructure	PhP128.7 Bn of total loan portfolio supports operation of toll roads and bridges, telecommunications, logistics, and construction companies and construction-related activities.	PhP129.9Bn of total loan portfolio support operation of toll roads and bridges, telecommunications, logistics, construction companies, and construction-related activities.
SDG 11: Sustainable Cities and Communities	PhP19.6 Bn of the total loan portfolio supports green buildings, transportation, and projects of LGUs	PhP25.9Bn of the total loan portfolio support green buildings, transportation, and LGUs.
SDG 12: Responsible Consumption	1,399 accredited vendors / suppliers and third-party service providers	929 accredited vendors / suppliers and third-party service providers
SDG 16: Peace, Justice, and Strong Institution	Received Four Golden Arrows at the 2022 ACGS Golden Arrow Award	Received Four Golden Arrows at the 2023 ACGS Golden Arrow Awards
Environment		
SDG 6: Clean Water and Sanitation	<ul style="list-style-type: none"> • 263.55 megaliters of water consumed 	<ul style="list-style-type: none"> • 241.11 megalitres of total water consumed

	<ul style="list-style-type: none"> • 263.55 megalitres total of water withdrawn 	<ul style="list-style-type: none"> • 241.11 megalitres total of water withdrawn
SDG 7: Affordable and Clean Energy	20,471,843.39 KWH of energy consumed	23,811,487.26KWH of energy consumed
SDG 11: Sustainable Cities and Communities	3,946.26 metric tons of non-hazardous wastes generated by domestic and overseas offices and branches	667.96 metric tons of non-hazardous wastes generated by domestic and overseas offices and branches
SDG 12: Responsible Consumption	<ul style="list-style-type: none"> • 220.97 metric tons of paper used / consumed • 137,403.34 liters of fuel used in the operations 	<ul style="list-style-type: none"> • 208.68 metric tons of paper used / consumed • 145, 836.92 liters of fuel used in the operations
SDG 13: Climate Action	14,580.06 tCO2e of GHG emissions by PNB domestic and overseas branches and offices	16,879.08 tCO2e of GHG emissions by PNB domestic and overseas branches and offices
Customers		
SDG 9: Industry, Innovation, and Infrastructure	<ul style="list-style-type: none"> • 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) 	<ul style="list-style-type: none"> • 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.
SDG 12: Responsible Consumption	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • 100% compliance with the marketing and labeling guidelines of the Bank. • Zero incidents of non-compliance with regulations and / or voluntary codes concerning marketing communications including advertising, promotion, and sponsorship.
Employees		
SDG 3: Good Health and Well-being	<ul style="list-style-type: none"> • 100% of employees covered by the OHS management system 	<ul style="list-style-type: none"> • 100% of employees covered by the Bank's Occupational Health and Safety (OSH) management system

	<ul style="list-style-type: none"> • 16,204,320 safe manhours of employees • No reported incidents of work-related injuries, fatalities, or death 	<ul style="list-style-type: none"> • 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
SDG 4: Quality Education	<ul style="list-style-type: none"> • 8,283 employees underwent 404,506.00 total of training hours • Total average of training hours per employee is 48.83 	<ul style="list-style-type: none"> • 8,244 employees underwent 396,274 total of training hours • Total average of training hours per employee is 48.07
SDG 5: Gender Equality	<ul style="list-style-type: none"> • 66% of employees are female • No incidence of reported complaints related to discrimination based on gender 	<ul style="list-style-type: none"> • 5,500 (66%) of employees are female • No incidence of reported complaints related to discrimination based on gender
SDG 8: Decent Work and Economic Growth	<ul style="list-style-type: none"> • 8,318 full-time employees • 100% of employees receive regular performance and career development review • 1,041 employees promoted 	<ul style="list-style-type: none"> • 8,327 full-time employees • 7,861 employees (94.51%) received regular performance and career development review • 1,832 employees (22%) were promoted
Society		
SDG 3: Good Health and Well-being	124 emergency runs conducted and 95 individuals needing medical attention were serviced in Misamis Oriental and Bohol through the (2) ambulance donations of PNB to Philippine Red Cross	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.
SDG 4: Quality Education	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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
SDG 9: Industry, Innovation, and Infrastructure	100 communities served by Bank on Wheels	32 communities in 5 provinces were served by the PNB Bank on Wheels

<p>SDG15: Life on Land</p>	<ul style="list-style-type: none"> • 833 seedlings of falcata tree (<i>paraserianthes falcataria</i>) 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 	<ul style="list-style-type: none"> • 1,200 seedlings of falcata tree (<i>paraserianthes falcataria</i>) 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.
<p>SDG 17: Partnerships for the Goals</p>	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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

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

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.

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 factors 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 Sept 11, 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 the 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 sufficiency 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 industries.
- We conducted ESG Negative Screening for clients and vendors/suppliers through the use of the Enhanced Centralized Watchlist System (ECWS) and ESG Guidelines.
- 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 was incorporated in the Consumer Protection Framework, enabling clients to raise issues and concerns on E&S risks related to the Bank's operations and services.
- 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 tool 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 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 ESG Scorecard for

Vendors/Suppliers/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 the Monitoring, Reporting, and Escalation Procedure for 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.

ALIGNING WITH SUSTAINABILITY GLOBAL STANDARDS AND BEST PRACTICES

SDG 17

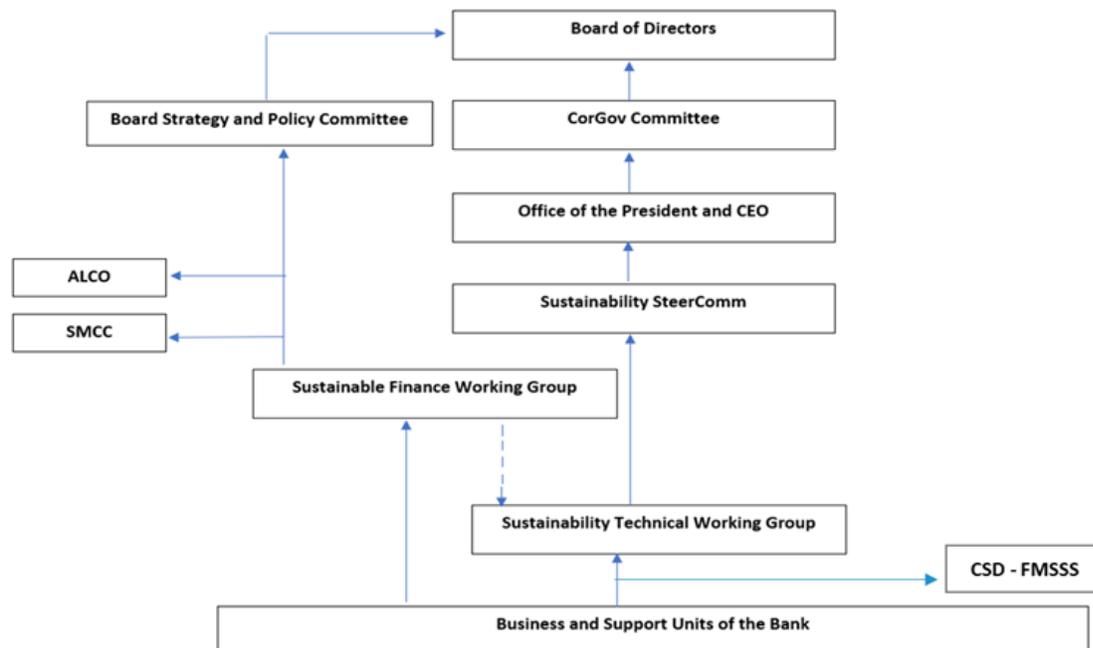
We are committed to improve the way we conduct our business and operate in our communities by aligning ourselves with the local and global standards and best practices such as the FATF International Standards on Anti-Money Laundering and Combating the Financing of Terrorism, ASEAN Corporate Governance 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, 2-12, 2-13, 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. The following illustration shows the sustainability leadership structure of the Bank.



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) of these board and management committees and groups are revisited and amended, if necessary.

Management / Board Committee	Corporate Governance & Sustainability Committee	Steering Committee	Technical Working Group	Sustainable Finance Working Group
Composition	<p>Chairperson (Independent Director): Edgar A. Cua (Independent Director)</p> <p>Vice Chairperson (Independent Director): Wilfredo E. Sanchez (Independent Director)</p> <p>Members (Independent Directors):</p> <ul style="list-style-type: none"> • Domingo H. Yap • Isabelita M. Papa • Maria Almasara Cyd N. Tũaño-Amador 	<p>Composed of Sector / Group Heads</p> <p>Chairperson: Risk Management Group Head</p> <p>Vice Chairperson: Credit Management Group Head</p> <p>Members:</p> <ol style="list-style-type: none"> 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 Head¹ 11. Operations Group Head 12. International Banking and Remittance Group Head 13. Internal Audit Group Head 14. Administration Group Head 	<p>Composed of one-downs or assigned representatives of the Group / Sector Heads</p> <p>Chairperson: Corporate Sustainability Department-FMSSS</p> <p>Vice Chairperson: Risk Management Group</p> <p>Members:</p> <ol style="list-style-type: none"> 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 	<p>A sub-set of the Sustainability TWG.</p> <p>Co-Chairpersons:</p> <ul style="list-style-type: none"> • Institutional Banking Sector • Global Markets Group <p>Secretariat: Corporate Sustainability Department- FMSSS</p> <p>Members:</p> <ol style="list-style-type: none"> 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 <ul style="list-style-type: none"> • Global Compliance Group** • Internal Audit Group**

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

		15. Human Resource Group Head	14. Retail Lending Group 15. Trust Banking Group 16. Wealth Management Group	** Consultants / Resource Persons only
Frequency of Meetings	Quarterly	Monthly	Monthly	Monthly

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 (TCFD), 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 X), 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	<ul style="list-style-type: none"> Regular video / audio conference calls via Microsoft Teams / Zoom, WhatsApp, Viber Emails Hybrid meetings / events / townhalls 	<ul style="list-style-type: none"> Work-life balance Competitive compensation and benefits Safe and secure work environment Training and development 	<ul style="list-style-type: none"> Year-round initiatives to promote employee well-being: in-house and external webinars / trainings; employee welfare and wellness program (medical and mental teleconsultation)

	<p>(combination of face-to-face and virtual meetings)</p> <ul style="list-style-type: none"> • Surveys via SharePoint, Mentimeter, etc. 	<ul style="list-style-type: none"> • 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 	<p>hotlines, power classes, etc.); employee recognition; and performance appraisal as driven by our Human Resource Group</p> <ul style="list-style-type: none"> • 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 and Equality Policy, Succession Plan, etc. • Provision of emergency / bereavement leave, and access to medical / burial support through the Pagtutulungan Ng Bayan (Employee-Giving Campaign)
Customers	<ul style="list-style-type: none"> • Regular virtual / face-to-face meetings with relationship managers and branch personnel • Phone calls • Website updates • Emails • Social media and messaging applications for updates (e.g., Facebook, Messenger, X, Instagram, Viber, WhatsApp) • Virtual and onsite events and activities 	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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 (e.g., schedule of new branch operations, new product / service, promos, etc.) • Waiver of fees for certain Bank services (e.g., InstaPay, PESONet, remittance) in support of government and national regulatory policies

			<ul style="list-style-type: none"> Financial wellness sessions / roundtable discussions, economic outlook briefings, information campaign against cybercrimes, awareness raising campaign on the Bank's sustainability agenda, etc.
Investors / Shareholders	<ul style="list-style-type: none"> Letters/ correspondences Emails, bulletins Virtual annual stockholders' meeting Virtual investor briefings Investor relations programs 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Periodic examinations Emails / correspondences Virtual / face-to-face meetings Webinars / trainings 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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
Vendors / Suppliers and Third-Party Service Providers	<ul style="list-style-type: none"> Emails / correspondences Virtual / face-to-face meetings Telephone calls 	<ul style="list-style-type: none"> 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 / 	<ul style="list-style-type: none"> 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

		outsourcing policies and processes of the Bank	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Phone Calls • Person-to-person meetings / huddles 	<ul style="list-style-type: none"> • Safety and security in the workplace • Emergency support (e.g., financial assistance for those whose work were affected due to community quarantine, accidents, etc.) 	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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) 	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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.
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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	Environment	Employees	Customers	Society
<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Emissions and Climate Change • Efficient Resource Management (water, energy, emissions, waste) 	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Customer Data Privacy and Security • Digital Banking and Innovation • Financial Inclusion and Literacy • Customer Engagement and Satisfaction • Marketing and Labeling 	<ul style="list-style-type: none"> • Responsible Financing and Investing • Community relations and Initiatives • Human Rights • Non-Discrimination

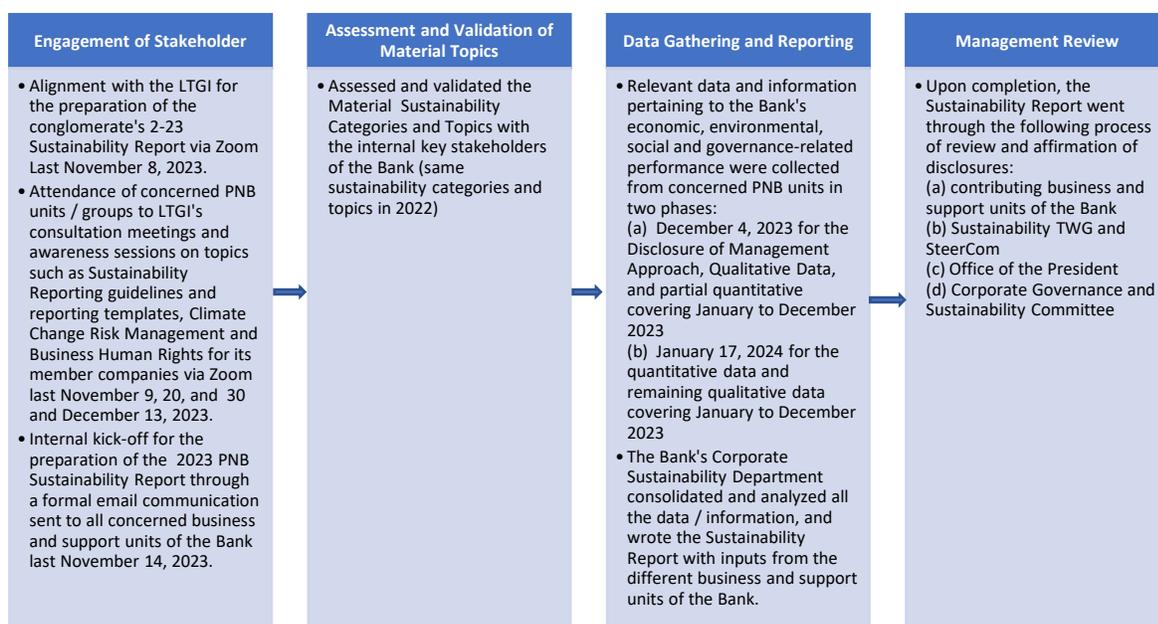
OUR REPORTING PROCESS

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.



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, Circulating Fluidized Bed with Technical Validation complete regulatory requirement. 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 or 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.

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

- **Chronic Physical Risks** – refers to longer shifts in weather/climate patterns (e.g., 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 (also shifting investor preference) changes, and / or disruptive business models. Transition risks may result in varying levels of financial, legal, and/ or reputational risk or impact to the Bank.

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 of 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 651³ 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 application⁴. 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 PAGASA⁵, 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 Tool⁶ to identify which among these locations are at risk of being below the tideline in the future.

³Total 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)

⁶Climate 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

We also assessed our corporate and commercial loan accounts to determine their susceptibility to transition risks within the following time horizons: one year, one to five years, and beyond five 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.

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 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.

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>

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 which are not acceptable as collateral such as real estate properties which are 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 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 suppliers and 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 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, 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 includes property dividends

Source: PNB Financial Management, Strategy, and Sustainability Sector

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

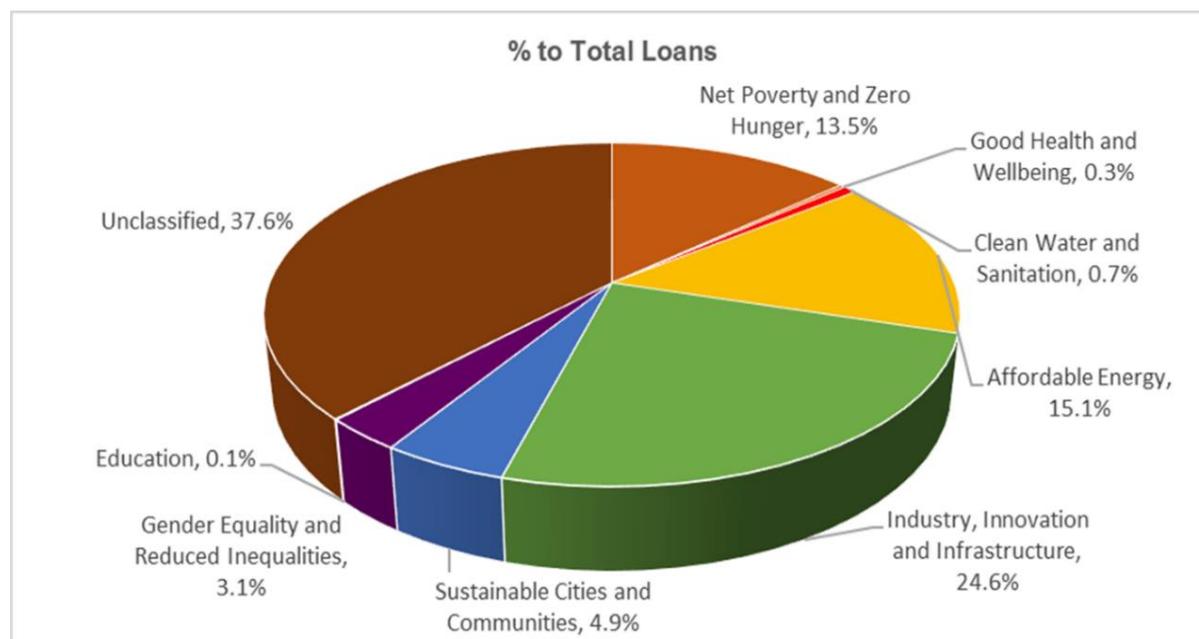
SDGs 1, 2, 3, 6, 7, 8, 9, 11, 12

As our environmental footprint extends outside our business, we ensure that 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, 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.



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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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 	133,866,246,412	25.3%

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

	<ul style="list-style-type: none"> SECTION T - ACTIVITIES OF HOUSEHOLDS AS EMPLOYERS; UNDIFFERENTIATED GOODS-AND SERVICES-PRODUCING ACTIVITIES OF HOUSEHOLDS FOR OWN USE 		
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 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 tool 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.

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/suppliers/third-party service providers. Our accredited vendors/suppliers/third-party service providers went through a stringent application review, enhanced due diligence, and risk assessment.

The Bank strongly discourages 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 VRMs, 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), 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 approves 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 vendors/suppliers/ 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.

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

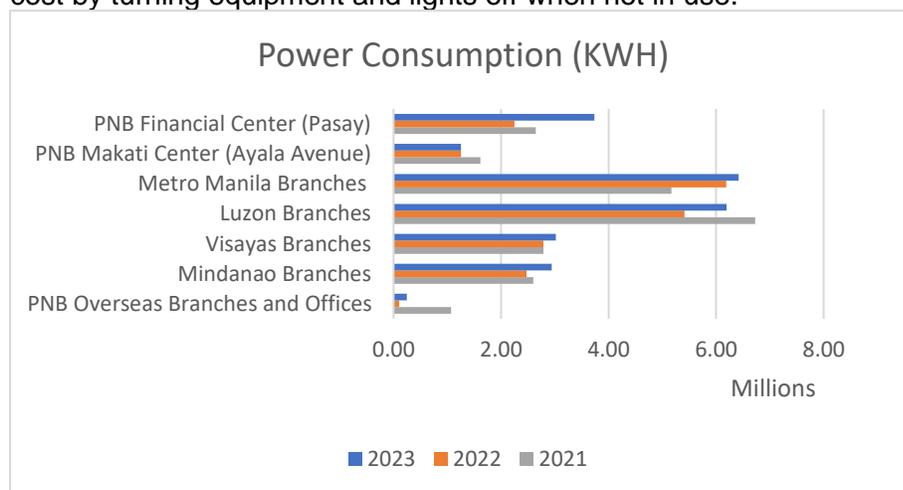
We source our power and water resources for all our domestic and overseas branches and offices from external utility providers.

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.

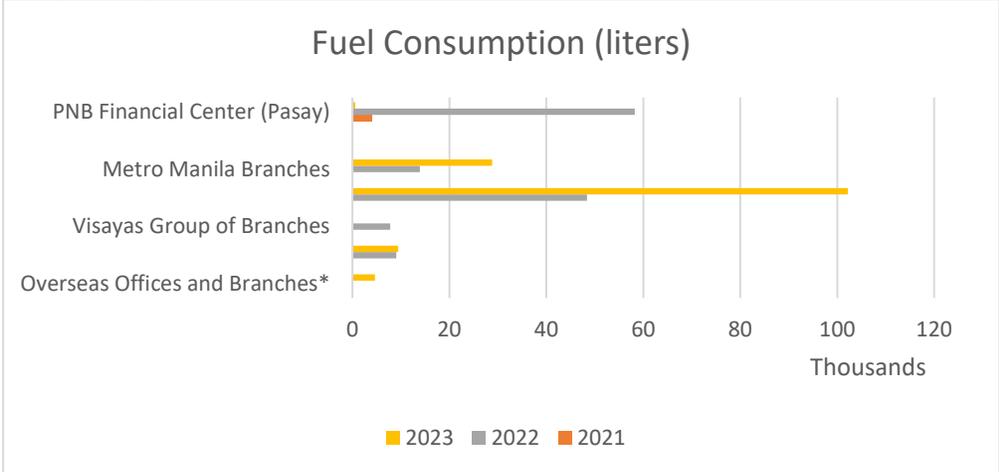
To help reduce power consumption, our Information Technology Group (ITG) integrated sustainability requirements in the Bank's selection of hardware and software systems and service providers. Desktop computers, which consume 150-200 watts of power, were replaced with more energy-efficient tiny and mini-desktop 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 Group⁹

As shown in the graph, our electricity consumption in 2023 went up by 14.02% compared to the previous year in general. 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.



Source: PNB Administration Group, RBS-Branch Banking Group, and International Banking and Remittance Group¹⁰

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.

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

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

¹⁰ Data of IBRG was sourced from Allied Commercial Bank in Xiamen and Chongqing, China.

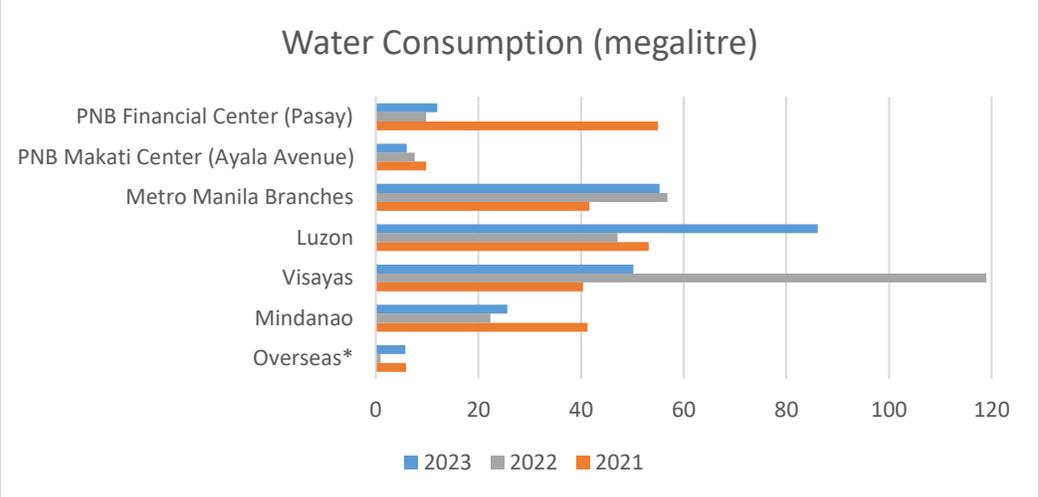
PNB Financial Center (Pasay)	600.00	0	24,375	14,875	1,669.68
PNB Makati Center (Ayala Avenue)	0	0	0	0	-
Metro Manila Branches	7,339.58	21,455.96	0	0	1,074.97
Luzon	91,797.31	10,413.36	0	0	4,623.29
Visayas	171.72	0	0	0	7.98
Mindanao	6,830.00	2,585.00	0	0	405.90
Overseas ¹¹	4,644.00	0	0	0	215.87
TOTAL	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.

Our PNB Makati Center, on the other hand, has no fuel consumption for the reporting period. In addition, the building is owned by PNB Holdings Corporation (PHC), with our Bank only leasing four floors. Hence, data on fuel consumption of the 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 costs. Most of our overseas employees also use public transportation for work.



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

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

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.

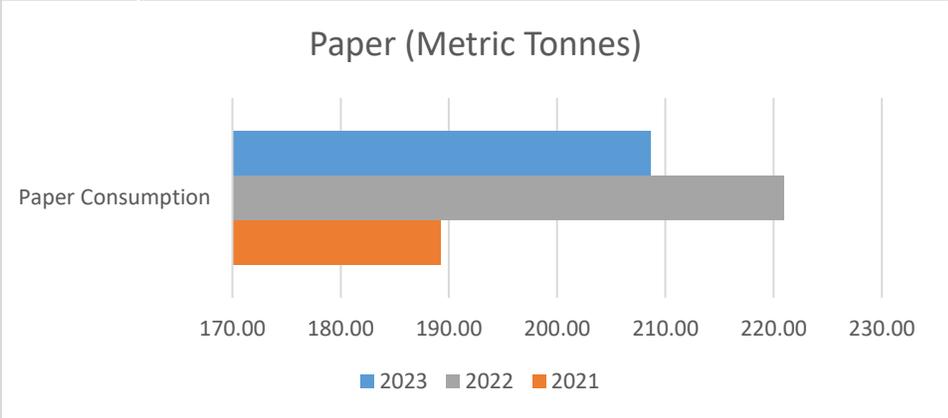
Wastewater from PNB Makati Center, on the other hand, is discharged to the sewer line of the Manila Water Company, Inc., which then goes to the water company's centralized treatment plants located in Makati City.

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

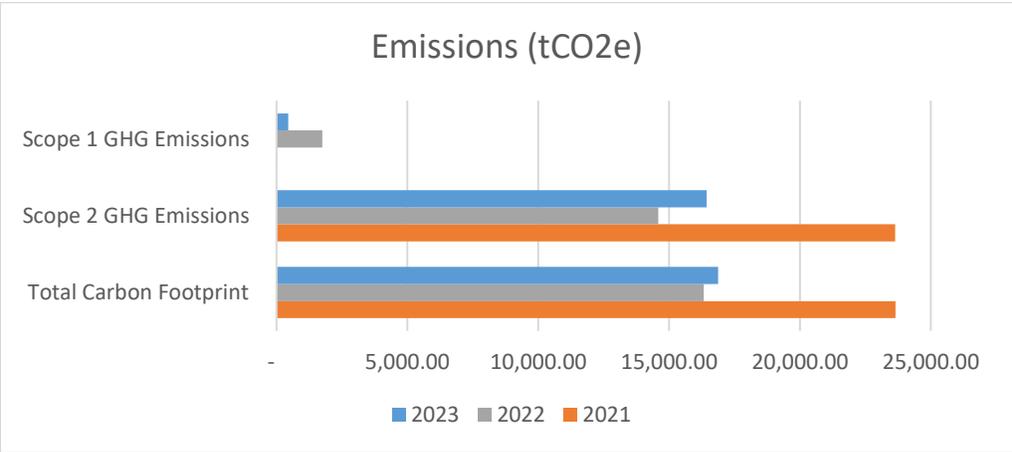
Our usage of paper in 2023 decreased as we work towards automating our forms and processes. We partnered with Adobe Sign to digitalize loan implementation and transaction documents to make it safer and easier for our customers to do transactions anytime, anywhere while reducing our own environmental 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 305-1, 305-2, 305-5
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.

We compute our Scope 1 emissions using the United Nations Framework Convention on Climate Change (UNFCCC) GHG emissions calculator¹³ 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.

Our 2023 emissions contribution went up by 555.78tCO2e (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 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.

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 Materials and Waste Management

GRI 103-1, 103-2, 103-3, 306-1, 306-2, 306-3
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, Branch Banking Group, and International Banking and Remittance Group.

Common Types of Wastes from the Branches

Waste Category	Metro Manila Branches			Luzon Branches			Visayas Branches			Mindanao Branches			Overseas Branches ¹⁵		
	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	3.9 ¹⁶
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

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

Expired Paints	0.01	0	0	0.001	2.24	0	0.06	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
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

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

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 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: **R**efuse the unnecessary, **R**educe waste from consumption, **R**euse to minimize use of virgin resources, **R**epurpose to maximize product life, and **R**ecycle 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 regulators.

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.

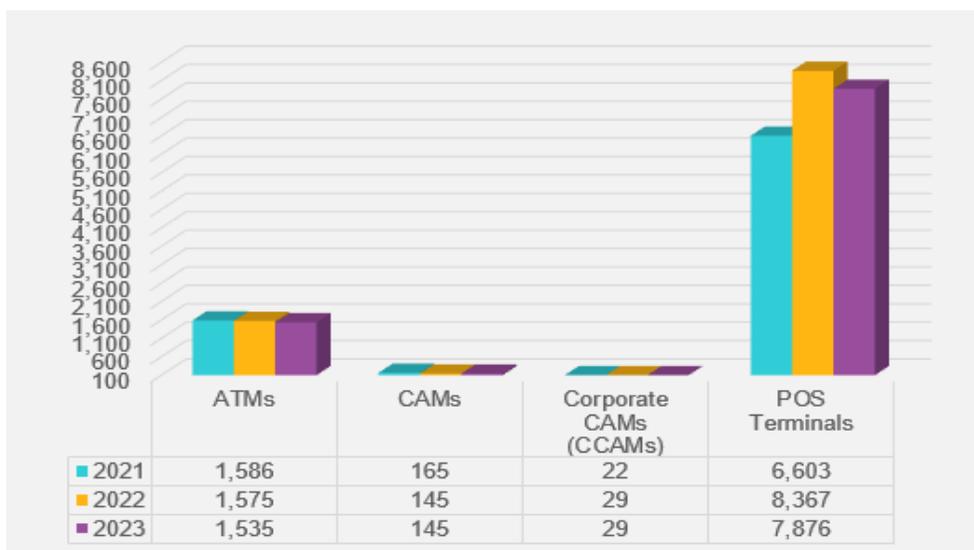
Our Bank adheres to the BSP Policy on Electronic Banking and Financial Services and related regulations such as Guidelines on Electronic Payments, Operations on Payment Systems, Anti-Money Laundering (AMLA) Rules and Regulations, Data Privacy Law, and Consumer Protection. We are also aligned with the 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 and commercial 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.

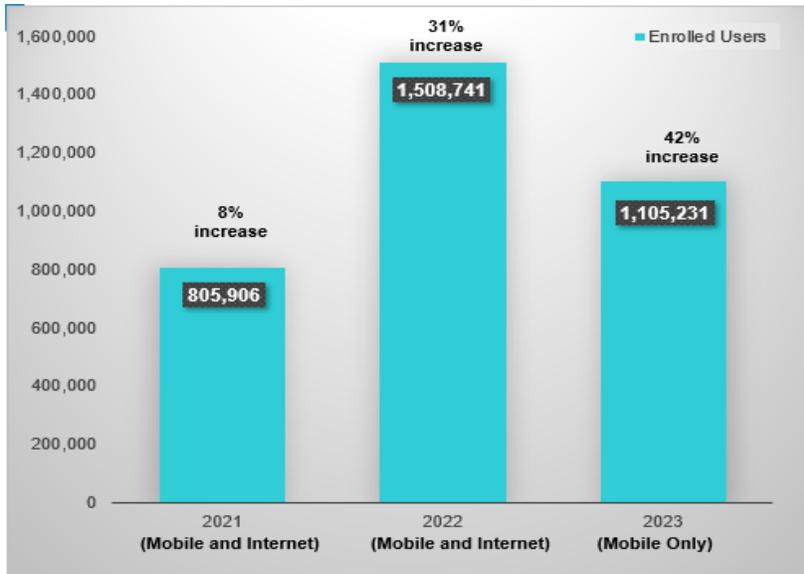


Source: Institutional Transaction Banking Group (ITBG); Consumer Finance Sector

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.

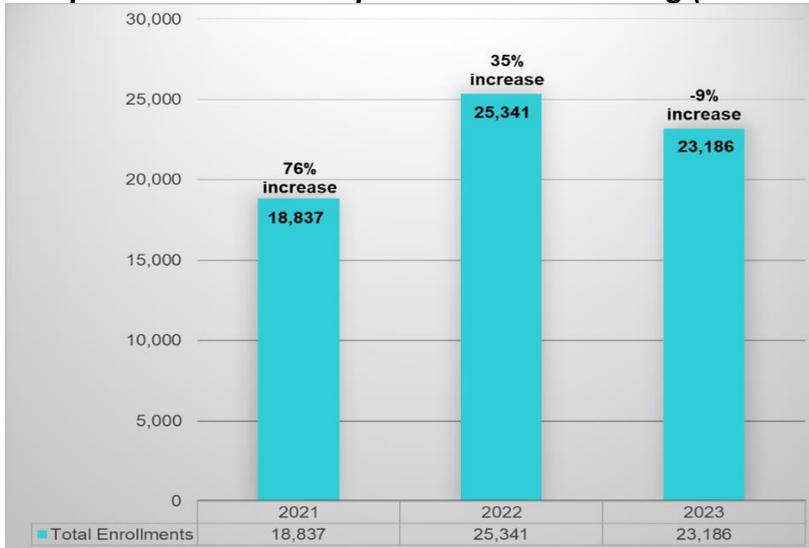
Comparative Data on Digital Banking



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 (e.g., 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, 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.

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 (e.g., 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

SDG 4, 10

FN-CB-240a.4., FN-CB-000.A, FN-CB-000.B

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 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, merchandise, 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 ten (10) decommissioned desktop computers and two laptops to Cavite State University for the use of students.

The Bank repairs and 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, as well as the development and distribution of teaching support materials on different subject matter such as mathematics, science, and English.

In 2023, a total five 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 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 three (3) 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 two 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 2-6, 2-7, 2-30, 202-2, 3-3, 401-1, 405-1
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
	<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
Luzon			1,165	
Visayas			672	
Mindanao			503	
Overseas			6	
Male	Male	NCR	1,713	2,827
		Luzon	488	
		Visayas	293	
		Mindanao	327	
		Overseas	6	
		Total	8,327	

Source: PNB Human Resource Group

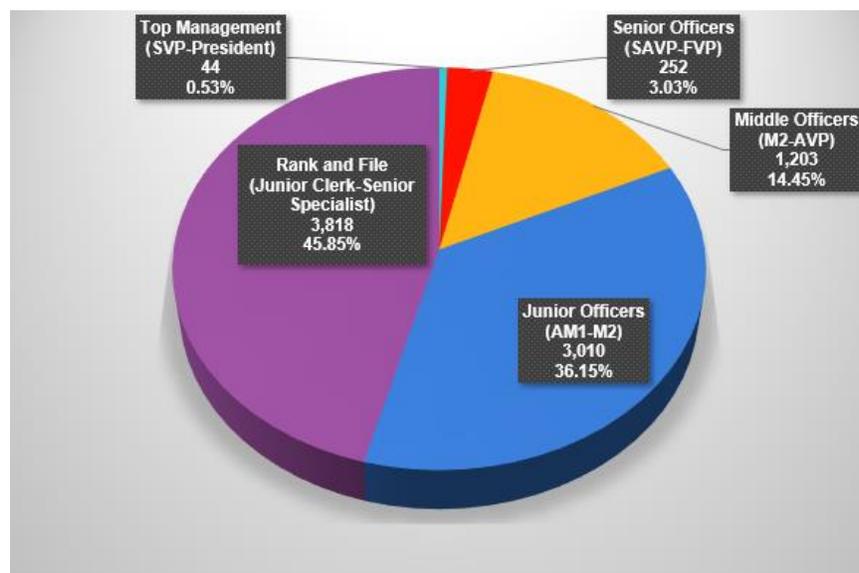
Our Human Resource Group ensures that we have a diverse workforce. The Bank believes that diversity and inclusion are essential in creating a positive work environment and fostering innovation.

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

Gender 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

Gender Breakdown per Group for 2023

Group	2021			2022			2023		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
Consumer Finance Sector ¹⁷	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 ¹⁸	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

¹⁷ Consumer Finance Sector was created consolidating Cards and Payments Group (CPSG) and Retail Lending Group effective October 27, 2023.

¹⁸ 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.

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 ¹⁹	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 ²⁰	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

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

Age Range of New Hires	2021			2022			2023		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
< 30 y.o.	98	43	141	307	151	458	502	234	736
30-50 y.o.	44	35	79	120	78	198	183	131	314
> 50 y.o.	1	1	2	9	9	18	9	10	19

¹⁹ Public Affairs Group was officially dissolved in September 2023.

²⁰ Retail Lending Group integrated with the Consumer Finance Sector last October 2023.

Total	143	79	222	436	238	674	694	375	1,069
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Source: PNB Human Resource Group

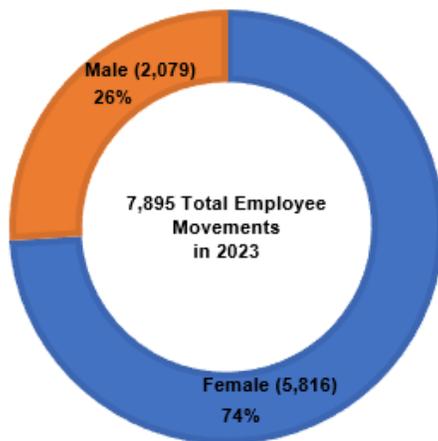
Breakdown of 2023 New Hires per Island Group

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.



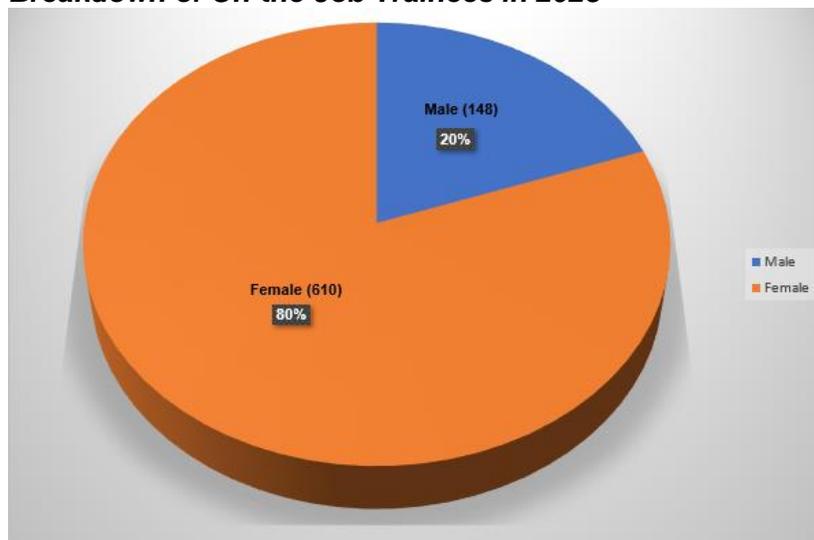
Source: PNB Human Resource Group

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 movements²¹ 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: Human Resource Group

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.



758 On-the-Job Trainees



53 Colleges and Universities

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.

²¹ Employee movements for PNB refers to permanent and temporary transfers.

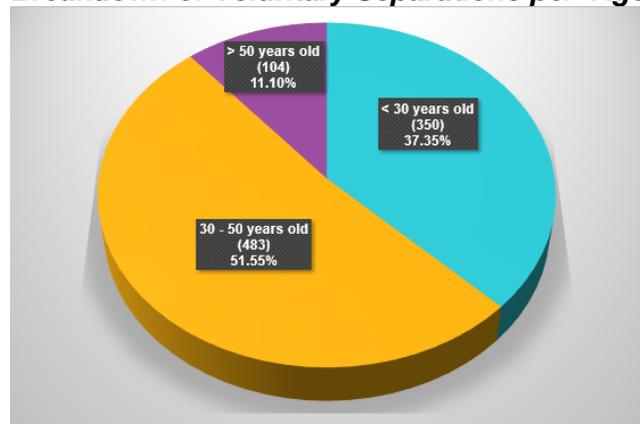
Breakdown of Voluntary Separations per Gender and Position in 2023

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

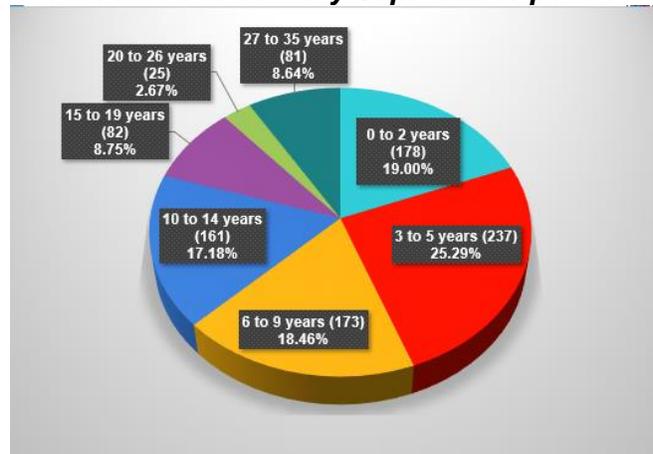
Female employees have the highest bank-wide attrition rate at 67.34% (631) compared to male employees at 32.66% (306). Among all groups, the age bracket of 30 to 50 years old remains to have the highest number of separations with attrition rate of 51.55% (483) followed by age bracket below 30 years old 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, 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

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, Telling, and New Accounts Seminar), behavioral, supervisory, 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 COVID-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). In August 2023, we launched the PNB S.T.E.P (Sustainability Training and E-learning Program) with the pilot learning module on the PNB Sustainability Policy. It is a specialized learning program developed to educate employees 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. In October 2023, one of our Relationship Managers (RMs) from the Institutional Banking Sector (IBS) was invited to participate in the Green Energy Finance Specialist (GEFS) Blended Learning Program of the International Finance Corporation (IFC) and its training partner, the Renewables Academy (RENAC), on full scholarship. This 6-month learning program, which started last October 2023 and expected to end in April 2024, aims to provide a comprehensive understanding of green energy finance concepts and tools for banking professionals. It includes virtual classes for 20 weeks on 8 different modules and a three-day in-

person training at the RENAC Training Center in Berlin, Germany which takes place at the end of the online learning phase²². Graduates of this blended learning program will become certified Green Energy Finance Specialists.

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, 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.

Rank	2019 to 2023		
	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

²² Online Training Programme Blended Learning Green Energy Finance Specialist Brochure.

Region Head	3	0	3
Group Head	2	2	0
Total	33	20	13

Source: PNB Human Resource Group



- 10 Officers enrolled in the AIM Management Development Program (MDP) in 2023:
 - 8 Women
 - 2 Men

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 training; and deployment of emergency responders.

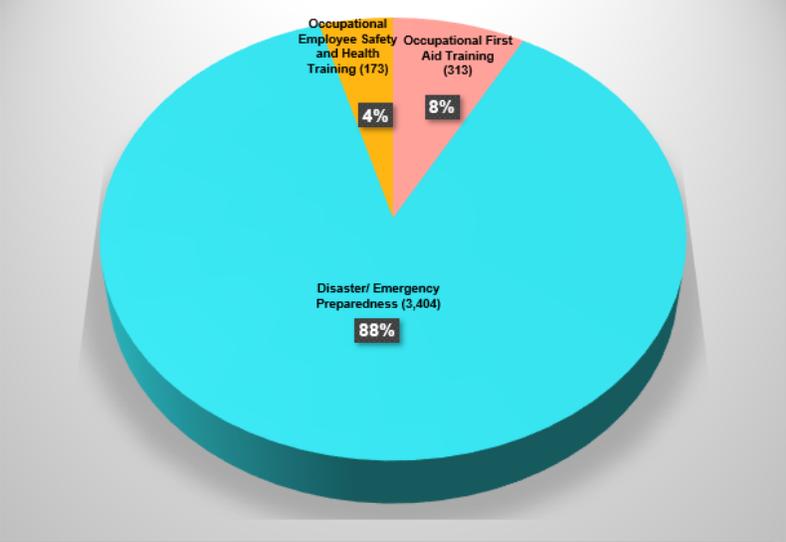
Likewise, the OSHPW Committee is responsible for planning and implementing the Bank's Family Welfare Program (FWP) aligned with the Department of Labor and Employment's (DOLE) policy which includes reproductive health and responsible parenthood, education and gender equality, spirituality or value formation,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

We identify occupational hazards from occupational risks pursuant to the parameters identified 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: Human Resource Group

All employees, whether on permanent or probationary status, are entitled to the Group Life Insurance with Total Permanent Disability and Group Personal Accident or Accidental Death and Dismemberment insurance coverage. Meanwhile, regular employees are provided with healthcare coverage which includes consultation, in-patient and outpatient medical treatment, and annual physical examination for health monitoring.

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 topper.

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 where in 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, 3179 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, 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 matters 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 and 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 have established policies on diversity and inclusion, gender equality, anti-sexual harassment, and whistleblowing. We strictly implement our Anti-Sexual Harassment Policy and Whistleblower Policy to ensure the protection of our employees of all genders. The policies include provisions on what constitutes the acts of harassments, adding anti-retaliation provisions, and extending the coverage beyond our own employees to our external stakeholders such as outsourced personnel.

We organized a webinar and curated a month-long learning calendar for employees on topics such as gender equality and diversity and inclusion on LinkedIn Learning last March 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 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.

We also held 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.

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.

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 Balance

SDG 2, 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 balance.

- ***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 respective 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.

- ***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.

- ***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 from partnerships 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.

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

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Your opinion, feedback, and recommendations are much appreciated. You may contact the following:

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