



Office of the EVP and Chief Financial Officer

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

November 12, 2024

ATTY. STEFANIE ANN B. GO

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

ATTY. SUZY CLAIRE R. SELLEZA

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

Dear Mesdames:

In compliance with the reportorial requirements of Section 17 of the Securities Regulation Code (SRC) and Section 177 of the Revised Corporation Code of the Philippines, we provide you the SEC Form 17-Q report of the Philippine National Bank as of and for the period ended September 30, 2024.

Very truly yours,

A handwritten signature in black ink, appearing to read "Francis B. Albalate", written over a horizontal line.

FRANCIS B. ALBALATE
Executive Vice President &
Chief Financial Officer



Office of the EVP and Chief Financial Officer

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

CERTIFICATION

I, **FRANCIS B. ALBALATE**, is a duly authorized representative of Philippine National Bank ("PNB"), a universal banking corporation organized and existing under the laws of the Republic of the Philippines under SEC Registration No. AS096-005555, with principal office address at the PNB Financial Center, Pres. Diosdado Macapagal Blvd., Pasay City, Metro Manila, on oath state that:

1. On behalf of PNB, I have caused this SEC Form 17-Q Report as of and for the period ended September 30, 2024 to be prepared;
2. I read and understood its contents which are true and correct of my own personal knowledge and/or based on true records;
3. PNB will comply with the requirements set forth in SEC Notice dated May 12, 2021 for a complete and official submission of reports and/or documents through electronic mail; and
4. I am fully aware that documents filed online which requires pre-evaluation and/or processing fee shall be considered complete and officially received only upon payment of the filing fee.

IN WITNESS WHEREOF, I have hereunto set my hand on November 12, 2024, in Pasay City, Metro Manila.


FRANCIS B. ALBALATE
 Executive Vice President and
 Chief Financial Officer

SUBSCRIBED AND SWORN to before me this 12 NOV 2024 in
PASAY CITY, affiant exhibited to me his SSS ID No. 33-1489981-0.

Doc. No. 207
 Page No. 43
 Book No. XIX
 Series of 2024.


Atty. Jamie O. Real
 Commission No. 23-15; Roll No. 68794
 Notary Public in and for Pasay City until December 31, 2024
 9th Floor PNB Financial Center
 Pres. Diosdado Macapagal Blvd., Pasay City
 PTR No. 3456119/Jan. 03, 2024/Pasay City
 IBP Lifetime No. 013651/Dec. 11, 2017/Manila IV

COVER SHEET

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S.E.C. Registration Number

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(Company's Full Name)

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

Francis B. Albalate

Contact Person

8891-60-40

Company Telephone Number

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Month Day
Fiscal Year

17 - Q

FORM TYPE

4	30
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Month Day
Annual Meeting

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Secondary License Type, If Applicable

C	F	D
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Dept. Requiring this Doc.

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Amended Articles Number/Section

35,974

Total No. of Stockholders

Total amount of Borrowings

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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File Number

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Document I.D.

_____ Cashier

S T A M P S

Remarks = pls. use black ink for scanning purposes

SEC Number AS096-005555
File Number _____

**PHILIPPINE NATIONAL BANK
AND SUBSIDIARIES**

(Company's Full Name)

**PNB Financial Center,
Pres. Diosdado P. Macapagal Boulevard, Pasay City**

(Company's Address)

(632) 8891-6040 to 70

(Telephone Number)

DECEMBER 31, 2023

(Calendar Year Ended)

SEC FORM 17-Q REPORT

Form Type

(Amendment Designation (if applicable))

SEPTEMBER 30, 2024

Period Ended Date

LISTED

(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarter ended : September 30, 2024
2. Commission Identification No. : AS096-005555
3. BIR Tax Identification No. : 000-188-209-000
4. Exact name of issuer as specified in its charter : Philippine National Bank
5. Province, country or other jurisdiction of incorporation or organization : Metro Manila, Philippines
6. Industry Classification Code : (SEC Use Only)
7. Address of principal office : PNB Financial Center, Pres. Diosdado P. Macapagal Blvd, Pasay City, 1300
8. Issuer's telephone number, including area code : (632) 8891-60-40 to 70 / (632) 8526-3131 to 70
9. Former name, former address, and former fiscal year, if changed since last report : N/A
10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA

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

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

Yes [] No []

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

12. Indicate by check mark whether the registrant:

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

Yes [] No []

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

Yes [] No []

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

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

Item 2. Management’s Discussion and Analysis

Financial Condition as at September 30, 2024 (Unaudited) Compared to December 31, 2023 (Audited)

The Group’s consolidated total assets stood at ₱1,197.7 billion as of September 30, 2024, 1.1% or ₱12.8 billion lower compared to the ₱1,210.5 billion reported as of December 31, 2023. Major changes (+/-5% variance) in assets were registered in the following accounts:

- **Cash and Cash Equivalents**

<i>(In Thousands)</i>	September 30, 2024	December 31, 2023	Increase/ (Decrease)	%
Cash and Other Cash Items	₱15,739,960	₱21,151,391	(₱5,411,431)	(25.6)
Due from Bangko Sentral ng Pilipinas	65,882,704	95,410,350	(29,527,646)	(30.9)
Due from Other Banks	19,707,993	21,243,856	(1,535,863)	(7.2)
Interbank Loans Receivable	33,354,700	30,955,766	2,398,934	7.7
Securities Held under Agreements to Resell	77,604,007	69,694,538	7,909,469	11.3
	₱212,289,364	₱238,455,901	(₱26,166,537)	(11.0)

Total Cash and Cash Equivalents as of September 30, 2024 stand at ₱212.3 billion, representing a decrease of ₱26.2 billion or 11.0% lower than the ₱238.5 billion reported on December 31, 2023.

Available liquid funds were placed in short term secured facility of the BSP, booked under Securities Held under Agreements to Resell. Additionally, the Group reduced its cash in vaults by ₱4.2 billion to further invest in interest-yielding assets.

- **Trading and Investment Securities**

<i>(In Thousands)</i>	September 30, 2024	December 31, 2023	Increase/ (Decrease)	%
Financial Assets at Fair Value Through Profit or Loss (FVTPL)	₱20,185,844	₱10,516,864	₱9,668,980	91.9
Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI)	178,333,112	164,531,492	13,801,620	8.4
Investment Securities at Amortized Cost	108,973,118	123,200,427	(14,227,309)	(11.5)
	₱307,492,074	₱298,248,783	₱9,243,291	3.1

Trading and Investment Securities, which accounted for 25.7% of the Group’s total assets as of September 30, 2024 versus 24.6% as of December 31, 2023, increased by ₱9.2 billion or 3.1%. This growth was primarily due to net purchases of financial assets at FVTPL and at FVOCI.

- **Property and Equipment**

<i>(in thousands)</i>	September 30, 2024	December 31, 2023	Increase/ (Decrease)	%
Property and Equipment	₱10,211,246	₱10,754,018	(₱542,772)	(5.0)

Property and Equipment decreased by ₱0.5 billion or 5.0%, to ₱10.2 billion as of September 30, 2024, from ₱10.7 billion as of December 31, 2023, mainly due to depreciation and amortization during the period.

- **Investment in an Associate**

<i>(in thousands)</i>	September 30, 2024	December 31, 2023	Increase/ (Decrease)	%
Investment in an Associate	₱3,517,163	₱3,199,124	₱318,039	9.9

Investment in an Associate rose by ₱0.3 billion or 9.9% to ₱3.5 billion as of September 30, 2024 compared to ₱3.2 billion as of December 31, 2023. This increase resulted from the Bank's equity share in the net comprehensive income of the associate for the period.

- **Investment Properties**

<i>(in thousands)</i>	September 30, 2024	December 31, 2023	Increase/ (Decrease)	%
Investment Properties	₱15,397,775	₱14,579,558	₱818,217	5.6

Investment Properties increased by ₱0.8 billion or 5.6% to ₱15.4 billion as of September 30, 2024, up from ₱14.6 billion as of December 31, 2023. This growth was mainly attributed to the new foreclosures of real and other properties, offset by disposals during the period.

- **Deferred Tax Assets**

<i>(in thousands)</i>	September 30, 2024	December 31, 2023	Increase/ (Decrease)	%
Deferred Tax Assets	₱7,718,661	₱6,981,726	₱736,935	10.6

Deferred Tax Assets increased by ₱0.7 billion or 10.6% to ₱7.7 billion as of September 30, 2024, from ₱7.0 billion as of December 31, 2023, mainly due to the recognition of additional deferred tax assets on allowance for credit losses.

- **Intangible Assets**

<i>(in thousands)</i>	September 30, 2024	December 31, 2023	Increase/ (Decrease)	%
Intangible Assets	₱1,145,536	₱1,301,726	(₱156,190)	(12.0)

Intangible Assets decreased by ₱0.2 billion or 12.0% to ₱1.1 billion as of September 30, 2024, from ₱1.3 billion as of December 31, 2023 mainly due to depreciation and amortization during the period.

- **Other Assets**

<i>(in thousands)</i>	September 30, 2024	December 31, 2023	Increase/ (Decrease)	%
Other Assets	₱7,546,834	₱5,454,301	₱2,092,533	38.4

Other Assets grew by ₱2.1 billion or 38.4% to ₱7.5 billion as of September 30, 2024, from ₱5.5 billion as of December 31, 2023 mainly due to increases in systems under development, creditable withholding taxes and prepaid expenses.

The Group's consolidated total liabilities were at ₱987.6 billion as of September 30, 2024, 3.1% or ₱31.8 billion lower than the ₱1,019.4 billion as of December 31, 2023. Major changes (+/-5% variance) in liability accounts were as follow:

- **Deposit Liabilities**

<i>(in thousands)</i>	September 30, 2024	December 31, 2023	Increase/ (Decrease)	%
Demand	₱230,548,610	₱228,405,865	₱2,142,745	0.9
Savings	557,225,871	541,009,449	16,216,422	3.0
Time	149,848,997	145,752,061	4,096,936	2.8
Long Term Negotiable Certificates of Deposit	4,596,868	12,803,543	(8,206,675)	(64.1)
Deposit Liabilities	₱942,220,346	₱927,970,918	₱14,249,428	1.5

Deposit Liabilities at ₱942.2 billion and ₱928.0 billion, which represent 95.4% and 91.0% of the Group's total liabilities as of September 30, 2024 and December 31, 2023, respectively, are higher by ₱14.2 billion or 1.5% mainly due to increase in Savings Deposits by ₱16.2 billion or 3.0%, Time Deposits by ₱4.1 billion or 2.8% and Demand Deposits by ₱2.1 billion or 0.9%. Long Term Negotiable Certificates of Deposit amounting to ₱8.2 billion matured on August 27, 2024.

- **Financial Liabilities at FVTPL**

<i>(in thousands)</i>	September 30, 2024	December 31, 2023	Increase/ (Decrease)	%
Financial Liabilities at FVTPL	₱1,064,062	₱555,811	₱508,251	91.4

Financial Liabilities at FVTPL of ₱1.1 billion as at September 30, 2024 is ₱0.5 billion higher than the 2023 year-end balance of ₱0.6 billion mainly from increase in the position and fair values of stand-alone forwards.

- **Bills and Acceptances Payable**

<i>(in thousands)</i>	September 30, 2024	December 31, 2023	Increase/ (Decrease)	%
Bills and Acceptances Payable	₱18,222,820	₱20,162,603	(₱1,939,783)	(9.6)

Bills and Acceptances Payable decreased by ₱2.0 billion or 9.6% from ₱20.2 billion as of December 31, 2023 to ₱18.2 billion as of September 30, 2024 due to settlement of borrowings from foreign banks.

- **Bonds Payable**

<i>(in thousands)</i>	September 30, 2024	December 31, 2023	Increase/ (Decrease)	%
Bonds Payable	₱-	₱41,490,871	(₱41,490,871)	(100.0)

On September 27, 2024, the bonds payable was fully settled following the maturity of the USD750,000 3.28% Medium Term Note.

- **Other Liabilities**

<i>(in thousands)</i>	September 30, 2024	December 31, 2023	Increase/ (Decrease)	%
Lease Liabilities	₱3,638,710	₱3,832,884	(₱194,174)	(5.1)
Accrued Taxes, Interest and Other Expenses	₱7,818,420	₱10,465,373	(₱2,646,953)	(25.3)
Income Tax Payable	₱951,613	₱180,364	₱771,249	427.6
Other Liabilities	₱13,715,654	₱14,741,922	(₱1,026,268)	(7.0)

Lease Liabilities decreased by ₱0.2 billion or 5.1% from ₱3.8 billion as of December 31, 2023 to ₱3.6 billion as of September 30, 2024, mainly due to lease payments and amortization for the period.

Accrued Taxes, Interest, and Other Expenses declined by ₱2.7 billion, dropping from ₱10.5 billion as of December 31, 2023 to ₱7.8 billion as of September 30, 2024. This reduction was due to the decrease in accrued interest on savings deposits attributable to cut-off for interest pay-outs and accruals. Additionally, there were lower accruals for taxes and licenses during the period.

Income Tax Payable increased by ₱0.8 billion or 427.6% from ₱0.2 billion as of December 31, 2023 to ₱1.0 billion as of September 30, 2024, mainly due to higher income tax liability for the period.

Other Liabilities at ₱13.7 billion as of September 30, 2024 decreased from ₱14.7 billion as of December 31, 2023, mainly due to decreases in marginal deposits and cash letters of credit, payment order payable, manager's checks outstanding, retirement liability, provisions and due to other banks.

The Group's consolidated total equity was composed of the following:

<i>(in thousands)</i>	September 30, 2024	December 31, 2023	Increase/ (Decrease)	%
Capital Stock	₱61,030,594	₱61,030,594	₱–	–
Capital Paid in Excess of Par Value	32,116,560	32,116,560	–	–
Surplus Reserves	4,746,817	4,677,930	68,887	1.5
Surplus	106,861,713	91,979,317	14,882,396	16.2
Net Unrealized Gains (Losses) on Financial Assets at FVOCI	2,060,940	(1,722,653)	3,783,593	(219.6)
Remeasurement Losses on Retirement Plan	(2,732,670)	(2,728,542)	(4,128)	0.2
Accumulated Translation Adjustment	2,089,538	1,999,668	89,870	4.5
Other Equity Reserves	248,830	248,830	–	–
Share in Aggregate Reserves (Losses) on Life Insurance Policies	(23,792)	24,246	(48,038)	(198.1)
Other Equity Adjustment	13,959	13,959	–	–
	206,412,489	187,639,909	18,772,580	10.0
Non-Controlling Interests	3,667,867	3,508,745	159,122	4.5
	₱210,080,356	₱191,148,654	₱18,931,702	9.9

Total Equity stood at ₱210.1 billion as of September 30, 2024 from ₱191.1 billion as of December 31, 2023, or an increase of ₱18.9 billion or 9.9% attributed mainly to the consolidated net income reported for the period of ₱15.0 billion and reversal of Net Unrealized Losses into Gains on Financial Assets at FVOCI.

Results of Operation for the Nine Months and Quarter Ended September 30, 2024 (Unaudited) Compared to Same Period Ended September 30, 2023 (Unaudited)

For the nine months ended September 30, 2024, the Group recorded a consolidated net income of ₱15.1 billion, reflecting an 11.6% year-on-year growth, supported by strong net interest income. The Bank reported ₱13.5 billion in net income for the period ended September 30, 2023.

For the quarter ended September 30, 2024, the Group recorded a consolidated net income of ₱4.8 billion, higher than the ₱3.8 billion net income reported for the period ended September 30, 2023.

The higher net income in 2024 is primarily due to the following:

- **Net Interest Income**

<i>(in thousands)</i>	Nine Months Ended				Quarters Ended			
	September 30		Increase/ (Decrease)	%	September 30		Increase/ (Decrease)	%
	2024	2023			2024	2023		
Interest income	₱50,127,036	₱43,610,606	₱6,516,430	14.9	₱17,157,899	₱15,333,670	₱1,824,229	11.9
Interest expense	13,649,737	10,570,562	3,079,175	29.1	4,710,782	3,908,556	802,226	20.5
	₱36,477,299	₱33,040,044	₱3,437,255	10.4	₱12,447,117	₱11,425,114	₱1,022,003	8.9

Net interest income reached ₱36.5 billion for the nine months ended September 30, 2024, marking an increase of 10.4% or ₱3.4 billion compared to the same period last year. Gross interest income rose by 14.9% or ₱6.5 billion to ₱50.1 billion, driven primarily by higher yields and volume of loans, investment securities and interbank receivables. Similarly, gross interest expense grew by ₱3.1 billion or 29.1% reaching ₱13.6 billion, up from ₱10.6 billion in the same period last year, largely due to increase in interest cost of deposit liabilities, reflecting both higher rates and an increased volume of deposits.

Net interest income for the quarter ended September 30, 2024 amounted to ₱12.4 billion, reflecting an increase of ₱1.0 billion or 8.9% compared to the ₱11.4 billion recorded in the same period last year. The growth was driven by higher yields and increased volumes in trading and investment securities as well as loans and receivables.

- **Net Service Fees and Commission Income**

<i>(in thousands)</i>	Nine Months Ended				Quarters Ended			
	September 30		Increase/ (Decrease)	%	September 30		Increase/ (Decrease)	%
	2024	2023			2024	2023		
Service fees and commission income	₱4,649,631	₱5,183,834	(₱534,203)	(10.3)	₱1,647,511	₱1,464,719	₱182,792	12.5
Service fees and commission expense	1,073,018	889,664	183,354	20.6	344,892	302,408	42,484	14.0
	₱3,576,613	₱4,294,170	(₱717,557)	(16.7)	₱1,302,619	₱1,162,311	₱140,308	12.1

Net service fees and commission income for the nine months ended September 30, 2024 decreased by ₱0.7 billion or by 16.7% to ₱3.6 billion compared to the same period last year. The decline was due to lower income from underwriting, and loan-related activities which offset the increases in credit card and deposit-related fees. Additionally, fees and commission expenses increased during the period, further contributing to the decline in net service fees and commission income.

For the quarter ended September 30, 2024, net service fees and commission income increased by ₱0.1 billion or by 12.1%, to ₱1.3 billion compared to the same period last year. The increase was primarily driven by higher income from loan-related and trade-related activities as well as interchange fees.

- **Other Operating Income**

<i>(in thousands)</i>	Nine Months Ended		Increase/ (Decrease)	%	Quarters Ended		Increase/ (Decrease)	%
	September 30				September 30			
	2024	2023			2024	2023		
Net gains on sale or exchange of assets	₱1,168,770	₱3,722,698	(₱2,553,928)	(68.6)	₱662,640	₱789,201	(₱126,561)	(16.0)
Foreign exchange gains - net	911,901	1,187,486	(275,585)	(23.2)	411,419	281,898	129,521	45.9
Trading and investment securities gains - net	747,098	136,929	610,169	445.6	370,964	62,783	308,181	490.9
Equity in net earnings of an associate	356,523	251,466	105,057	41.8	114,583	90,414	24,169	26.7
Miscellaneous	918,079	660,230	257,849	39.1	202,442	193,115	9,327	4.8
	₱4,102,371	₱5,958,809	(₱1,856,438)	(31.2)	₱1,762,048	₱1,417,411	₱344,637	24.3

Other operating income decreased by ₱1.9 billion, or by 31.2%, to ₱4.1 billion for the nine months ended September 30, 2024, compared to ₱6.0 billion in the same period last year. The decline was mainly due to higher gains from the sale of investment properties in 2023 and lower foreign exchange gains in September 2024. However, net trading gains and equity in net earnings of an associate increased by ₱0.6 billion and ₱0.1 billion, respectively.

For the quarter ended September 30, 2024, other income increased slightly by ₱344.6 million or 24.3% at ₱1,762.0 million, compared to ₱1,417.4 million for the same period last year. The increase was mainly attributed to the improvements in net trading gains and gains from investment securities.

- **Operating Expenses**

<i>(in thousands)</i>	Nine Months Ended		Increase/ (Decrease)	%	Quarters Ended		Increase/ (Decrease)	%
	September 30				September 30			
	2024	2023			2024	2023		
Compensation and fringe benefits	₱8,201,763	₱7,777,330	₱424,433	5.5	₱2,779,812	₱2,685,220	₱94,592	3.5
Taxes and licenses	3,922,390	3,665,312	257,078	7.0	1,320,095	1,153,365	166,730	14.5
Depreciation and amortization	2,526,373	3,014,985	(488,612)	(16.2)	858,208	1,000,682	(142,474)	(14.2)
Occupancy and equipment-related costs	711,974	661,694	50,280	7.6	247,257	227,351	19,906	8.8
Miscellaneous	6,311,870	6,297,086	14,784	0.2	2,164,792	1,435,669	729,123	50.8
	₱21,674,370	₱21,416,407	₱257,963	1.2	₱7,370,164	₱6,502,287	₱867,877	13.3

Total operating expenses amounted to ₱21.7 billion for the nine months ended September 30, 2024, reflecting an increase of ₱0.3 billion or 1.2% compared to the same period last year. The increase was primarily driven by higher compensation and fringe benefits as well as taxes and licenses, which were partially offset by lower depreciation and amortization.

For the quarter ended September 30, 2024 and 2023, total operating expenses is at ₱7.4 billion and ₱6.5 billion, respectively.

- **Provision for Impairment, Credit and Other Losses**

<i>(in thousands)</i>	Nine Months Ended		Increase/ (Decrease)	%	Quarters Ended		Increase/ (Decrease)	%
	September 30				September 30			
	2024	2023			2024	2023		
Provision for impairment, credit and other losses	₱3,718,895	₱5,151,795	(₱1,432,900)	(27.8)	₱1,649,484	₱3,583,849	(₱1,934,365)	(54.0)

Provisions for impairment, credit and other losses decreased to ₱3.7 billion for the period ended September 30, 2024, significantly lower than the ₱5.2 billion booked in the same period last year. This reduction reflects the improvement in the Group's loan portfolio as the economy continues to grow.

For the quarter ended September 30, 2024, provisions for impairment, credit and losses is lower at ₱1.6 billion compared to ₱3.6 billion booked in the prior year.

The Group's total consolidated comprehensive income was composed of the following:

<i>(in thousands)</i>	Nine Months Ended		Increase/ (Decrease)	%	Quarters Ended		Increase/ (Decrease)	%
	September 30				September 30			
	2024	2023			2024	2023		
Net income	₱15,063,567	₱13,503,243	₱1,560,324	11.6	₱4,773,374	₱3,761,500	₱1,011,874	26.9
Other comprehensive income, net of tax	3,871,681	2,660,055	1,211,626	45.5	2,526,886	524,348	2,002,538	381.9
	₱18,935,248	₱16,163,298	₱2,771,950	17.1	₱7,300,260	₱4,285,848	₱3,014,412	70.3

Total comprehensive income for the nine months ended September 30, 2024 amounted to ₱18.9 billion, higher by ₱2.8 billion compared to the same period last year, mainly due to higher net income by ₱1.6 billion during the period and unrealized gains on financial assets at FVOCI by ₱1.9 billion.

For the quarter ended September 30, 2024, total comprehensive income amounted to ₱7.3 billion, higher by ₱3.0 billion compared to the same period last year mainly due to higher net income for the period by ₱1.0 billion, and net change in unrealized gains on financial assets at FVOCI by ₱2.7 billion and share in changes in net unrealized gains on financial assets at FVOCI of an associate of ₱0.5 billion.

PART II – OTHER INFORMATION

Key Performance Indicators and Selected Financial Ratios

	For the Nine Months Ended September 30	
	2024 (Unaudited)	2023 (Unaudited)
Statement of Income		
Return on Average Equity ^{1/}	10.0%	9.8%
Return on Average Assets ^{2/}	1.7%	1.5%
Net Interest Margin ^{3/}	4.6%	4.2%
Cost Efficiency Ratio ^{4/}	49.1%	49.5%
Basic Earnings Per Share	₱9.80	₱8.86
Interest Coverage ^{5/}	2.4x	2.6x

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

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

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

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

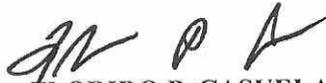
^{5/} Earnings before interest expense and provision for income tax divided by interest expense

	September 30, 2024 (Unaudited)	September 30, 2023 (Unaudited)	December 31, 2023 (Audited)
Statement of Financial Position			
Capital Ratios:			
Capital Adequacy Ratio	20.0%	16.6%	17.7%
Common Equity Tier 1 Ratio	19.1%	15.7%	16.9%
Non-Performing Loans Ratios:			
Net of allowance	2.0%	2.3%	2.5%
Gross of allowance	6.0%	6.2%	6.3%
NPL coverage	87.3%	97.1%	88.5%
Current Ratio	70.0%	67.6%	70.6%
Liquid Assets-to-Total Assets	27.7%	28.2%	30.2%
Liquid Assets-to-Liquid Liabilities	34.3%	34.7%	36.9%
Debt-to-Equity	4.7x	5.3x	5.3x
Assets-to-Equity	5.7x	6.3x	6.3x
Book Value per Share	₱135.3	₱119.6	₱123.0

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereto duly authorized.

PHILIPPINE NATIONAL BANK



FLORIDO P. CASUELA
President and Chief Executive Officer



FRANCIS B. ALBALATE
Executive Vice President and Chief Financial Officer

ANNEX A

Philippine National Bank and Subsidiaries

Unaudited Interim Condensed Consolidated Financial Statements
as at September 30, 2024 and
for the nine-months ended
September 30, 2024 and 2023

*(With Comparative Audited Consolidated Statement of Financial Position
as at December 31, 2023)*

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2024****(With Comparative Audited Figures as at December 31, 2023)****(In Thousands)**

	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
ASSETS		
Cash and Other Cash Items	₱15,739,960	₱21,151,391
Due from Bangko Sentral ng Pilipinas (Note 6)	65,882,704	95,410,350
Due from Other Banks (Note 19)	19,707,993	21,243,856
Interbank Loans Receivable (Notes 19 and 21)	35,476,958	35,634,440
Securities Held Under Agreements to Resell	77,604,007	69,694,538
Trading and Investment Securities		
Financial Assets at Fair Value Through Profit or Loss (FVTPL) (Note 7)	20,185,844	10,516,864
Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI) (Notes 7 and 19)	178,333,112	164,531,492
Investment Securities at Amortized Cost (Note 7)	108,973,118	123,200,427
Loans and Receivables (Note 8)	620,086,227	616,710,746
Property and Equipment (Note 9)	10,211,246	10,754,018
Investment in an Associate	3,517,163	3,199,124
Investment Properties (Note 10)	15,397,775	14,579,558
Deferred Tax Assets (Note 17)	7,718,661	6,981,726
Intangible Assets (Note 11)	1,145,536	1,301,726
Goodwill (Note 11)	10,184,843	10,184,843
Other Assets (Note 12)	7,546,834	5,454,301
TOTAL ASSETS	₱1,197,711,981	₱1,210,549,400
LIABILITIES AND EQUITY		
LIABILITIES		
Deposit Liabilities (Notes 14 and 19)		
Demand	₱230,548,610	₱228,405,865
Savings	557,225,871	541,009,449
Time	149,848,997	145,752,061
Long Term Negotiable Certificates of Deposit	4,596,868	12,803,543
	942,220,346	927,970,918
Financial Liabilities at FVTPL		
Bills and Acceptances Payable (Notes 19 and 21)	1,064,062	555,811
Bills and Acceptances Payable (Notes 19 and 21)	18,222,820	20,162,603
Bonds Payable (Notes 14, 19 and 21)	–	41,490,871
Lease Liabilities (Notes 19 and 21)	3,638,710	3,832,884
Accrued Taxes, Interest and Other Expenses (Note 19)	7,818,420	10,465,373
Income Tax Payable	951,613	180,364
Other Liabilities (Note 12)	13,715,654	14,741,922
TOTAL LIABILITIES	987,631,625	1,019,400,746

(Forward)

	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		
Capital Stock (Note 15)	₱61,030,594	₱61,030,594
Capital Paid in Excess of Par Value	32,116,560	32,116,560
Surplus Reserves (Notes 8 and 15)	4,746,817	4,677,930
Surplus	106,861,713	91,979,317
Net Unrealized Losses on Financial Assets at FVOCI (Note 7)	2,060,940	(1,722,653)
Remeasurement Losses on Retirement Plan	(2,732,670)	(2,728,542)
Accumulated Translation Adjustment	2,089,538	1,999,668
Other Equity Reserves	248,830	248,830
Share in Aggregate Reserves (Losses) on Life Insurance Policies	(23,792)	24,246
Other Equity Adjustment	13,959	13,959
	206,412,489	187,639,909
NON-CONTROLLING INTERESTS	3,667,867	3,508,745
TOTAL EQUITY	210,080,356	191,148,654
TOTAL LIABILITIES AND EQUITY	₱1,197,711,981	₱1,210,549,400

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

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

	For the Nine Months Ended		For the Quarters Ended	
	September 30		September 30	
	2024	2023	2024	2023
INTEREST INCOME ON				
Loans and receivables (Notes 8 and 19)	₱32,581,660	₱30,013,274	₱10,956,636	₱10,105,551
Investment securities at amortized cost and financial assets at FVOCI (Note 7)	12,244,771	9,140,177	4,356,118	3,255,764
Interbank loans receivable and securities held under agreements to resell	3,520,543	2,359,333	1,305,702	1,228,124
Deposits with banks and others (Notes 6 and 19)	1,363,232	1,919,406	412,972	692,795
Financial assets at FVTPL (Note 7)	416,830	178,416	126,471	51,436
	50,127,036	43,610,606	17,157,899	15,333,670
INTEREST EXPENSE ON				
Deposit liabilities (Notes 14 and 19)	12,290,777	9,018,068	4,212,981	3,486,237
Bonds payable (Notes 14 and 19)	1,073,653	1,299,856	344,154	357,285
Bills payable and other borrowings (Note 19)	285,307	252,638	153,647	65,034
	13,649,737	10,570,562	4,710,782	3,908,556
NET INTEREST INCOME	36,477,299	33,040,044	12,447,117	11,425,114
Service fees and commission income (Notes 16 and 19)	4,649,631	5,183,834	1,647,511	1,464,719
Service fees and commission expense	1,073,018	889,664	344,892	302,408
NET SERVICE FEES AND COMMISSION INCOME	3,576,613	4,294,170	1,302,619	1,162,311
OTHER INCOME				
Net gains on sale or exchange of assets (Notes 9 and 10)	1,168,770	3,722,698	662,640	789,201
Foreign exchange gains - net	911,901	1,187,486	411,419	281,898
Trading and investment securities gains - net (Note 7)	747,098	136,929	370,964	62,783
Equity in net earnings of an associate	356,523	251,466	114,583	90,414
Miscellaneous	918,079	660,230	202,442	193,115
TOTAL OTHER INCOME	4,102,371	5,958,809	1,762,048	1,417,411
TOTAL OPERATING INCOME	44,156,283	43,293,023	15,511,784	14,004,836
PROVISION FOR (REVERSAL OF) IMPAIRMENT, CREDIT AND OTHER LOSSES (Note 13)	3,718,895	5,151,795	1,649,484	3,583,849
OPERATING EXPENSES				
Compensation and fringe benefits	8,201,763	7,777,330	2,779,812	2,685,220
Taxes and licenses	3,922,390	3,665,312	1,320,095	1,153,365
Depreciation and amortization	2,526,373	3,014,985	858,208	1,000,682
Occupancy and equipment-related costs	711,974	661,694	247,257	227,351
Miscellaneous (Note 16)	6,311,870	6,297,086	2,164,792	1,435,669
TOTAL OPERATING EXPENSES	21,674,370	21,416,407	7,370,164	6,502,287
INCOME BEFORE INCOME TAX	18,763,018	16,724,821	6,492,136	3,918,700
PROVISION FOR INCOME TAX (Note 17)	3,699,451	3,221,578	1,718,762	157,200
NET INCOME	₱15,063,567	₱13,503,243	₱4,773,374	₱3,761,500
ATTRIBUTABLE TO:				
Equity Holders of the Parent Company (Note 18)	₱14,951,283	₱13,520,157	₱4,735,371	₱3,764,611
Non-controlling Interests	112,284	(16,914)	38,003	(3,111)
NET INCOME	₱15,063,567	₱13,503,243	₱4,773,374	₱3,761,500
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 18)	₱9.80	₱8.86	₱3.10	₱2.47

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

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

	For the Nine Months Ended September 30		For the Quarters Ended September 30	
	2024	2023	2024	2023
NET INCOME	₱15,063,567	₱13,503,243	₱4,773,374	₱3,761,500
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Items that recycle to profit or loss in subsequent periods:</i>				
Net change in unrealized gains on debt securities at FVOCI, net of tax	3,378,438	1,470,358	2,894,275	205,424
Share in changes in net unrealized gains (losses) on financial assets at FVOCI of an associate	132,055	159,488	368,123	(102,897)
	3,510,493	1,629,846	3,262,398	102,527
Accumulated translation adjustment	140,250	(244,427)	(576,586)	432,903
	3,650,743	1,385,419	2,685,812	535,430
<i>Items that do not recycle to profit or loss in subsequent periods:</i>				
Net change in unrealized gains (losses) on equity securities at FVOCI	273,100	1,258,302	–	(20,187)
Share in the changes in aggregate reserves (losses) on life insurance policies	(48,038)	(2,278)	(158,943)	9,105
Remeasurement gains (losses) on retirement plan	(4,124)	18,612	17	–
	220,938	1,274,636	(158,926)	(11,082)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	3,871,681	2,660,055	2,526,886	524,348
TOTAL COMPREHENSIVE INCOME	₱18,935,248	₱16,163,298	₱7,300,260	₱4,285,848
ATTRIBUTABLE TO:				
Equity Holders of the Parent Company	₱18,772,580	₱16,140,767	₱7,403,280	₱4,208,290
Non-controlling Interests	162,668	22,531	(103,020)	77,558
	₱18,935,248	₱16,163,298	₱7,300,260	₱4,285,848

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

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

For the Nine Months Ended September 30, 2024													
Equity Attributable to Equity Holders of the Parent Company													
	Capital Stock (Note 15)	Capital Paid in Excess of Par Value	Surplus Reserves (Notes 8 and 15)	Surplus	Net Unrealized Gains (Losses) on Financial Assets at FVOCI (Note 7)	Remeasurement Losses on Retirement Plan	Accumulated Translation Adjustment	Other Equity Reserves	Share in Aggregate Reserves (Losses) on Life Insurance Policies	Other Equity Adjustment	Total	Non- Controlling Interests	Total Equity
Balance at January 1, 2024	₱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
Total comprehensive income (loss) for the period	-	-	-	14,951,283	3,783,593	(4,128)	89,870	-	(48,038)	-	18,772,580	162,668	18,935,248
Dividends by subsidiaries to non- controlling interests	-	-	-	-	-	-	-	-	-	-	-	(3,546)	(3,546)
Reversal of general loan loss reserves under BSP Circular 1011	-	-	68,887	(68,887)	-	-	-	-	-	-	-	-	-
Balance at September 30, 2024	₱61,030,594	₱32,116,560	₱4,746,817	₱106,861,713	₱2,060,940	(₱2,732,670)	₱2,089,538	₱248,830	(₱23,792)	₱13,959	₱206,412,489	₱3,667,867	₱210,080,356

For the Nine Months Ended September 30, 2023													
Equity Attributable to Equity Holders of the Parent Company													
	Capital Stock (Note 15)	Capital Paid in Excess of Par Value	Surplus Reserves (Notes 8 and 15)	Surplus	Net Unrealized Gains (Losses) on Financial Assets at FVOCI (Note 7)	Remeasurement Losses on Retirement Plan	Accumulated Translation Adjustment	Other Equity Reserves	Share in Aggregate Reserves (Losses) on Life Insurance Policies	Other Equity Adjustment	Total	Non- Controlling Interests	Total Equity
Balance at January 1, 2023	₱61,030,594	₱32,116,560	₱4,929,242	₱73,748,748	(₱5,959,275)	(₱2,222,945)	₱2,314,447	₱248,830	₱136,096	₱13,959	₱166,356,256	₱3,549,378	₱169,905,634
Total comprehensive income (loss) for the period	-	-	-	13,520,157	2,888,148	15,196	(280,456)	-	(2,278)	-	16,140,767	22,531	16,163,298
Dividends by subsidiaries to non- controlling interests	-	-	-	-	-	-	-	-	-	-	-	(2,675)	(2,675)
Reversal of general loan loss reserves under BSP Circular 1011	-	-	(164,814)	164,814	-	-	-	-	-	-	-	-	-
Balance at September 30, 2023	₱61,030,594	₱32,116,560	₱4,764,428	₱87,433,719	(₱3,071,127)	(₱2,207,749)	₱2,033,991	₱248,830	₱133,818	₱13,959	₱182,497,023	₱3,569,234	₱186,066,257

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

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

	For the Nine Months Ended	
	September 30	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱18,763,018	₱16,724,821
Adjustments for:		
Amortization of discount, net on investment securities	(5,399,054)	(1,882,483)
Provision for impairment, credit and other losses (Note 13)	3,718,895	5,151,795
Depreciation and amortization	2,526,373	3,014,985
Net gains on sale or exchange of assets (Notes 9 and 10)	(1,168,770)	(3,722,698)
Gains on financial assets at FVTPL (Note 7)	(740,080)	(142,184)
Unrealized foreign exchange losses on bonds, bills and acceptances payable	605,405	545,282
Equity in net earnings of an associate	(356,523)	(251,466)
Amortization of transaction costs on borrowings	51,319	50,676
Loss (gain) on sale of financial assets at FVOCI (Note 7)	(7,018)	5,255
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Interbank loans receivable	2,556,416	2,787,344
Financial assets at FVTPL	(8,928,899)	(9,053,201)
Loans and receivables	(8,148,123)	(23,935,717)
Other assets	(2,508,315)	(1,276,847)
Increase (decrease) in:		
Financial liabilities at FVTPL	508,251	(393,119)
Deposit liabilities	22,456,104	34,764,183
Accrued taxes, interest and other expenses	(2,502,963)	469,939
Other liabilities	(1,044,635)	(696,475)
Net cash generated from operations	20,381,401	22,160,090
Income taxes paid	(3,046,272)	(3,112,581)
Net cash provided by operating activities	17,335,129	19,047,509
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale/maturities of:		
Financial assets at FVOCI	588,797,750	379,524,933
Investment securities at amortized cost	32,479,123	49,587,624
Investment properties	856,719	4,507,138
Property and equipment	163,633	339,445
Return of investment from an associate	122,500	–
Acquisitions of:		
Financial assets at FVOCI	(593,368,681)	(371,141,274)
Investment securities at amortized cost	(18,436,936)	(70,425,104)
Software cost (Note 11)	(648,992)	(478,361)
Property and equipment (Note 9)	(310,954)	(373,377)
Net cash provided by investing activities	9,654,162	(8,458,976)

(Forward)

	For the Nine Months Ended September 30	
	2024	2023
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bills and acceptances payable (Note 21)	₱135,803,711	₱103,889,064
Settlement of bills and acceptances payable (Note 21)	(137,697,763)	(104,486,848)
Settlement of bonds payable (Note 21)	(42,180,000)	(16,560,000)
Settlement of LTNCD	(8,220,000)	-
Payment of principal portion of lease liabilities (Note 21)	(861,776)	(1,069,546)
Net cash used in financing activities	(53,155,828)	(18,227,330)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(26,166,537)	(7,638,797)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		
Cash and other cash items	21,151,391	22,217,915
Due from Bangko Sentral ng Pilipinas	95,410,350	94,701,360
Due from other banks	21,243,856	26,010,183
Interbank loans receivable (Note 21)	30,955,766	9,782,452
Securities held under agreements to resell	69,694,538	64,523,863
	238,455,901	217,235,773
CASH AND CASH EQUIVALENTS AT END OF PERIOD		
Cash and other cash items	15,739,960	14,753,278
Due from Bangko Sentral ng Pilipinas	65,882,704	83,679,175
Due from other banks	19,707,993	23,739,818
Interbank loans receivable (Note 21)	33,354,700	29,630,686
Securities held under agreements to resell	77,604,007	57,794,019
	₱212,289,364	₱209,596,976
OPERATIONAL CASH FLOWS FROM INTEREST		
Interest received	₱44,030,431	₱40,095,253
Interest paid	14,154,764	9,271,531

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousand Pesos Except When Otherwise Indicated)

1. Corporate Information

Philippine National Bank (PNB or the Parent Company) is a universal bank established in the Philippines in 1916. On June 21, 1989, PNB's shares were listed with the Philippine Stock Exchange (PSE). As of September 30, 2024 and December 31, 2023, the shares of PNB are held by the following:

	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
LT Group, Inc. (LTG) (indirect ownership through its various holding companies)	59.83%	59.83%
PCD Nominee Corporation*	13.95%	14.44%
Other stockholders owning less than 10% each	26.22%	25.73%
	100.00%	100.00%

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

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

The Parent Company provides a full range of banking and other financial services, which include deposit-taking, lending, bills discounting, trade finance, foreign exchange dealings, investment banking, treasury operations, fund transfers, remittance and trust services, through its 631 domestic branches as of September 30, 2024 and December 31, 2023. As of the same dates, the Parent Company has 72 overseas branches, representative offices, remittance centers and subsidiaries, respectively, in 17 jurisdictions in Asia, North America and Europe, respectively.

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

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

2. Preparation of the Interim Financial Statements

2.1 Basis of Preparation of the Unaudited Interim Consolidated Financial Statements

The accompanying unaudited interim consolidated financial statements of the Group as of September 30, 2024 and for the nine months ended September 30, 2024 and 2023 have been prepared in accordance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*. The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements as of and for the year ended December 31, 2023 prepared under the Philippine Financial Reporting Standards (PFRS).

2.2 Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the audited annual consolidated financial statements as of and for the year ended December 31, 2023, except for the adoption of the following amended standards, which became effective beginning January 1, 2024.

Unless otherwise indicated, the adoption of these new standards did not have an impact on the consolidated financial statements of the Group:

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- Amendments to PAS 7, *Statement of Cash Flows*, and PFRS 7, *Financial Instruments: Disclosures – Supplier Finance Arrangements*
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

2.3 Significant Judgments and Assumptions

The significant judgments and assumptions made in the unaudited interim condensed consolidated financial statements of the Group are consistent with the most recent annual financial statements issued, unless otherwise indicated.

2.4 Seasonality or Cyclicity of Interim Operations

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

3. Financial Risk Management

3.1 Risk Management Framework

The Parent Company's Board of Directors (BOD), through the Risk Oversight Committee (ROC), exercises oversight and provides guidance to an experienced Senior Management team who works closely with their teams in managing risk. There is a rich risk culture, which seamlessly flows through not only within PNB, but also across the Group's subsidiaries and affiliates.

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

Executive officers are assigned to various management committees that provide the leadership and execution of the vision and policies approved by the BOD. PNB's business strategies are driven for most part by the day-to-day directions decided by these management committees with approvals and notation by the various board level committees.

The PNB Board ROC is mandated to set risk appetite, approve frameworks, policies and processes for managing risk, and accept risks beyond the approval discretion provided to management. The approach to managing risk is outlined in PNB's Enterprise Risk Management Framework (ERMF), which creates the context for setting policies and standards, and establishing the right practices throughout the PNB Group. It defines the risk management processes and sets out the activities, tools, and organizational structure to ensure material risks are identified, measured, monitored and managed.

The Risk Management Framework includes:

- a comprehensive risk management approach;
- a detailed structure of limits, guidelines and other parameters used to govern risk-taking;

- a clear delineation of lines of responsibilities for managing risk;
- an adequate system for measuring risk;
- effective internal controls and a comprehensive monitoring and risk-reporting process; and
- adherence to standards and regulations.

The Management Risk Committee (MRC) was created as a forum ensuring that PNB's ERMF is operationalized, and that Senior Management has an enterprise-level view of all material risks and that risk-mitigating actions properly determined and effectively executed. Mainly composed of PNB's Sector and Group heads, the MRC will be responsible for reviewing and monitoring enterprise level risks and assessing risk responses proposed or taken by the relevant risk owner, and for providing inputs to the ERMF process. The committee shall periodically assess that PNB's risk appetite statements are aligned with the business strategy and the overall objectives.

The Enterprise Risk Management Group (ERMG) is primarily responsible for the monitoring of risk management functions to ensure that a robust risk-oriented organization is maintained. ERMG is independent from the business lines and is organized as follows:

- Credit Risk Management Division;
- Market, Liquidity and Interest Rate Risk Management Division;
- Operational and Fraud Risk Management Division;
- Integrated Risk Management Division;
- Office of the Chief Information Security Officer and Data Protection Officer
 - IT/IS Project Risk Management and Governance Division
 - Cyber Security Operations Division
 - Data Privacy Department

Each unit monitors the implementation of the processes and procedures that support the policies for risk management applicable to the organization. These policies clearly define the kinds of risks to be managed, set forth the organizational structure and provide appropriate training necessary to manage and control risks. The policies also provide for the validation, audits and compliance testing, to measure the effectiveness and suitability of the risk management structure.

ERMG also functions as the Secretariat to the MRC and ROC which meets monthly to discuss the immediate previous month's total risk profile according to the material risks defined by PNB. Further, each risk division engages with all levels of the organization among its business and support groups. This ensures that the risk management and monitoring is embedded at the moment of origination.

The PNB ERMF banks on a dynamic process that supports the development and implementation of the strategy of PNB. The process revolves around methodically addressing risks associated with the business lines of PNB. With regular reviews and updates, the ERMF has served PNB well and has been resilient through economic cycles. The organization has placed a strong reliance on this risk governance framework and the three-line model, which are fundamental to PNB's aspiration to be world-class at managing risk:

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 Enterprise Risk Management Group (ERMG) and Global Compliance Group (GCG): ERMG implements the risk management framework and assists risk owners in reporting adequate risk-related information to the ROC. ERMG 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. ERMG also manages risks to Information Technology and Project Management. GCG ensures that a strong compliance program is in place, effectively monitored, and aligned with the risks of the Bank's individual business processes. The second line roles may also recommend implementation of action plans, corrective actions or service recovery in managing the risk impact and prevent recurrence. *Note: ERMG reports to the ROC, while GCG reports to the BACC.*
3. The *third line role* is the internal audit function which provides independent and objective assurance and advise on the adequacy and effectiveness of Bank's control, governance and risk management processes. It reports its findings to Management and the Board Audit & Compliance Committee to promote and facilitate continuous improvement. Internal audit's independence from the responsibilities of management is critical to its objectivity, authority, and credibility. It is established through accountability to the governing body, unfettered access to people, resources and data needed to complete its work; and freedom from bias or interference in the planning and delivery of audit services.

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

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:

3.2 Risk Categories and Definitions

Under our ERM framework, all risk-taking business units, including domestic and foreign subsidiaries, shall perform comprehensive assessment of all material risks. This is accomplished annually, and/or 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.

We 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 2024 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</p>	<ul style="list-style-type: none"> ▪ Loan Portfolio Analysis ▪ Credit Dashboards ▪ Credit Review ▪ Credit Model Validation 	<ul style="list-style-type: none"> ▪ Trend Analysis (Portfolio/ Past Due and Non-Performing Loan Levels) ▪ Monitoring and Compliance to Credit limits (statutory/ regulatory and internal limits) ▪ Stress Testing/Rapid Portfolio Reviews ▪ Credit Risk Rating (CRR) Migration ▪ Tracking of movements of loan portfolio ▪ Concentrations and Demographics Review ▪ Monitoring of large exposure ▪ Monitoring of credit risk concentrations ▪ Counterparty Limits Monitoring ▪ Credit Risk Dashboard (Bankwide, Consumer, Overseas and Subsidiaries, ROPA and SCR) ▪ Capital Adequacy Ratio (quarterly report) ▪ Review of adequacy of loan loss reserves and

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
	<p>inherent in a bank's assets, liabilities or off-balance sheet items, through the execution or processing of transactions (either product or service), or through a combination of exposures across these broad categories. The potential for loss reflects the size of the position and the extent of loss given a particular adverse circumstance (<i>BSP MORB Sec 301.6, Series of 2009; BCBS</i>)</p>		<p>impairment loss</p> <ul style="list-style-type: none"> ▪ Specialized Credit Monitoring on Real Estate ▪ Credit Review ▪ Credit Model Validation
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. (<i>BSP Cir. No. 544, Series of 2006</i>)</p>	<ul style="list-style-type: none"> ▪ Value at Risk Utilization ▪ Results of Marking to Market ▪ Risks Sensitivity/ Duration Report ▪ Exposure to Derivative/ Structured Products 	<ul style="list-style-type: none"> ▪ VaR Limit ▪ Stop Loss Limit ▪ DV01/PV01 ▪ FX Position Limit ▪ Management Action Triggers for FVOCI ▪ Duration Analysis ▪ ROP Exposure Limit ▪ Limit to Derivatives & Structured products ▪ Exception Report on Traders' Limit ▪ Exception Report on Rate Tolerance ▪ Stress testing / Scenario analysis ▪ BSP Uniform Stress Testing ▪ Monthly validation/ preparation of the Market Risk Weighted Exposures in the CAR Report ▪ Backtesting
Liquidity Risk	<p>Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from the Bank's inability to meet its obligations when they come due, without incurring unacceptable</p>	<ul style="list-style-type: none"> ▪ Funding Liquidity Plan ▪ Liquidity Ratios ▪ Large Fund Providers ▪ Maximum Cumulative Outflow (MCO) ▪ Liquid Gap 	<ul style="list-style-type: none"> ▪ MCO Limit ▪ Liquid Assets Monitoring ▪ Liquidity Stress Testing ▪ Large Fund Provider Analysis ▪ Contingency Planning ▪ Lending from FCDU and RBU Books Limit ▪ TPR Computation

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
	<p>losses or costs. Liquidity risk includes the inability to manage unplanned decreases or changes in funding sources. (<i>BSP Cir. No. 981</i>)</p>	<p>Analysis</p> <ul style="list-style-type: none"> ▪ Interbook Lending 	
<p>Interest Rate Risk in the Banking Books (IRRBB)</p>	<p>Interest rate risk is the current and prospective risk to earnings or capital arising from movements in interest rates. It arises from differences between the timing of rate changes and the timing of cash flows (repricing risk); from changing rate relationships among different yield curves affecting financial institution (FI) activities (basis risk); from changing rate relationships across the spectrum of maturities (yield curve risk); and from interest-related options embedded in FI products (options risk). The amount at risk is a function of the magnitude and direction of interest rate changes and the size and maturity structure of the mismatch position. (<i>BSP Cir. No. 1044, Series of 2019</i>)</p>	<ul style="list-style-type: none"> ▪ Interest Rate Gap Analysis ▪ Earnings at Risk (EaR) Measurement ▪ Cashflow based Economic Value of Equity 	<ul style="list-style-type: none"> ▪ EAR Limit ▪ Balance Sheet Profiling ▪ Repricing Gap Analysis ▪ Cashflow based Economic Value of Equity (EVE) ▪ Stress testing ▪ BSP Uniform Stress Testing
<p>Operational Risk</p>	<p>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.</p>	<ul style="list-style-type: none"> ▪ Risk Identification ▪ Risk Measurement ▪ Risk Evaluation (i.e. Analysis of Risk) ▪ Risk Management (i.e. Monitor, Control or Mitigate Risk) 	<ul style="list-style-type: none"> ▪ 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

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
	<p>Operational Risk is inherent in all activities, products and services, and cuts across multiple activities and business lines within the financial institution and across the different entities in a banking group or conglomerate where the financial institution belongs. <i>(BSP Circular 900, dated 18 January 2016)</i></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>(KRI) monitoring</p> <ul style="list-style-type: none"> ▪ Fraud Risk Monitoring ▪ Legal Risk Review ▪ Business Continuity Program and Disaster Recovery Plans ▪ Business Continuity Playbooks ▪ Business Impact Analysis (BIA) and Business Continuity Risk Assessment (BCRA) ▪ Crisis Management Plan ▪ Business Continuity Drills and Testing ▪ Vendor Risk Assessment and Vendor Management Risk Monitoring ▪ Statistical Analysis ▪ Awareness Campaign ▪ Risk and Control Trainings
Included in the Operational Risks:			
<p>Reputational Risk</p>	<p>Reputational risk is the risk to earnings, capital, and liquidity arising from negative perception on the Bank of its customers, shareholders, investors, and employees, market analysts, the media, and other stakeholders such as regulators and other government agencies, that can adversely affect the Bank’s ability to maintain existing business relationships, establish new businesses or partnerships, or continuously access</p>	<ul style="list-style-type: none"> ▪ Risk Identification ▪ Risk Measurement ▪ Risk Evaluation (i.e. Analysis of Risk) ▪ Risk Management (i.e. Monitor, Control or Mitigate Risk) <p>Monitoring of Pillar II Risks fall under the purview of Operational Risk Management:</p> <ul style="list-style-type: none"> ▪ Risk Identification – Risk Maps ▪ Risk Measurement and Analysis – ICAAP Risk Assessment <p>Major Factors considered:</p> <ul style="list-style-type: none"> ▪ Products 	<ul style="list-style-type: none"> ▪ Customer Engagement and Consolidated Complaints Report ▪ After Call and After Email Survey ▪ Public Relations Campaign ▪ Market research on digital trends and profiling of digital users, statistics on usage, and transactions to anticipate and respond to changes in overall trends related to demands of customers and clients in relation to digital services platforms ▪ Security Measures for Digital Banking ▪ Social Media Management Framework ▪ Social Media Risk Management ▪ Use of Social Media metrics/Social Media Analytics ▪ Website Management ▪ Website Analytics ▪ Mainstream media

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
	<p>varied sources of funding”. (BSP Circular 1114, dated 08 April 2021).</p> <p>Reputational Risk also covers Customer Franchise Risk and Consumer Protection Risk. Customer Franchise Risk is defined in PNB’s Policy on ICAAP, as the failure to find, attract, and win new clients, nurture and retain those PNB already has, and entice former clients back into the fold as well as the failure to meet client’s expectation in delivering PNB’s products and services. Consumer Protection Risk is defined as failure of PNB to deliver its mandate to provide appropriate service and protection to its financial consumers.</p>	<ul style="list-style-type: none"> ▪ Technology ▪ People ▪ Policies and Processes ▪ Stakeholders (including customer and regulators) 	<p>monitoring tool</p> <ul style="list-style-type: none"> ▪ Customer feedback mechanism ▪ Products and Marketing review ▪ Fraud Management Program
<p>Strategic Business Risk</p>	<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</p>		<ul style="list-style-type: none"> ▪ Regular ALCO reports on latest Financials, monthly CAR projections, weekly performance on deposits, loans, treasury assets (levels, YTD, ADB) ▪ Regular updates on the status of sale of ROPA and other properties as well as NPL reduction ▪ Economic briefings for ALCO, Treasury, and Senior Management by the Bank economist ▪ Corplan’s banking, industry reports and research studies

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
	<p>implementation. The resources needed to carry out business strategies are both tangible and intangible. They include communication channels, operating systems, delivery networks, and managerial capacities and capabilities. The organization's internal characteristics must be evaluated against the impact of economic, technological, competitive, regulatory, and other environmental changes. (<i>BSP Cir. No. 510, dated 03 Feb 2006</i>)</p>		<ul style="list-style-type: none"> ▪ Research Division's regular economic reports and forecasting and equities reports ▪ Budget Performance Report (BPR) distributed to concerned sector/group heads and PNB President (KRAs actual performance against targets) ▪ Compliance updates on new, revised regulations ▪ Annual Strategic Planning activities ▪ Performance and monitoring reports and surveys on bank products and services

<p>Information Security/ Cyber Security Risk</p>	<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, 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 of damage to an organization through its information systems which is associated with financial loss, disruption or damage to the reputation of an organization from failure, unauthorized or erroneous use of its information systems. <i>(NIST IR 7298 Revision 2, Glossary of Key Information Security Terms, Page Numbers 98 and 100)</i></p>		<ul style="list-style-type: none"> ▪ Enterprise Governance Risk and Compliance (GRC) Solution. ▪ Repository for the business units' Information Asset Register (IAR) ▪ Information Security Risk Assessment (ISRA) ▪ Project Risk Assessment (PRA) ▪ IS Checklist ▪ Third-party IS Risk Assessment (TPISRA) ▪ Compliance Self-Assessments ▪ IT/IS/Cyber Key Risk Indicators (KRIs) ▪ Incident Reporting Management ▪ Information Security Policy Formulation ▪ Information Security Management System Implementation ▪ Continuous Information Security/Cyber Security Awareness Campaigns ▪ Anti-Phishing Campaign and Education ▪ Phishing Simulation Testing ▪ Social Engineering (Vishing, Dumpster Diving) simulation testing ▪ Cybersecurity Tabletop Exercise and Simulation <p>Other tools used for managing IS/Cyber security risks are:</p> <ul style="list-style-type: none"> ▪ Security Information and Events Management (thru 24/7 SOC Service Provider)
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Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
			<ul style="list-style-type: none"> ▪ Threat Intelligence / Cybersecurity Incident Sharing thru BAP ▪ Threat Detector and Visualizer ▪ DDOS Mitigation (Layer 3, Layer 7, DNS Protection thru Akamai) ▪ Data Loss Prevention ▪ Forensic Tools ▪ Vulnerability Assessment & Penetration Testing (VAPT) Tools thru 3rd Party and follow through on remediation of threats and risks ▪ Firewall ▪ Web Application Firewall ▪ Intrusion Prevention System ▪ Intrusion Detection System ▪ Multi-factor Authentication ▪ Encryption ▪ Anti-Virus/Anti-Malware ▪ Web Filtering ▪ VPN ▪ Fortify Software Security Center ▪ Endpoint Detection and Response ▪ Virtual Desktop Infrastructure ▪ Public Key Infrastructure ▪ Managed File Transfer ▪ Privilege Access Management ▪ Mobile Device Management ▪ Network Security Protection/ Network Monitoring Tool ▪ Network Access Control Solution ▪ Third Party Cyber Security Management

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
			<p>Solution</p> <ul style="list-style-type: none"> ▪ MBSS Compliance Monitoring Solution
Data Privacy Risk	<p>Data Privacy (DP) Risk is the risk associated to potential loss due to unauthorized collection, processing, or access to personal data. It includes risks that the confidentiality, integrity and/or availability of personal data will not be maintained, or the risk that processing will violate the rights of data subjects or the general privacy principles (transparency, legitimate purpose and proportionality). Consequently, the data privacy risks may negatively impact the Bank's reputation and may result to financial losses.</p>		<ul style="list-style-type: none"> ▪ Enterprise-wide Data Privacy Management System implementation ▪ Enterprise-wide Data Privacy policy and sub-policies including guidelines and procedures ▪ Privacy Impact Assessment (PIA) process implementation ▪ Institutionalization of data protection and privacy culture within the PNB Group through education and awareness programs ▪ Implementation of the Data Sharing Agreement and Data Protection Agreement ▪ Enterprise Governance Risk and Compliance (GRC) Solution – Data Privacy Modules implementation

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
Information Technology Risk	<p>Information Technology Risk is any potential adverse outcome, damage, loss, violation, failure or disruption associated with the use of or reliance on computer hardware, software, devices, systems, applications and networks. (BSP Circular 808) It is also a business risk that is associated with the use, ownership, operation, involvement, influence and adoption of IT within PNB. It consists of IT-related events that could potentially impact the business. IT Risk includes Information Security Risk that could result from non-preservation of any or all of the domains of information security; that is, confidentiality, integrity and availability of information asset. <i>(ISACA Risk IT Framework)</i></p>		<ul style="list-style-type: none"> ▪ Enterprise Governance Risk and Compliance (GRC) Solution, platform for conducting IT Risk Assessment (ITRA) ▪ IT/IS/Cyber Key Risk Indicators (KRIs) ▪ IT Risk Awareness Campaigns
Human Resource Risk	<p>Human Resource Risk covers PNB's risk of financial loss due to the inadequate training, inexperience or illegal activities of risk-taking behavior of personnel. This risk is closely related to operations risk and its internal control aspects. It highlights the human side of risk-taking and the role and adequacy of code of conduct, personnel policies, training and development programs,</p>	<ul style="list-style-type: none"> ▪ Risk Identification ▪ Risk Measurement ▪ Risk Evaluation (i.e. Analysis of Risk) ▪ Risk Management (i.e. Monitor, Control or Mitigate Risk) 	<ul style="list-style-type: none"> ▪ Talent Acquisition/Retention and Career Management ▪ Remuneration Management ▪ Performance Appraisal System ▪ Training and Development ▪ Labor Management Relations ▪ Code of Conduct/Personnel ▪ Policies ▪ Employee Welfare/Wellness ▪ Employee Engagement Program

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
	<p>ability to recruit and retain employees through adequate compensation and benefits and ability to sustain adequate workforce through succession planning.</p>		<ul style="list-style-type: none"> ▪ Rewards System ▪ Compensation Package Review ▪ Attendance Reports ▪ Performance Appraisal Report ▪ Monitoring of employee's deliberate non-submission of acknowledgement receipts of personnel policies issued by HRG ▪ Grievance Reports/ Complaints ▪ Attrition rates, separation reports and exit interview forms ▪ Disciplinary Cases Report ▪ Recruitment Turnaround Time Report ▪ Number of training programs conducted Report ▪ Hiring and Attrition Tracking
<p>Environmental and Social Risk</p>	<p>E & S Risk refers to potential financial, legal /or reputational negative effect of environmental issues on the Bank. This includes environmental pollution, climate risk (physical and transition risks), hazards to human health, safety, security and threats to community, biodiversity and cultural heritage among others.</p>	<ul style="list-style-type: none"> ▪ Risk identification ▪ Risk measurement ▪ Risk monitoring ▪ Risk control and mitigation 	<ul style="list-style-type: none"> ▪ Loss Events Report (LER) ▪ Risk and Control Self-Assessment (RCSA) ▪ Business Continuity Risk Assessment (BCRA) ▪ Hazard Hunter PH ▪ Key Risk Indicators (KRI) monitoring ▪ Enhanced Due Diligence E & S Scorecard ▪ Stress Testing

4. 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 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

As of September 30, 2024 and December 31, 2023, the Group held the following assets and liabilities measured at fair value, and at cost but for which fair values are disclosed:

	September 30, 2024				
	Carrying Value	Level 1	Level 2	Level 3	Total
Measured at fair value:					
Financial Assets					
Financial assets at FVTPL:					
Government securities	P17,333,596	P14,766,725	P2,566,871	P-	P17,333,596
Private debt securities	1,581,628	642,952	938,676	-	1,581,628
Derivative assets	1,267,837	-	1,267,837	-	1,267,837
Equity securities	2,783	2,783	-	-	2,783
Financial assets at FVOCI:					
Government securities	138,777,888	107,789,787	30,988,101	-	138,777,888
Private debt securities	13,120,945	7,144,090	5,976,855	-	13,120,945
Equity securities	26,434,279	785,477	642,465	25,006,337	26,434,279
	P198,518,956	P131,131,814	P42,380,805	P25,006,337	P198,518,956
Financial Liabilities					
Financial liabilities at FVTPL:					
	P1,064,062	P-	P1,064,062	P-	P1,064,062
Fair values are disclosed:					
Financial Assets					
Financial assets at amortized cost:					
Investment securities at amortized cost*	P108,973,118	P44,735,350	P65,290,683	P-	P110,026,033
Receivables from customers**	609,695,375	-	-	640,634,188	640,634,188
	P718,668,493	P44,735,350	P65,290,683	P640,634,188	P750,660,221
Nonfinancial Assets					
Investment property:					
Land***	P12,484,869	P-	P-	P30,284,111	P30,284,111
Buildings and improvements***	2,912,906	-	-	5,376,338	5,376,338
	P15,397,775	P-	P-	P35,660,449	P35,660,449
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	P149,848,997	P-	P-	P149,848,997	P149,848,997
LTNCDs	4,596,868	-	4,542,067	-	4,542,067
Bills payable	13,609,153	-	-	13,609,153	13,609,153
	P168,055,018	P-	P4,542,067	P163,458,150	P168,000,217

* Net of expected credit losses and other deferred credits

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

*** Net of impairment losses

	December 31, 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	1,590,489	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
Private debt securities	14,180,552	6,944,140	7,236,412	-	14,180,552
Equity securities	25,978,530	200,709	1,014,081	24,763,740	25,978,530
	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

	December 31, 2023				
	Carrying Value	Level 1	Level 2	Level 3	Total
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 and other deferred credits

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

*** Net of impairment losses

As of September 30, 2024 and December 31, 2023, 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 as of September 30, 2024 and December 31, 2023 and the range of values indicating the highest and lowest level input used in the valuation techniques.

	Significant Unobservable Input	September 30, 2024		December 31, 2023	
		-2%	+2%	-2%	+2%
Equity securities	Discount for lack of marketability	P594,978	(P594,978)	P588,436	(P588,436)

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.

5. Segment Information

5.1 Business Segments

The Group's operating businesses are determined and managed separately according to the nature of services provided and the different markets served with each segment representing a strategic business unit.

The Group's business segments follow:

- Retail Banking – principally handling individual customer's deposits, and providing consumer type loans, credit card facilities and fund transfer facilities;
- Corporate Banking – principally handling loans and other credit facilities and deposit accounts for corporate and institutional customers;
- Treasury – principally providing money market, trading and treasury services, as well as the management of the Group's funding operations by use of Treasury bills, government securities and placements, and acceptances with other banks, through treasury and wholesale banking; and
- Other Segments – include, but not limited to, trust, leasing, remittances, and other support services. Other support services of the Group comprise of operations and finance.

Transactions between segments are conducted at prevailing market rates on an arm's length basis. Interest is credited to or charged against business segments based on market rates which approximate the marginal cost of funds.

For management purposes, business segment report is done on a quarterly basis. Business segment information provided to the BOD, the chief operating decision maker (CODM), is based on the reportorial requirements under Regulatory Accounting Principles of the Bangko Sentral ng Pilipinas (BSP), which differ from PFRS due to the manner of provisioning for impairment and credit losses, measurement of investment properties, and the fair value measurement of financial instruments. The report submitted to CODM represents only the results of operation for each of the reportable segment.

Segment assets are those operating assets that are employed by a segment in its operating activities and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment liabilities are those operating liabilities that result from the operating activities of a segment and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Segment revenues pertain to the net interest margin and other operating income earned by a segment in its operating activities and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

The Group has no significant customer which contributes 10.00% or more of the consolidated revenue.

Business segment information of the Group follows:

	For the Nine Months Ended September 30, 2024 (Unaudited)					Total
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	
Net interest margin						
Third party	(P1,752,561)	P22,268,385	P15,880,348	P	P81,127	P36,477,299
Inter-segment	22,459,043	(12,534,507)	(9,924,536)	-	-	-
Net interest margin after inter-segment transactions	20,706,482	9,733,878	5,955,812	-	81,127	36,477,299
Other income	3,874,694	2,024,522	1,598,479	1,529,841	(275,534)	8,752,002
Segment revenue	24,581,176	11,758,400	7,554,291	1,529,841	(194,407)	45,229,301
Other expenses	10,346,824	6,154,566	1,093,198	791,762	(194,407)	18,191,943
Segment result	P14,234,353	P5,603,834	P6,461,093	P738,079	P-	27,037,358
Unallocated expenses						8,274,3407
Net income before income tax						18,763,018
Income tax						3,699,451
Net income						15,063,567
Non-controlling interests						(112,284)
Net income for the period attributable to equity holders of the Parent Company						P14,951,283
Other segment information						
Capital expenditures	P167,766	P42,799	P2,295	P6,317	P-	P219,177
Unallocated capital expenditures						740,768
Total capital expenditures						P959,946
Depreciation and amortization	P773,206	P559,065	P17,093	P110,315	P-	P1,459,679
Unallocated depreciation and amortization						1,066,694
Total depreciation and amortization						P2,526,373

For the Nine Months Ended September 30, 2024 (Unaudited)						
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Provision for (reversal of) impairment, credit and other losses	₱103,923	₱3,582,830	₱3,150	₱28,992	₱-	₱3,718,895

As of September 30, 2024 (Unaudited)						
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Segment assets	₱689,753,660	₱345,820,303	₱92,896,921	₱88,888,994	(₱19,647,896)	₱1,197,711,981
Segment liabilities	₱671,701,374	₱282,454,539	₱29,713,804	₱23,295,603	(₱19,533,695)	₱987,631,625

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

For the Nine Months Ended September 30, 2023 (Unaudited)						
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Net interest margin						
Third party	(₱661,171)	₱21,552,840	₱12,085,398	₱67,219	(₱4,242)	₱33,040,044
Inter-segment	24,417,514	(15,272,944)	(9,144,570)	-	-	-
Net interest margin after inter-segment transactions	23,756,343	6,279,896	2,940,828	67,219	(4,242)	33,040,044
Other income	3,723,262	4,488,246	991,649	2,153,574	(214,088)	11,142,643
Segment revenue	27,479,605	10,768,142	3,932,477	2,220,793	(218,330)	44,182,687
Other expenses	9,696,391	7,330,045	934,780	676,929	(218,330)	18,419,815
Segment result	₱17,783,214	₱3,438,097	₱2,997,697	₱1,543,864	₱-	25,762,872
Unallocated expenses						9,038,051
Net income before income tax						16,724,821
Income tax						3,221,578
Net income from continuing operations						13,503,243
Net income from discontinued operations						-
Net income						13,503,243
Non-controlling interests						(16,914)
Net income for the period attributable to equity holders of the Parent Company						₱13,520,157
Other segment information						
Capital expenditures	₱162,774	₱4,351	₱5,297	₱6,330	₱-	₱178,752
Unallocated capital expenditures						672,986
Total capital expenditures						₱851,738
Depreciation and amortization	₱892,751	₱311,373	₱14,091	₱238,066	₱-	₱1,456,281
Unallocated depreciation and amortization						1,558,704
Total depreciation and amortization						₱3,014,985
Provision for (reversal of) impairment, credit and other losses	₱17,653	₱5,141,716	(₱75,649)	₱68,075	₱-	₱5,151,795

As of December 31, 2023 (Audited)						
	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 eliminations and adjustments column mainly represent the RAP to PFRS adjustments

5.2 Geographical Segments

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

	Non-Current Assets*		Liabilities		Credit Commitments	
	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Philippines	P572,619,273	P483,441,271	P951,223,971	P981,819,485	P48,830,434	P46,642,445
Asia (excluding Philippines)	13,697,405	15,782,479	32,758,632	31,573,388	-	-
USA and Canada	2,626,756	2,486,207	3,521,933	5,895,426	-	-
United Kingdom	755	328	127,089	112,447	-	-
	P588,944,189	P501,710,285	P987,631,625	P1,019,400,746	P48,830,434	P46,642,445

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

	Capital Expenditures		Revenues	
	September 30, 2024 (Unaudited)	September 30, 2023 (Unaudited)	September 30, 2024 (Unaudited)	September 30, 2023 (Unaudited)
Philippines	P957,394	P848,744	P55,834,125	P51,839,487
Asia (excluding Philippines)	734	2,163	2,267,743	2,015,206
USA and Canada	1,818	831	683,552	812,094
United Kingdom	-	-	93,618	86,462
	P959,946	P851,738	P58,879,038	P54,753,249

6. Due from Bangko Sentral ng Pilipinas

This account consists of:

	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Demand deposit	P47,326,744	P78,372,794
Overnight deposit facility (ODF)	-	15,000,000
Term deposit	18,555,960	2,037,556
	P65,882,704	P95,410,350

For the nine months ended September 30, 2024 and 2023, Due from BSP bears annual interest rates ranging from 6.0 to 6.6% and from 5.0% to 6.7%, respectively.

7. Trading and Investment Securities

This account consists of:

	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Financial assets at FVTPL	P20,185,844	P10,516,864
Financial assets at FVOCI	178,333,112	164,531,492
Investment securities at amortized cost	108,973,118	123,200,427
	P307,492,074	P298,248,783

7.1 Financial Assets at FVTPL

This account consists of:

	September 30, 2024	December 31, 2023
	(Unaudited)	(Audited)
Government securities	₱17,333,596	₱8,174,405
Private debt securities	1,581,628	1,590,489
Derivative assets	1,267,837	749,199
Equity securities	2,783	2,771
	₱20,185,844	₱10,516,864

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

	For the Nine Months Ended September 30	
	2024	2023
Government securities	0.6% - 8.6%	1.4% - 8.6%
Private debt securities	4.9% - 6.9%	4.9% - 6.9%

7.2 Financial Assets at FVOCI

This account consists of:

	September 30, 2024	December 31, 2023
	(Unaudited)	(Audited)
Government securities	₱138,777,888	₱124,372,410
Private debt securities	13,120,945	14,180,552
Equity securities		
Quoted	1,208,013	1,049,195
Unquoted (Note 19)	25,226,266	24,929,335
	₱178,333,112	₱164,531,492

Unquoted equity securities include the Parent Company's retained 49.00% interest in PNB Holdings Corporation (PNB Holdings) amounting to ₱24.8 billion as of September 30, 2024 and ₱24.6 billion as of December 31, 2023 (refer to Note 19). The Group determines its fair value using the net asset value method after applying a 16.50% discount for lack of marketability by referring to a number of recent initial public offerings. On June 23, 2023, the PNB BOD approved and confirmed the plan for PNB to sell 14% of its stake in PNB Holdings through private placement.

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

	For the Nine Months Ended September 30	
	2024	2023
Government securities	0.6% -14.9%	0.6% - 19.1%
Private debt securities	0.5% - 6.4%	0.5% - 6.3%

As of September 30, 2024 and December 31, 2023, net unrealized losses on financial assets at FVOCI amounted to ₱2.1 billion and ₱1.7 billion, respectively.

7.3 Investment Securities at Amortized Cost

This account consists of:

	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Government securities	₱97,259,311	₱104,533,382
Private debt securities	11,858,948	18,822,880
	109,118,259	123,356,262
Less allowance for credit losses (Note 13)	145,141	155,835
	₱108,973,118	₱123,200,427

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

	For the Nine Months Ended September 30	
	2024	2023
Government securities	0.8% - 7.5%	0.8% - 7.5%
Private debt securities	1.0% - 8.3%	1.0% - 8.3%

7.4 Interest Income on Investment Securities at Amortized Cost and FVOCI

This account consists of:

	For the Nine Months Ended September 30	
	2024 (Unaudited)	2023 (Unaudited)
Financial assets at FVOCI	₱7,416,450	₱3,768,329
Investment securities at amortized cost	4,828,321	5,371,848
	₱12,244,771	₱9,140,177

7.5 Trading and Investment Securities Gains (Losses) - net

This account consists of:

	For the Nine Months Ended September 30	
	2024 (Unaudited)	2023 (Unaudited)
Financial assets at FVTPL		
Government securities	₱688,659	₱151,417
Private debt securities	(475)	(11,863)
Equity securities	11	(80)
Derivatives	51,885	2,710
Financial assets at FVOCI		
Private debt securities	48	103
Equity securities	6,969	-
Investment securities at amortized cost	1	(5,358)
	₱747,098	₱136,929

8. Loans and Receivables

This account consists of:

	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Receivables from customers (Note 19):		
Loans and discounts	₱618,447,265	₱607,065,797
Credit card receivables	15,978,320	15,232,845
Customers' liabilities on letters of credit and trust receipts	8,854,813	8,688,649
Customers' liabilities on acceptances	4,679,931	9,533,137
Lease contracts receivable	-	8,399
Bills purchased	1,877,876	1,949,627
	649,838,205	642,478,454
Other receivables:		
Accrued interest receivable (Note 19)	8,876,698	8,179,147
Sales contract receivables (Note 19)	1,512,103	3,760,162
Accounts receivable (Note 19)	3,647,974	5,180,198
Miscellaneous	437,129	366,090
	14,473,904	17,485,597
	664,312,110	659,964,051
Less: Unearned and other deferred income	788,419	681,399
Allowance for credit losses (Note 13)	43,437,464	42,571,906
	₱620,086,227	₱616,710,746

'Surplus reserves' includes ₱4.0 billion and ₱3.9 billion as of September 30, 2024 and December 31, 2023, respectively, which pertains to the excess of 1.0% general loan loss provisions over the computed ECL for Stage 1 accounts as prescribed by BSP Circular 1011, *Guidelines on the Adoption of PFRS 9* (refer to Note 15.2).

As of September 30, 2024 and December 31, 2023, 71.8% and 70.6%, respectively, of the total receivables from customers of the Parent Company were subject to interest repricing. For the nine months ended September 30, 2024 and 2023, remaining receivables carry annual fixed interest rates ranging from 1.1% to 9.0% for foreign currency-denominated receivables, and from 1.1% to 31.5% for peso-denominated receivables.

9. Property and Equipment

For the nine months ended September 30, 2024 and 2023, the Group purchased assets with cost of ₱0.3 billion and ₱0.4 billion, respectively. For the same periods, the Group disposed property and equipment with net book value of ₱27.8 million and ₱332.0 million, respectively, recognizing gain on sale of ₱135.8 million and ₱7.4 million, respectively.

10. Investment Properties

For the nine months ended September 30, 2024, and 2023, the Group foreclosed investment properties amounting to ₱1.3 billion and ₱2.7 billion, respectively. For the same periods, the Group disposed investment properties with net book value of ₱192.7 million and ₱1.7 billion, recognizing gain on sale of ₱664.0 million and ₱2.8 billion, respectively.

11. Goodwill and Intangible Assets

11.1 Software Costs

For the nine months ended September 30, 2024 and 2023, the Group purchased software with cost of ₱0.6 billion and ₱0.5 billion, respectively.

11.2 Goodwill

As of September 30, 2024 and December 31, 2023, goodwill for each cash-generating unit amounted to:

Retail Banking	₱6,110,312
Treasury	2,038,163
Corporate Banking	2,036,368
	₱10,184,843

Goodwill is reviewed for impairment annually in the fourth quarter of the reporting period, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. As of September 30, 2024, the Parent Company assessed no events or changes in circumstances that will require impairment testing of its goodwill.

12. Other Assets and Other Liabilities

12.1 Other Assets

This account consists of:

	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Financial		
Fund for electronic money products	₱350,000	₱350,000
Returned checks and other cash items	151,038	28,298
Security deposits (Note 19)	19,229	18,279
Miscellaneous	2,976	5,680
	523,243	402,257
Nonfinancial		
Deferred charges (Note 19)	3,194,074	2,065,324
Creditable withholding taxes	1,929,712	1,309,256
Prepaid expenses	568,626	362,254
Real estate under development	459,722	519,448
Documentary stamps on hand	276,140	471,092
Chattel mortgage properties - net of depreciation	193,642	304,817
Stationeries and supplies	82,110	99,536
Other investments	26,409	26,335
Miscellaneous	1,344,130	929,602
	8,074,565	6,087,664
	8,597,808	6,489,921
Less allowance for credit and impairment losses (Note 13)	1,050,974	1,035,620
	₱7,546,834	₱5,454,301

12.2 Other Liabilities

This account consists of:

	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Financial		
Accounts payable	₱3,193,553	₱2,988,517
Dormant credits	1,498,726	1,280,886
Bills purchased - contra	1,320,398	1,362,515
Manager's checks and demand drafts outstanding	991,737	1,296,191
Due to other banks (Note 19)	641,457	744,625
Accounts payable - electronic money	606,566	628,449
Payment order payable	158,183	221,340
Deposits on lease contracts (Note 19)	73,911	76,028
Remittance liability	46,355	49,101
Margin deposits and cash letters of credit	20,521	686,130
Deposit for keys on safety deposit boxes	15,858	15,919
	8,567,265	9,349,701
Nonfinancial		
Due to Treasurer of the Philippines	1,435,637	1,444,009
Provisions	863,830	1,068,215
Deferred revenue - Credit card-related	596,146	672,373
Withholding tax payable	404,436	374,139
Deferred revenue - Bancassurance	372,374	427,274
Retirement benefit liability	223,620	281,585
Deferred tax liabilities	166,302	166,091
SSS, Philhealth, Employer's compensation premiums and Pag-IBIG contributions payable	64,101	54,638
Miscellaneous	1,021,943	903,897
	5,148,389	5,392,221
	₱13,715,654	₱14,741,922

13. Allowance for Impairment, Credit and Other Losses

Movements in this account follow:

	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Balance at beginning of period:		
Due from other banks	₱9,898	₱9,898
Interbank loans receivable	8,045	1,369
Securities held under agreements to resell	14,152	2,188
Financial assets at FVOCI	45,673	121,585
Investment securities at amortized cost (Note 7)	155,835	3,847,850
Loans and receivables (Note 8)	42,571,906	38,944,781
Property and equipment	1,133,292	1,168,887
Investment properties	2,318,900	2,175,669
Other assets (Note 12)	1,035,620	1,041,840
	₱47,293,321	47,314,067

	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Movements during the period:		
Provision for impairment, credit and other losses	3,718,895	5,923,078
Accounts charged-off	(2,345,668)	(5,095,075)
Transfers and others	(331,482)	(848,749)
	1,041,745	(20,746)
Balance at end of period:		
Due from other banks	9,875	9,898
Interbank loans receivable (Note 21)	12,202	8,045
Securities held under agreements to resell	7,015	14,152
Financial assets at FVOCI	60,652	45,673
Investment securities at amortized cost (Note 7)	145,141	155,835
Loans and receivables (Note 8)	43,437,464	42,571,906
Property and equipment	1,124,779	1,133,292
Investment properties	2,486,964	2,318,900
Other assets (Note 12)	1,050,974	1,035,620
	₱48,335,066	₱47,293,321

14. Financial Liabilities

14.1 Deposit Liabilities

As of September 30, 2024, and December 31, 2023, noninterest bearing deposit liabilities amounted to ₱27.8 billion and ₱27.1 billion, respectively. For the nine months ended September 30, 2024, and 2023, the remaining deposit liabilities of the Group generally bear annual fixed interest rates ranging from 0.1% to 7.0% and 0.1% to 7.5%, respectively, for peso-denominated deposit liabilities, and from 0.01% to 6.2% and 0.01% to 6.5%, respectively, for foreign currency-denominated deposit liabilities.

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

LTNCDs issued by the Parent Company consist of:

Issue Date	Maturity Date	Face Value	Coupon Rate	Interest Repayment Terms	Carrying Value	
					September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
October 11, 2019	April 11, 2025	₱4,600,000	4.38%	Quarterly	₱4,596,868	₱4,591,288
February 27, 2019	August 27, 2024	8,220,000	5.75%	Quarterly	-	8,212,255
		₱12,820,000			₱4,596,868	₱12,803,543

Interest expense on deposit liabilities consists of:

	For the Nine Months Ended September 30	
	2024 (Unaudited)	2023 (Unaudited)
Savings	₱7,185,964	₱4,684,235
Time	4,473,266	3,579,599
LTNCD	474,111	602,147
Demand	157,436	152,087
	₱12,290,777	₱9,018,068

14.2 Bonds Payable

This account consists of:

Issue Date	Maturity Date	Face Value	Coupon Rate	Interest Repayment Terms	Carrying Value	
					September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
<u>Fixed rate medium term senior notes</u>						
June 27, 2019	September 27, 2024	USD750,000	3.28%	Semi-annually	₱-	₱41,490,871

As of September 30, 2024, and December 31, 2023, the unamortized transaction costs of bonds payable amounted to **₱-** million and **₱26.3** million, respectively. For the nine months ended September 30, 2024 and 2023, amortization of transaction costs amounting to **₱26.3** million and **₱50.7** million were charged to 'Interest expense on bonds payable' in the statements of income.

15. Equity

15.1 Capital Stock

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

	Shares	Amount
Common - ₱40 par value		
Authorized	1,750,000,001	₱70,000,000
Issued and outstanding		
Balance at the beginning and end of the period	1,525,764,850	₱61,030,594

As of September 30, 2024 and December 31, 2023, the Parent Company had 35,974 and 36,081 stockholders, respectively.

15.2 Surplus Reserves

This account consists of:

	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Reserves under BSP Circular 1011 (Note 8)	₱3,981,559	₱3,912,672
Reserves for trust business	660,258	660,258
Reserves for self-insurance	105,000	105,000
	₱4,746,817	₱4,677,930

15.3 Regulatory Reporting for Capital Management

As of September 30, 2024 and December 31, 2023, Common Equity Tier 1 (CET1) ratio and Total Capital Adequacy Ratio (CAR) are as follows:

	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Consolidated		
a) CET1 Capital/Tier 1 Capital	₱153,043,749	₱135,237,152
b) Total Qualifying Capital	159,931,238	142,058,656
c) Total Risk-Weighted Assets	799,770,040	802,506,454
CET 1 Ratio/Tier 1 Ratio (a/c)	19.14%	16.85%
Total CAR (b/c)	20.00%	17.70%
Parent Company		
d) CET1 Capital/Tier 1 Capital	₱130,903,503	₱113,678,152
e) Total Qualifying Capital	137,580,985	120,279,567
f) Total Risk-Weighted Assets	773,923,537	775,138,367
CET 1 Ratio/Tier 1 Ratio (d/f)	16.91%	14.67%
Total CAR (e/f)	17.78%	15.52%

16. Other Operating Income and Expenses

16.1 Service Fees and Commission Income

This account consists of:

	For the Nine Months Ended September 30	
	2024 (Unaudited)	2023 (Unaudited)
Deposit-related	₱1,418,257	₱1,303,191
Loan-related	1,004,201	1,146,124
Credit card-related	837,076	618,711
Remittance	502,894	504,679
Trust fees	281,561	281,522
Bancassurance	258,708	300,848
Underwriting fees	145,920	346,525
Miscellaneous	201,014	682,234
	₱4,649,631	₱5,183,834

16.2 Miscellaneous Expenses

This account consists of:

	For the Nine Months Ended September 30	
	2024 (Unaudited)	2023 (Unaudited)
Insurance	₱1,459,939	₱1,480,458
Secretarial, janitorial and messengerial	1,444,448	1,340,522
Marketing	1,118,481	655,136
Information technology	697,623	723,173
Travelling	335,835	251,568
Litigation and assets acquired	329,820	508,029
Stationery and supplies	214,292	151,966
Management and other professional fees	175,862	185,195
Entertainment, amusement and recreation	124,248	60,052
Postage, telephone and cable	106,185	118,056
Common use service area charges	98,596	175,779
Repairs and maintenance	34,278	15,479
Freight	20,615	20,778
Fuel and lubricants	8,636	10,526
Others	143,012	600,369
	₱6,311,870	₱6,297,086

17. Income Taxes

Provision for income tax consists of:

	For the Nine Months Ended September 30	
	2024 (Unaudited)	2023 (Unaudited)
Current		
Regular	₱1,448,089	₱1,859,162
Final	2,976,253	2,136,505
	4,424,342	3,995,667
Deferred	(724,891)	(774,089)
	₱3,699,451	₱3,221,578

As of September 30, 2024 and December 31, 2023, the Group recognized deferred tax assets amounting to ₱7.7 billion and ₱7.0 billion, respectively, with the increase in 2024 mainly coming from deferred tax assets on allowance for impairment and credit losses.

18. Earnings Per Share

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

	For the Nine Months Ended September 30	
	2024 (Unaudited)	2023 (Unaudited)
a) Net income attributable to equity holders of the Parent Company	₱14,951,283	₱13,520,157
b) Weighted average number of common shares for basic earnings per share	1,525,765	1,525,765
c) Basic and diluted earnings per share (a/b)	₱9.80	₱8.86

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

19. Related Party Transactions

Balances of significant related party transactions of the Group as of September 30, 2024 and December 31, 2023 are shown in the following table (transactions with subsidiaries have been eliminated in the consolidated financial statements). Transactions reported under subsidiaries represent companies where the Parent Company has control. Transactions reported under other related parties represent companies which are under common control.

	Significant Investors		Subsidiaries		Other Related Parties		Associate	
	September 30, 2024	December 31, 2023						
Receivables from customer	₱-	₱-	₱-	₱-	₱58,303,519	₱55,298,956	₱-	₱-
Credit facilities	-	-	12,442,258	10,638,270	54,834,398	77,116,535	120,000	120,000
Sales contract receivable	-	-	-	-	1,102	2,173	-	-
Financial assets at FVOCI	-	-	-	-	24,864,136	24,587,068	-	-
Interbank loans receivable	-	-	89,201	52,680	2,500,000	-	-	-
Due from other banks	-	-	306,861	288,020	-	-	-	-
Accounts receivable	-	-	47,202	17,276	-	-	-	-
Accrued interest receivable	-	-	155	1,076	499,225	297,551	-	-
Right-of-use assets	-	-	-	-	2,715,950	2,055,010	-	-
Security deposit	-	-	-	-	175,513	176,082	-	-
Deposit liabilities	3,193,772	2,276,926	3,357,636	3,155,369	46,318,484	46,333,463	545,987	128,165
Accrued interest payable	6,077	2,188	14,956	21,113	160,695	267,825	31	41
Accrued other expenses	-	-	-	-	597,050	402,589	-	-
Lease liabilities	-	-	-	-	-	2,107,960	-	-
Rental deposits	-	-	-	-	-	-	27	27
Deferred revenues	-	-	-	-	38,611	41,111	494,093	548,993
Due to other banks	-	-	918	65	-	-	-	-

Significant related party transactions of the Group for the six months ended September 30, 2024 and 2023 follow (transactions with subsidiaries have been eliminated in the consolidated financial statements):

	Significant Investors		Subsidiaries		Other Related Parties		Associate	
	September 30		September 30		September 30		September 30	
	2024	2023	2024	2023	2024	2023	2024	2023
Interest income	P-	P-	P1,274	P65,545	P2,158,125	P1,270,342	P-	P-
Interest expense	94,365	48,993	154,005	146,873	1,337,589	1,268,093	796	1,098
Miscellaneous other income	-	-	2,438	1,749	-	-	-	-
Miscellaneous other expense	-	-	-	-	490,344	-	-	-
Purchases of securities	-	-	28,897	166,676	11,835,914	5,141,344	-	-
Sale of securities	-	-	929,958	237,005	6,349,986	8,616,558	-	-
Trading gains (losses)	-	-	130	18	8,037	(39,681)	-	-
Amortization expenses	-	-	-	-	279,312	497,594	-	-
Service fee income	-	-	-	-	-	-	54,899	36,600

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

20. Provisions, Contingencies and Other Commitments

In the normal course of business, the Group makes various commitments and incurs certain contingent liabilities which are not presented in the accompanying unaudited interim condensed financial statements including several suits and claims which remain unsettled. The Group and its legal counsel believe that any losses arising from these contingencies which are not specifically provided for will not have a material adverse effect on the unaudited interim condensed financial statements.

There were no significant settlements made in the third quarter of 2024.

In the ordinary course of the Group's operations, certain entities within the Group have pending tax assessments/claims which are in various stages of protest/appeal with the tax authorities, the amounts of which cannot be reasonably estimated. Management believes that the bases of said protest/appeal are legally valid such that the ultimate resolution of these assessments/claims would not have material effects on the consolidated financial position and results of operations.

21. Notes to the Statement of Cash Flows

21.1 Interbank Loans Receivable

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

	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Interbank loans receivable	P35,489,160	P35,642,485
Less: Allowance for credit losses	12,202	8,045
	35,476,958	35,634,440
Less: Interbank loans receivable not considered as cash and cash equivalents	2,122,258	4,678,674
	P33,354,700	P30,955,766

21.2 Cash Flows from Financing Activities

The changes in liabilities arising from financing activities for the nine months ended September 30, 2024 and 2023 follow:

	September 30, 2024 (Unaudited)			Ending balance
	Beginning balance	Net cash flows	Others	
Bills and acceptances payable	P20,162,603	(P1,894,052)	(P45,731)	P18,222,820
Bonds payable	41,490,871	(42,180,000)	689,129	–
Lease liabilities	3,832,884	(861,776)	667,602	3,638,710
	P65,486,358	(P44,935,828)	P1,311,000	P21,861,530

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

21.3 Non-Cash Transactions

For the nine months ended September 30, 2024 and 2023, additions to right-of-use assets amounted to P0.5 billion and P1.2 billion, while additional lease liabilities amounted to P0.5 billion and P1.2 billion, respectively.

For the nine months ended September 30, 2024 and 2023, the Group foreclosed investment properties amounting to P1.3 billion and P2.7 billion, respectively.

For the nine months ended September 30, 2024 and 2023, the Group applied creditable withholding taxes against its income tax payable amounting to P0.6 billion and P0.7 billion, respectively.

22. Events After the Reporting Date

On October 14, 2024, PNB issued US\$300 million benchmark-sized Sustainability Regulation S offering of 5-year senior notes (the “Notes”) under its US\$2 billion Euro Medium Term Note programme (the “Programme”). The 5-year bond was priced at T+102 basis points, with a fixed coupon rate of 4.85%.

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

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

	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Derivative forwards	₱210,374,919	₱195,661,001
Trust department accounts	185,540,650	168,037,276
Standby letters of credit	76,859,546	65,344,786
Unutilized credit card lines	47,784,538	45,354,961
Derivative spots	25,803,035	21,141,791
Deficiency claims receivable	25,777,390	23,953,740
Inward bills for collection	622,330	434,566
Outward bills for collection	310,439	236,311
Unused commercial letters of credit	179,181	440,767
Confirmed export letters of credit	96,652	93,852
Items held as collateral	27,369	58,887
Shipping guarantees issued	21,875	23,101
Other contingent accounts	134,867	7,182

24. Other Matters

The Group has nothing material to report on the following items:

- known demands or commitments that will have a material impact on the Group's liquidity and continuing operations within the next twelve (12) months;
- any events that will trigger direct or contingent financial obligations that is material to the Group, including any default or acceleration of an obligation;
- material off-balance sheet transactions, various commitments, arrangements, contingent assets and contingent liabilities other than those already discussed in Note 23;
- material commitments for capital expenditures;
- issuances, repurchases and repayments of debt and equity securities;
- seasonal aspects that had a material effect on the Group's financial condition and results of operations;
- dividends declared or paid; and
- material events subsequent to September 30, 2024 other than the disclosure in Note 22.

ANNEX B

**PHILIPPINE NATIONAL BANK
SCHEDULE OF AGING OF LOANS RECEIVABLES FROM CUSTOMERS**

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

	September 30, 2024
Current Accounts	P599,156,063
Past Due:	
Less than 30 days	4,163,421
31 to 90 days	5,069,055
91 to 180 days	3,385,704
More than 180 days	38,063,963
Loans Receivables, gross	649,838,206
Less:	
Unearned and other deferred income	(788,419)
Allowance for credit losses	(39,354,412)
Loans Receivables, net	P609,695,375