



OFFICE OF THE CORPORATE SECRETARY

Direct Line: 8536-0540
Trunk Lines: 8891-6040 to 70
Locals: 4582/4106

March 20, 2024

PHILIPPINE DEALING & EXCHANGE CORPORATION

29th Floor, BDO Equitable Tower
8751 Paseo de Roxas
Makati City

Attention: **MR. ANTONINO A. NAKPIL**
President & CEO

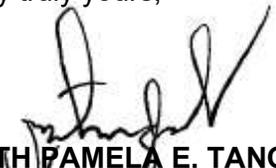
Subject: Information Statement for Annual Stockholders' Meeting

Dear Mr. Nakpil:

We are pleased to furnish the Philippine Dealing and Exchange Corporation (PDEX) a copy of our disclosure to the Philippine Stock Exchange regarding the Definitive Information Statement of the Bank relative to the holding of its Annual Stockholders' Meeting on April 30, 2024.

We trust you will take note accordingly. Thank you.

Very truly yours,



RUTH PAMELA E. TANGHAL
Corporate Secretary

Philippine National Bank
PNB Financial Center
Pres. Diosdado Macapagal Blvd.,
Pasay City, Metro Manila 1300,
Philippines

T. (632) 8526-3131 to 70 / 8891-6040 to 70
P.O. Box 1884 (Manila)
P.O. Box 410 (Pasay City)
www.pnb.com.ph

Authorized Depository of the Republic of the Philippines
Member: PDIC

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 17.1(b) OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

- Preliminary Information Statement
 Definitive Information Statement

2. Name of Registrant as specified in its charter

Philippine National Bank

3. Province, country or other jurisdiction of incorporation or organization

Philippines

4. SEC Identification Number

ASO96-005555

5. BIR Tax Identification Code

000-188-209-000

6. Address of principal office

PNB Financial Center, President Diosdado Macapagal Boulevard, Pasay City, Metro
Manila

Postal Code

1300

7. Registrant's telephone number, including area code

(632) 8526-3131 to 70

8. Date, time and place of the meeting of security holders

April 30, 2024, 8:00 a.m., the meeting will be conducted through remote communication

9. Approximate date on which the Information Statement is first to be sent or given to security holders

Apr 2, 2024

10. In case of Proxy Solicitations:

Name of Person Filing the Statement/Solicitor

Not Applicable

Address and Telephone No.

Not Applicable

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA
(information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding

Common Shares

1,525,764,850

13. Are any or all of registrant's securities listed on a Stock Exchange?

 Yes No

If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange

The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.

**PNB**

Philippine National Bank

PNB

**PSE Disclosure Form 17-5 - Information Statement for Annual or
Special Stockholders' Meeting
References: SRC Rule 20 and
Section 17.10 of the Revised Disclosure Rules**

Date of Stockholders' Meeting	Apr 30, 2024
Type (Annual or Special)	Annual
Time	8:00 a.m.
Venue	The meeting will be conducted through remote communication.
Record Date	Apr 1, 2024

Inclusive Dates of Closing of Stock Transfer Books

Start Date	Mar 22, 2024
End date	Apr 1, 2024

Other Relevant Information

None.

Filed on behalf by:

Name	Ruth Pamela Tanghal
Designation	Corporate Secretary

COVER SHEET

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S.E.C. Registration Number

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(Company's Full Name)

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(Business Address: No. Street City/Town/ Province)

RUTH PAMELA E. TANGHAL Corporate Secretary
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Contact Person

8834-0780

Company Telephone Number

1	2
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Month

3	1
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Day

Fiscal Year

DEFINITIVE INFORMATION STATEMENT

FORM TYPE

April 25

Month Day
Annual Meeting

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Secondary License Type, If Applicable

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Dept. Requiring this Doc.

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Amended Articles Number/Section

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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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**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS**

**INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE**

1. Check the appropriate box:
[] Preliminary Information Statement
[x] Definitive Information Statement
2. Name of Registrant as specified in its charter : PHILIPPINE NATIONAL BANK
3. Province, country or other jurisdiction of incorporation or organization : Metro Manila, Philippines
4. SEC Identification Number : ASO96-005555
5. BIR Tax Identification Number : 000-188-209-000
6. Address of principal office : PNB Financial Center
President Diosdado Macapagal Blvd.
Pasay City, Metro Manila, 1300
7. Registrant's telephone number, including area code : (632) 8526-3131 loc. 4582
(Office of the Corporate Secretary)
8. Date of meeting : April 30, 2024
Time of meeting : 8:00 a.m.
Place of meeting : The 2024 PNB Stockholders' Meeting will be conducted through remote communication. The livestreaming link will be provided via email to registered Stockholders.
9. Approximate date on which the Information Statement is first to be sent or given to security holders : April 2, 2024
10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate Registrant):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
COMMON SHARES	1,525,764,850

11. Are any or all Registrant's securities listed in a Stock Exchange?

Yes [✓]

No []

If yes, disclose the name of such Stock Exchange and the class of securities listed therein : **PHILIPPINE STOCK EXCHANGE/
COMMON STOCK**



NOTICE OF ANNUAL STOCKHOLDERS' MEETING

Notice is hereby given that the Annual Meeting of the Stockholders of the Philippine National Bank (the "Bank") will be conducted through remote communication on April 30, 2024, Tuesday, at 8:00 a.m.

The Agenda for the Meeting is as follows:

1. Call to Order
2. Secretary's Proof of Notice and Quorum
3. Approval of the Minutes of the 2023 Annual Stockholders' Meeting held on April 25, 2023
4. Report of the President on the Results of Operations for the Year 2023
5. Approval of the 2023 Annual Report
6. Approval of the Amendment to the By-Laws, as follows:
 - a. Sections 3.4 and 3.5, Article III;
 - b. Sections 4.2, 4.3, 4.4 and 4.7, Article IV;
 - c. Sections 5.4, 5.5, 5.8, 5.9, 5.11, 5.12 and 5.17, Article V; and
 - d. Sections 6.1, 6.9, 6.10 and 6.11, Article VI
7. Ratification of All Legal Acts, Resolutions and Proceedings of the Board of Directors and Corporate Officers since the 2023 Annual Stockholders' Meeting
8. Election of Directors
9. Appointment of External Auditor
10. Other Matters
11. Adjournment

The details and rationale of each item of the Agenda and the proposed amendments to the By-Laws are attached as Annexes "A" and "B" of the Information Statement, respectively.

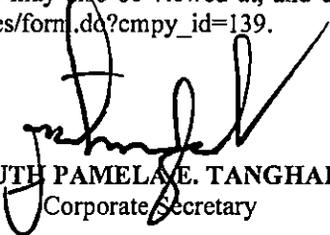
Stockholders of record as of April 1, 2024 shall be entitled to attend, and to vote at, the meeting.

The Bank will conduct its Annual Stockholders' Meeting through remote communication. Stockholders who wish to attend the meeting or vote through remote communication should register using the PNB ASM Registration Portal provided at www.pnb.com.ph/asm2024 on or before April 23, 2024. The requirements and procedure for registration, participation and voting through remote communication are set out in Annex "C" of the Information Statement and published in PNB's website at www.pnb.com.ph/asm2024. There will be an audio and visual recording of the meeting.

Stockholders who are unable to attend the meeting may designate their authorized representative by submitting a signed proxy form via email to pnb_asm@pnb.com.ph no later than 5:00 p.m. on April 25, 2024. A sample proxy form may be downloaded at www.pnb.com.ph/asm2024. Validation of proxies will be on April 25, 2024 at 5:30 p.m.

Stockholders of record may send their queries and comments to pnb_asm@pnb.com.ph on or before April 26, 2024.

Copies of the Notice of the Meeting, Definitive Information Statement, Management Report and Financial Statements ("Documents") may be viewed and downloaded from the Bank's website at <https://www.pnb.com.ph/2024DIS>. Alternatively, the Documents may also be viewed at, and downloaded from its PSE EDGE profile at https://edge.pse.com.ph/companyDisclosures/form.do?cmpy_id=139.


RUTH PAMELA E. TANGHAL
Corporate Secretary



SEC FORM 20-IS

**INFORMATION STATEMENT
PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE**

A. GENERAL INFORMATION

Item 1. DATE, TIME AND PLACE OF MEETING OF SECURITY HOLDERS

- (a) The Annual Stockholders' Meeting of the Philippine National Bank (hereafter "PNB" or the "Bank") will be conducted through remote communication on April 30, 2024, Tuesday, at 8:00 a.m.

The Bank's complete address is PNB Financial Center, President Diosdado Macapagal Blvd., Pasay City, Metro Manila, Philippines.

- (b) The Notice of Meeting and the Definitive Information Statement may be accessed by qualified stockholders not later than April 2, 2024.

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE NOT BEING REQUESTED TO SEND US A PROXY AT THIS TIME.

Item 2. DISSENTER'S RIGHT OF APPRAISAL

- (a) Title X – Section 80 of the Revised Corporation Code of the Philippines allows a stockholder to exercise his right to dissent and demand payment of the fair value of his shares in certain instances, to wit: (1) in case an amendment to the Articles of Incorporation will change or restrict the rights of such stockholder or class of shares, or authorize preferences in any respect superior to those of outstanding shares of any class or otherwise extend or shorten the term of the company; (2) in case of the sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the company's properties and assets; or (3) in cases of merger or consolidation; or (4) in case of investment of corporate funds for any purpose other than the primary purpose of the company.
- (b) None of the proposed corporate actions to be submitted to the stockholders for approval constitutes a ground for the exercise of the stockholder's appraisal right.

Item 3. INTEREST OF CERTAIN PERSONS IN OR OPPOSITION TO MATTERS TO BE ACTED UPON

- (a) No person who has been a director of the Bank from the beginning of fiscal year 2023, or any associate of the foregoing, has any interest in any matter to be acted upon in the meeting other than election to office.
- (b) The Bank has not received any information from a director that he/she intends to oppose any matter to be acted upon in the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

- (a) The total number of Common Shares outstanding as of February 29, 2024 is 1,525,764,850 with a par value of ₱40.00 per share. Total foreign equity ownership is 16,245,085 Common Shares or 1.07% of total outstanding capital stock.

Pursuant to Article IV, Section 4.9 of the Bank’s By-Laws, every stockholder shall be entitled to one (1) vote for each share of common stock in his name in the books of the Bank as of April 1, 2024 (the “Record Date”).

With respect to the election of directors, a stockholder may vote such number of shares for as many persons as there are directors to be elected, or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected, or he may distribute them on the same principle among as many candidates as he shall see fit, provided the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the number of directors to be elected.

Pursuant to Sections 23 and 57 of the Revised Corporation Code, the PNB Board of Directors approved on January 26, 2024, the participation and voting at the 2024 Annual Stockholders’ Meeting through remote communication. The requirements and procedure for registration, participation and voting through remote communication are provided in this Information Statement and published in PNB’s website at www.pnb.com.ph/asm2024.

- (b) Stockholders of the Bank as of the Record Date shall be entitled to notice of, and to vote at, the Annual Stockholders’ Meeting.
- (c) Security Ownership of Certain Record and Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners (more than 5% of any class of voting securities as of February 29, 2024)

Name & Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage of Ownership
All Seasons Realty Corp. - Makati City - 10,005,866 shares Stockholder	Majority-Owned and Controlled by LT Group, Inc.	Filipino	912,811,179	59.8264653298
Allmark Holdings Corp. - Makati City – 20,724,567 shares Stockholder		Filipino		
Caravan Holdings Corporation - Marikina City - 82,017,184 shares Stockholder		Filipino		

Name & Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Common Shares Held	Percentage of Ownership
Donfar Management Limited - Makati City - 30,747,898 shares Stockholder	Majority-Owned and Controlled by LT Group, Inc.	Filipino		
Dunmore Development Corp. (X-496) - Pasig City - 15,140,723 shares Stockholder		Filipino		
Dynaworld Holdings, Inc. - Marikina City - 11,387,569 shares Stockholder		Filipino		
Fast Return Enterprises, Ltd. - Makati City - 18,157,183 shares Stockholder		Filipino		
Fil-Care Holdings, Inc. - Quezon City - 25,450,962 shares Stockholder		Filipino		
Fragile Touch Investment, Ltd. - Makati City - 22,696,137 shares Stockholder		Filipino		
Ivory Holdings, Inc. - Makati City - 20,761,731 shares Stockholder		Filipino		
Kenrock Holdings, Corp. - Makati City - 26,018,279 shares Stockholder		Filipino		

Name & Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage of Ownership
Kentwood Development Corp. - Quezon City - 17,237,017 shares Stockholder	Majority-Owned and Controlled by LT Group, Inc.	Filipino		
Key Landmark Investments Ltd. - Makati City - 133,277,924 shares Stockholder		Filipino		
La Vida Development Corp. - Quezon City - 19,607,334 shares Stockholder		Filipino		
Leadway Holdings, Inc. - Pasig City - 65,310,444 shares Stockholder		Filipino		
Mavelstone International Limited - Makati City - 29,575,168 shares Stockholder		Filipino		
Merit Holdings & Equities Corp. - Quezon City - 17,385,520 shares Stockholder		Filipino		
Multiple Star Holdings Corp. - Makati City - 30,798,151 shares Stockholder		Filipino		
Pioneer Holdings Equities, Inc. - Pasig City - 34,254,212 shares Stockholder		Filipino		

Name & Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage of Ownership
Profound Holdings, Inc. - Makati City - 18,242,251 shares Stockholder	Majority-Owned and Controlled by LT Group, Inc.	Filipino		
Purple Crystal Holdings, Inc. - Manila City - 24,404,724 shares Stockholder		Filipino		
Safeway Holdings & Equities, Inc. - Quezon City - 12,048,843 shares Stockholder		Filipino		
Society Holdings Corp. - Quezon City - 17,298,825 shares Stockholder		Filipino		
Solar Holdings Corporation - Pasig City - 82,017,184 shares Stockholder		Filipino		
Total Holdings Corporation - Pasig City - 15,995,011 shares Stockholder		Filipino		
True Success Profits Limited - Makati City - 82,017,184 shares Stockholder		Filipino		
Uttermost Success Limited - Makati City – 30,233,288 shares Stockholder		Filipino		

The right to vote or direct the voting of the Bank's shares held by the foregoing stockholders is lodged in their respective Boards of Directors. The Bank expects to receive from the abovenamed companies

their proxy for the 2024 meeting no later than April 25, 2024, appointing any one (1) of Mr. Lucio C. Tan or Mr. Harry Tan or Ms. Juanita Tan Lee as the authorized proxies/attorneys-in-fact.

(2) Security Ownership of Management (Individual Directors and Executive Officers as of February 29, 2024)

The ownership of the Bank's incumbent Directors and Executive Officers are as follows:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percentage of Ownership
Common	Edgar A. Cua Chairman/Independent Director	100 shares (Direct) ₱4,000.00	Filipino	0.0000065541
Common	Leonilo G. Coronel Vice Chairman/Director	1 share (Indirect) ₱40.00	Filipino	0.0000000655
Common	Felix Enrico R. Alfiler Director	5 shares (Indirect) ₱200.00	Filipino	0.0000003277
Common	Florido P. Casuela Director/President	162 shares (Indirect) ₱6,480.00	Filipino	0.0000106176
Common	Chester Y. Luy Director	10 shares (Indirect) ₱400.00	Filipino	0.0000006554
Common	Estelito P. Mendoza Director	1,150 shares (Indirect) ₱46,000.00	Filipino	0.0000753720
Common	Isabelita M. Papa Independent Director	1 share (Indirect) ₱40.00	Filipino	0.0000000655
Common	Sheila T. Pascual Director	100 shares (Direct) 10 (Indirect) ₱4,400.00	Filipino	0.0000072095
Common	Wilfrido E. Sanchez Independent Director	1 share (Indirect) ₱40.00	Filipino	0.0000000655
Common	Eusebio V. Tan Director	10 shares (Indirect) ₱400.00	Filipino	0.0000006554
Common	Lucio C. Tan III Director	300 shares (Direct) ₱12,000.00	Filipino	0.0000196623
Common	Michael G. Tan Director	62,000 shares (Indirect) 250 shares (Direct) ₱2,490,000.00	Filipino	0.0040799210
Common	Vivienne K. Tan Director	10 shares (Indirect) ₱400.00	Filipino	0.0000006554
Common	Maria Almasara Cyd N. Tuaño-Amador Independent Director	1 share (Indirect) ₱40.00	Filipino	0.0000000655
Common	Domingo H. Yap Independent Director	1 share (Indirect) ₱40.00	Filipino	0.0000000655
<i>Sub-total</i>		64,112 shares (Direct and Indirect) ₱2,564,480.00		0.0042019581
Common	All Directors & Executive Officers as a Group	135,855 shares (Direct and Indirect) ₱5,434,200.00		0.0089040588

The ownership in the Bank of Mr. Protacio T. Tacandong, nominated as a Director of the Bank for 2024 – 2025, is as follows:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percentage of Ownership
Common	Protacio T. Tacandong Nominee Director	1 share (Indirect) ₱40.00	Filipino	0.0000000655

(3) Voting Trust Holders of 5% or More

There are no voting trust holders of 5% or more of the Bank’s shares.

(4) Changes in Control

There has been no change in control of the Bank during the fiscal year 2023.

Item 5. DIRECTORS AND EXECUTIVE OFFICERS

(a) Directors and Executive Officers

On April 25, 2023, the Bank reported to the Bangko Sentral ng Pilipinas (BSP) the election of fifteen (15) members of the Board of Directors at the 2023 Annual Stockholders’ Meeting. Ms. Maria Almasara Cyd N. Tũaño-Amador, Mr. Edgar A. Cua, Ms. Isabelita M. Papa, Mr. Wilfrido E. Sanchez and Mr. Domingo H. Yap were elected as independent directors.

As defined in Section 38.2 of the 2015 Implementing Rules and Regulations of the Securities and Regulation Code (Republic Act No. 8799) (IRR of the SRC), an independent director refers to a person who, apart from his fees and shareholdings, is independent of Management and free from any business or other relationship which could or could reasonably be perceived to materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in any covered company.

The re-election of the following directors of PNB for the year 2023-2024 was exempted from confirmation by the Monetary Board (MB):

Edgar A. Cua	Wilfrido E. Sanchez
Leonilo G. Coronel	Carmen K. Tan
Florido P. Casuela	Lucio C. Tan
Felix Enrico R. Alfiler	Lucio C. Tan III
Estelito P. Mendoza	Michael G. Tan
Isabelita M. Papa	Vivienne K. Tan
Sheila T. Pascual	Domingo H. Yap

On January 22, 2023, the MB, in its Resolution No. 814, confirmed the election of Ms. Maria Almasara Cyd N. Tũaño-Amador as Independent Director of the Bank.

During the year, Mr. Lucio C. Tan and Mrs. Carmen K. Tan resigned as Directors of the Bank effective September 22, 2023. Subsequently, the Board approved the creation of the Chairman Emeritus position, and appointed Mr. Lucio C. Tan as Chairman Emeritus of the Bank and Mrs. Tan as a Board Advisor of the Bank. The relinquishment by Mr. Tan and Mrs. Tan of their directorships in PNB was part of succession planning and their commitment to good governance and promoted diversity in the board composition.

To serve the unexpired terms of Mr. Tan and Mrs. Tan, Mr. Chester Y. Luy and Atty. Eusebio V. Tan were elected as Directors of the Bank effective September 22, 2023. On December 28, 2023, the MB, in its Resolution No. 1685, confirmed the election of Mr. Luy and Atty. Tan as Directors of the Bank.

The Bank's Corporate Governance and Sustainability Committee, acting as the Nomination and Remuneration Committee, considered the shortlist of candidates nominated to sit as members of the Board of Directors for 2024-2025 according to the prescribed qualifications and disqualifications. A total of fifteen (15) nominees were considered. On February 23, 2024, the Board of Directors confirmed the nomination of the following individuals for election to the Board of Directors for the year 2024-2025:

1. Felix Enrico R. Alfiler
2. Florido P. Casuela
3. Edgar A. Cua
4. Chester Y. Luy
5. Estelito P. Mendoza
6. Isabelita M. Papa
7. Sheila T. Pascual
8. Wilfrido E. Sanchez
9. Protacio T. Tacandong
10. Eusebio V. Tan
11. Lucio C. Tan III
12. Michael G. Tan
13. Vivienne K. Tan
14. Maria Almasara Cyd N. Tuaño-Amador
15. Domingo H. Yap.

(Please refer to pages 11 to 27 of this Information Statement for the profiles of the nominees and incumbent directors.)

The aforementioned nominees were approved and confirmed by the Corporate Governance and Sustainability Committee, in compliance with the Manual of Regulations for Banks (MORB) of the BSP on the qualifications of a director and in accordance with the procedure for the nomination and election of independent directors set forth in Rule 38 of the IRR of the SRC and Securities and Exchange Commission (SEC) Memorandum Circular (MC) No. 19, Series of 2016, Code of Corporate Governance for Publicly-Listed Companies ("SEC MC No. 19, Series of 2016").

Mr. Edgar A. Cua, Ms. Isabelita M. Papa, Mr. Protacio T. Tacandong, Ms. Maria Almasara Cyd N. Tuaño-Amador and Mr. Domingo H. Yap were nominated as independent directors. After due evaluation, the Corporate Governance and Sustainability Committee certified that said nominees are qualified in accordance with the MORB and Rule 38 of the IRR of the SRC. All of the nominees for independent director were nominated by Ms. Ruth Pamela E. Tanghal to comply with the requirements on independent directors. None of the nominees are related to Ms. Tanghal.

All nominations are compliant with SEC MC No. 4, Series of 2017 and Recommendation 5.3 of SEC MC No. 19, Series of 2016 on the term limits of independent directors. The Certificates of Qualification of the independent directors pursuant to SEC MC No. 5, Series of 2017 will be submitted by the Bank to the SEC before the election of the independent directors.

Below are the profiles of the incumbent directors and officers of the Bank and the nominees for directorship as of February 29, 2024 which addresses the requirements of Section 49 of the Revised Corporation Code for the presentation of the profiles of the directors and the directors nominated or seeking election or re-election:

Profile of Directors and Executive Officers together with their Business Experience covering at least the Past Five (5) Years

Name	EDGAR A. CUA
Age	68
Nationality	Filipino
Education	<ul style="list-style-type: none"> * Bachelor of Arts in Economics degree (Honors Program) from the Ateneo de Manila University * Master of Arts in Economics degree from the University of Southern California * Master of Planning Urban and Regional Environment degree from the University of Southern California * Advanced Chinese from the Beijing Language and Culture University * Sustainable Development Training Program, Cambridge University
Current Position in the Bank	* Chairman/Independent Director
Date of First Appointment	<ul style="list-style-type: none"> * May 31, 2016 (Independent Director) * April 25, 2023 (Chairman of the Board)
Directorship in Other Listed Companies	* None
Other Current Positions	<ul style="list-style-type: none"> * Chairman/Independent Director of Allied Integrated Holdings, Inc. (<i>formerly PNB Savings Bank</i>) * Vice Chairman/Independent Director of PNB Capital and Investment Corporation * Independent Director of PNB-Mizuho Leasing and Finance Corp. and PNB-Mizuho Equipment Rentals Corporation * Director of Davao Unicar Corporation
Previous Positions	<ul style="list-style-type: none"> * Independent Director of Allied Commercial Bank, Xiamen * Held various managerial and staff positions at the Asian Development Bank (ADB) during a 30-year professional career. * Retired in 2015 as Senior Advisor, East Asia Department of the Asian Development Bank (ADB), based in ADB's Resident Mission in Beijing, People's Republic of China (PRC). Other managerial positions in ADB included Deputy Director General, East Asia Department, Country Director, ADB Resident Mission in Indonesia and Deputy Country Director, ADB Resident Mission in PRC * Staff Consultant, SGV & Co.

Name	LEONILO G. CORONEL
Age	77
Nationality	Filipino
Education	<ul style="list-style-type: none"> * Bachelor of Arts degree, Major in Economics from the Ateneo de Manila University * Advance Management Program of the University of Hawaii
Current Position in the Bank	* Vice Chairman/Director
Date of First Appointment	<ul style="list-style-type: none"> * May 28, 2013 (as Director) * April 27, 2021 (as Vice Chairman)
Directorship in Other Listed Companies	* None
Other Current Positions	<ul style="list-style-type: none"> * Independent Director of Citicore Fund Managers, Inc. and Citicore Renewable Energy Corp. * Director of Software Ventures International * Director of Toyota Pasong Tamo/Toyota Global City/Toyota Angeles City/M2 Car Accessories
Other Previous Positions	<ul style="list-style-type: none"> * Chairman of PNB-IBJL Leasing and Finance Corporation and PNB-IBJL Equipment Rentals Corporation * Independent Director of Megawide Construction Corporation and DBP-Daiwa Capital Market Philippines, Citicore Real Estate Investment Trust * Executive Director of the Bankers Association of the Philippines and RBB Micro Finance Foundation * Director/Treasurer of Philippine Depository and Trust Corporation * Director of the Philippine Clearing House Corporation, the Philippine Dealing System and the Capital Markets Development Council * Managing Director of BAP-Credit Bureau * President of Cebu Bankers Association * Consultant of Land Bank of the Philippines, Arthur Young, U.S. Aid, Bankers Association of the Philippines and Economic Development Corporation * Country Corporate Officer of Citibank Sri Lanka * Worked with Citibank, Manila for twenty (20) years, occupying various positions
Awards/Citations	<ul style="list-style-type: none"> * Fellow of the Australian Institute of Company Directors in 2002 * Fellow of Institute of Corporate Directors

Name	FELIX ENRICO R. ALFILER
Age	74
Nationality	Filipino
Education	* Bachelor of Science and Masters in Statistics from the University of the Philippines
Current Position in the Bank	* Director
Date of First Appointment	* January 1, 2012 (as Independent Director) * April 27, 2021 (as Board Advisor) * December 29, 2022 (as Director)
Directorship in Other Listed Companies	* None
Other Current Positions	* Chairman/Director of PNBRCI Holding Co., Ltd., PNB International Investments Corp. and PNB Capital and Investment Corporation * Chairman/Independent Director of Summit General Insurance Corporation
Other Previous Positions	* Chairman/Independent Director of PNB General Insurers Co., Inc. * Independent Director of Philippine National Bank, PNB-IBJL Leasing and Finance Corporation and PNB Savings Bank * Senior Advisor to the World Bank Group Executive Board in Washington, D.C. * Special Assistant to the Philippine Secretary of Finance for International Operations and Privatization * Director of the BSP * Assistant to the Governor of the Central Bank of the Philippines * Senior Advisor to the Executive Director at the International Monetary Fund * Associate Director at the Central Bank * Head of the Technical Group of the CB Open Market Committee * Monetary Policy Expert in the Economics Sub-Committee of the 1985-1986 Philippine Debt Negotiating Team which negotiated with over 400 private international creditors for the rescheduling of the Philippines' medium- and long-term foreign debts * Advisor at Lazaro Bernardo Tiu and Associates, Inc. * President of Pilgrims (Asia Pacific) Advisors, Ltd. * President of the Cement Manufacturers Association of the Philippines (CeMAP) * Board Member of the Federation of Philippine Industries (FPI) * Vice President of the Philippine Product Safety and Quality Foundation, Inc. * Convenor for Fair Trade Alliance

Name	FLORIDO P. CASUELA
Age	82
Nationality	Filipino
Education	<ul style="list-style-type: none"> * Bachelor of Science in Business Administration, Major in Accounting from the University of the Philippines * Masters in Business Administration from the University of the Philippines * Advanced Management Program for Overseas Bankers from the Philadelphia National Bank in conjunction with Wharton School of the University of Pennsylvania * Study Tour (Micro Finance Program and Cooperatives), under the Auspices of the United States Agency for International Development
Government Civil Service Eligibilities	* Certified Public Accountant, Economist, Commercial Attaché
Current Position in the Bank	* Director/President
Date of First Appointment	<ul style="list-style-type: none"> * May 30, 2006 (as Director) * July 5, 2022 (as Acting President) * April 25, 2023 (President)
Directorship in Other Listed Companies	* None
Other Current Positions	<ul style="list-style-type: none"> * Chairman of PNB Securities, Inc. * Director of PNB International Investments Corporation * Director of PNB RCI Holding Co., Ltd. * Director of Allianz PNB Life Insurance, Inc. * Director of BancNet, Inc. * Director and President of Genbancor Condominium Corporation * Board Member of Fertilizer and Pesticide Authority (<i>Note: Being represented in the FPA Board by FVP Jonathan Uy</i>)
Other Previous Positions	<ul style="list-style-type: none"> * President and Vice Chairman of Land Bank of the Philippines * President and Vice Chairman of PNB Republic Bank (<i>now Maybank Philippines, Inc.</i>) * President of Surigao Micro Credit Corporation * Vice Chairman of PNB Savings Bank (<i>now Allied Integrated Holdings, Inc.</i>) * Chairman of Casuela Equity Ventures, Inc. * Director of Surigao Micro Credit Corporation * Director of PNB Life Insurance, Inc. * Director of Manila Electric Corporation * Director of Asean Finance Corporation Ltd. (Singapore) * Trustee of Land Bank of the Philippines Countryside Development Foundation, Inc. * Senior Adviser of the Bank of Makati (a Savings Bank), Inc. * Senior Adviser in the Bangko Sentral ng Pilipinas * Senior Executive Vice President of United Overseas Bank (Westmont Bank) * Executive Vice President of PDPC (Producers Bank) * Senior Vice President of Philippine National Bank

Awards/Citations

- * Special Assistant to the Chairman of the National Power Corporation
- * First Vice President of Bank of Commerce
- * Vice President of Metropolitan Bank & Trust Co.
- * Staff Officer, BSP
- * Audit Staff of Joaquin Cunanan, CPAs (Isla Lipana & Co.)
- * One of the ten (10) awardees of the 2001 Distinguished Alumni Award of the UP College of Business Administration
- * Most Outstanding Surigaonon in the field of Banking and Finance, awarded by the Rotary Club – Surigao Chapter

Name	CHESTER Y. LUY
Age	55
Nationality	Filipino
Education	<ul style="list-style-type: none"> * Bachelor of Science in Business Administration (Magna Cum Laude and graduated at the Top of B.S. Business Administration Class of 1990), University of the Philippines * Masters in Management degree from the J.L. Kellogg Graduate School of Management at Northwestern University * Chartered Financial Analyst (CFA)
Current Position in the Bank	* Director
Date of First Appointment	<ul style="list-style-type: none"> * May 11, 2020 (Board Advisor) * September 22, 2023 (Director)
Directorship in Other Listed Companies	* Board Advisor of LT Group, Inc.
Other Current Positions	<ul style="list-style-type: none"> * Director of Tanduay Distillers, Inc. * Director of Philippine National Bank (Europe) PLC. * Director of PNB Global Remittance and Financial Company (HK) Limited * Board Advisor of Eton Properties Philippines, Inc.
Other Previous Positions	<ul style="list-style-type: none"> * Board Advisor of Philippine National Bank * Director of PNB-Mizuho Leasing and Finance Corporation * EVP and Head of Strategy Sector and Wealth Management Group * Senior Executive Vice President, Treasurer and Head for the Financial Advisory and Markets Group (comprised of the Treasury and the Wealth Management Group) of Rizal Commercial Banking Corporation * He served in senior leadership roles as Managing Director across a variety of businesses including Investment Banking, Corporate Finance, Credit Risk Analysis, Investment Management, and Wealth Management with several international banks and was based in New York, Singapore and Manila * He held senior leadership roles at JPMorgan, Bank of America Merrill Lynch, Barclays Capital, HSBC, Julius Baer, Bank of Singapore and RCBC * Member of the Singapore Institute of Directors * Served on the Board of a Singapore-based Real Estate and Hospitality Entity

Name	ESTELITO P. MENDOZA
Age	94
Nationality	Filipino
Education	<ul style="list-style-type: none"> * Bachelor of Laws (cum laude) from the University of the Philippines * Master of Laws from Harvard University
Current Position in the Bank	* Director
Date of First Appointment	* January 1, 2009
Directorship in Other Listed Companies	* Director of San Miguel Corporation and Petron Corporation
Other Current Positions	* Practicing lawyer for more than sixty (60) years
Other Previous Positions	<ul style="list-style-type: none"> * Chairman of Prestige Travel, Inc. * Professorial Lecturer of Law at the University of the Philippines * Undersecretary of Justice, Solicitor General and Minister of Justice * Member of the Batasang Pambansa and Provincial Governor of Pampanga * Chairman of the Sixth (Legal) Committee, 31st Session of the UN General Assembly and the Special Committee on the Charter of the United Nations and the Strengthening of the Role of the Organization
Awards/Citations	<ul style="list-style-type: none"> * Doctor of Laws degree (honoris causa) by Central Colleges of the Philippines, Hanyang University (Seoul, Korea), University of Manila, Angeles University Foundation and the University of the East * Doctor of Humane Letters degree by the Misamis University * Recipient of a Presidential Medal of Merit as Special Counsel on Marine and Ocean Concerns * University of the Philippines Alumni Association's 1975 "Professional Award in Law" and 2013 "Lifetime Distinguished Achievement Award"

Name	ISABELITA M. PAPA
Age	75
Nationality	Filipino
Education	* Bachelor of Science in Commerce – Banking & Finance from the University of Sto. Tomas
Current Position in the Bank	* Independent Director
Date of First Appointment	* August 5, 2021
Directorship in Other Listed Companies	* None
Other Current Positions	<ul style="list-style-type: none"> * Independent Director of PNB-Mizuho Leasing and Finance Corporation, PNB-Mizuho Equipment Rentals Corporation and PNB Capital and Investment Corporation * Sole Proprietor of Isabelita Transport * Consultant of Bankers Association of the Philippines * Co-Chairperson for the Task Force of the ISO 20022 Migration Project * Resource Person for Corporate Governance of the Bankers Institute of the Philippines
Previous Positions	<ul style="list-style-type: none"> * Executive Vice President for Operations and Information Technology – Asia United Bank * Director: Rural Bank of Angeles and Cavite United Rural Bank * Senior Vice President/Country Manager – Bank of America N.A. * Executive Vice President for Operations – United Overseas Bank Phils. * Senior Vice President for Operations: Solidbank Corporation and The International Corporate Bank * Assistant Vice President for International Division – Family Bank & Trust Co. * Unit Head/Account Officer – Citibank N.A. * Chairperson – SWIFT Users Group, Philippines * Chairperson, Subcommittee on Payments and Funds Transfer – Bankers Association of the Philippines * President / Resource Person for Corporate Governance – Bankers Institute of the Philippines * Member – Catholic Mass Media Awards Committee

Name	SHEILA T. PASCUAL
Age	61
Nationality	Filipino
Education	* Bachelor of Science in Business Management from the Ateneo de Manila University
Current Position in the Bank	* Director
Date of First Appointment	* November 22, 2019
Directorship in Other Listed Companies	* Director of PAL Holdings, Inc.
Other Current Positions	* Director of Allied Commercial Bank, Buona Sorte Holdings Inc., Saturn Holdings, Inc., Tangent Holdings Corporation, Trustmark Holdings Corporation, Philippine Airlines, Inc. and Zuma Holdings and Management Corporation
	* Business Development Manager of Allied Banking Corporation (Hong Kong) Limited
Other Previous Position/s	* Marketing Development Officer of Asia Brewery Incorporated

Name	WILFRIDO E. SANCHEZ
Age	87
Nationality	Filipino
Education	<ul style="list-style-type: none"> * Bachelor of Arts degree from the Ateneo de Manila University * Bachelor of Laws from the Ateneo De Manila University * Masters of Law from Yale Law School
Current Position in the Bank	* Independent Director
Date of First Appointment	* April 27, 2021
Directorship in Other Listed Companies	* Independent Director of LT Group, Inc.
Other Current Positions	<ul style="list-style-type: none"> * Tax Counsel of Quiason Makalintal Barot Torres Ibarra Sison & Damaso Law Offices * Independent Director of Eton Properties Philippines, Inc., Asia Brewery, Inc., and Tanduay Distillers, Inc. * Director of EEI Corporation, House of Investments, Inc., Kawasaki Motor Corporation, EMCOR, Inc., K-Servico, Inc., J-DEL Investments and Management Corp., WODEL, Inc., KS Prime Financial Corp., and Trimotors Technology Corp. * Trustee of JVR Foundation, Inc., and Gokongwei Brothers Foundation
Other Previous Position/s	<ul style="list-style-type: none"> * Vice Chairman/Director of Antonelli Realty Holdings, Inc. * Trustee of NYK-TDG Friendship Foundation, Inc. and Asian Institute of Management * Independent Director of Transnational Diversified Corp. * Director of Universal Robina Corp., Transnational Plans, Inc., Center for Leadership & Change, Inc., Adventure International Tours, Inc., Transnational Financial Services, Inc., Amon Trading Corp., Rizal Commercial Banking Corporation, Asiabest Group International Inc., Magellan Capital Holdings Corporation, and Joint Research and Development Corporation

Name	EUSEBIO V. TAN
Age	73
Nationality	Filipino
Education	<ul style="list-style-type: none"> * Bachelor of Arts, Major in Economics – <i>Summa Cum Laude</i> (Liberal Arts Accelerated Honors Program) from De La Salle University * Bachelor of Laws from Ateneo De Manila University * Master of Laws, from Columbia Law School, Columbia University New York
Current Position in the Bank	* Director
Date of First Appointment	* September 22, 2023
Directorship in Other Listed Companies	* None
Other Current Positions	* Of Counsel of Angara Abello Concepcio Regalla & Cruz Law Offices (ACCRALAW)
Other Previous Positions	<ul style="list-style-type: none"> * Various positions in ACCRALAW * Member of Board of Directors of Meritas Law Firms Worldwide * Director/Treasurer of the Integrated Bar of the Philippines – Pasay, Makati, Mandaluyong, San Juan Chapter * President/Vice President/Ex-Officio Director of Integrated Bar of the Philippines – Makati Chapter * Member of Integrated Bar of the Philippines – National Committee on Legal Aid * Member of the Board of Governors/President of Management Association of the Philippines * Member of the Board of Directors/President of Financial Executives Institute of the Philippines * Chairman/Board of Trustees of Philippines-Japan Economic Cooperation Committee, Inc. * Member of Philippine Host Committee of Inter-Pacific Bar Association – Conference in Manila, Philippines * Member of Philippine Host Committee of Lawasia – XVTH Conference in Manila, Philippines * President of Rotary Club of Manila (The First Rotary Club in Asia)
Awards/Citations	<ul style="list-style-type: none"> * Conferred with the award of “The Order of the Rising Sun with Neck Ribbon” by the Emperor of Japan and the Japanese government * General Excellence Gold Medal and Dr. Jose Rizal Honors Society Ring Awardee conferred by the De La Salle University * Second Honors Silver Medal Awardee conferred by the Ateneo de Manila University

Name	LUCIO C. TAN III
Age	31
Nationality	Filipino
Education	<ul style="list-style-type: none"> * Bachelor of Science in Electrical Engineering, Stanford University * Master of Science, Major in Computer Science, Stanford University
Current Position in the Bank	* Director
Date of First Appointment	* April 27, 2021
Directorship in Other Listed Companies	<ul style="list-style-type: none"> * President and Chief Operating Officer of LT Group, Inc. * President and Chief Operating Officer of PAL Holdings, Inc. * Director of MacroAsia Corporation
Other Current Positions	<ul style="list-style-type: none"> * Director of PNB Holdings Corporation, Philippine Airlines, Inc., Air Philippines Corporation, Lufthansa Technik Philippines, MacroAsia Airport Services Corporation, MacroAsia Catering Services Inc., MacroAsia SATS Food Industries, MacroAsia SATS Inflight Services Corporation, Prior Holdings Corporation, Belton Communities, Inc., Eton City, Inc., First Homes, Inc., ALI Eton Property Development Corporation, Dominion Realty and Construction Corporation, Fortune Tobacco Corporation, REM Development Corp., Shareholdings, Inc., Silangan Holdings, Incorporated, Allied Club, Inc., Sipalay Trading Corporation, Qualisure Holdings, Inc., Kaizer Chemical Industries, Inc., Asias Merging Dragon Corporation, PMFTC, Inc., Asia Cancer Center, Inc., and Fortune Landequities and Resources, Inc. * Director and President of Dunman Holdings Corporation and Sabre Travel Network (Philippines) Inc. * President and Chief Operating Officer of Tanduay Distillers, Inc. and Tanduay Brands International, Inc. * Vice President of Dunmore Development Corporation * Member of Stanford Tau Beta Pi Engineering Honor Society
Other Previous Position/s	* Director of Victorias Milling Company, Inc.
Awards/Citations	<ul style="list-style-type: none"> * Stanford University Frederick E. Terman Award (2015), award given to engineering seniors who are at the top 5% of their class * Stanford University Tau Beta Pi Engineering Honor Society (2013), honor given to engineering juniors/seniors who are at the top 1/8 of their class * Stanford University President's Award for Academic Excellence Freshmen Year (2012), award given to freshmen who are at the top 3% of their class * Young Presidents' Organization (Local and International Chapters)

Name	MICHAEL G. TAN
Age	57
Nationality	Filipino
Education	* Bachelor of Applied Science in Civil Engineering, Major in Structural Engineering, from the University of British Columbia, Canada
Current Position in the Bank	* Director
Date of First Appointment	* February 9, 2013
Directorship in Other Listed Companies	* Director of LT Group, Inc., Victorias Milling Company, Inc. and MacroAsia Corporation
Other Current Positions	* Director, President and Chief Operating Officer of Asia Brewery, Inc. * Director of the following companies: Absolut Distillers, Inc., Tanduay Distillers, Inc., Tanduay Brands International, Inc., Shareholdings, Inc., PMFTC Inc., Maranaw Hotel (Century Park Hotel), Pan Asia Securities, Inc., Asia's Emerging Dragon Corporation, Paramount Land Equities, Inc., Saturn Holdings, Inc., Tangent Holdings Corporation, PNB Global Remittance and Financial Company (HK) Limited, Allied Commercial Bank, Allied Banking Corp. (Hong Kong) Limited, Foremost Farms, Inc., Trustmark Holdings Corporation, Help Educate and Rear Orphans (HERO) Foundation, Inc., and Havitas Developments Corporation * Director and Treasurer of Zuma Holdings and Management Corporation * Member of ASEAN Business Advisory Council (ASEAN BAC) * Vice President of Federation of Filipino Chinese Chambers of Commerce and Industry, Inc. (FFCCCII) * Director of Philippine Chamber of Commerce and Industry * Member of the Private Sector Advisory Council
Other Previous Positions	* Chairman of PNB Holdings Corporation * Chief Operating Officer of LT Group, Inc. * Director of Philippine Airlines Inc. Bulawan Mining Corporation, PNB Management and Development Corporation, Alliedbankers Insurance Corporation, PNB Forex, Inc., PNB Savings Bank, Air Philippines Corp., and Sabre Travel Network (Philippines), Inc., * Director and Treasurer of PAL Holdings, Inc. * Director of Allied Banking Corporation (ABC) from January 30, 2008 until the ABC's merger with PNB on February 9, 2013 * Honorary Advisor of the sixth edition of the Belt and Road Summit held on September 2021 in Hong Kong
Awards/Citations	* 2021 Stargate People Asia "People of the Year" * 2021 4 th Mansmith Masters Awards

Name	VIVIENNE K. TAN
Age	55
Nationality	Filipino
Education	<ul style="list-style-type: none"> * Bachelor of Science - Double Degree in Mathematics and Computer Science from the University of San Francisco, U.S.A * Diploma in Fashion Design and Manufacturing Management from the Fashion Institute of Design and Merchandising, Los Angeles, U.S.A.
Current Position in the Bank	* Director
Date of First Appointment	* December 15, 2017
Directorship in Other Listed Companies	* Director of LT Group, Inc. and MacroAsia Corporation
Other Current Positions	<ul style="list-style-type: none"> * Director of Eton Properties Philippines, Inc., Philippine Airlines, Inc., and Air Philippines Corporation * Executive Director of Dynamic Holdings Limited * Trustee of University of the East, University of the East Ramon Magsaysay Memorial Medical Center and College of Saint Benilde * Founding Chairperson of the Entrepreneurs School of Asia (ESA) * Founding Trustee of the Philippine Center for Entrepreneurship (Go Negosyo)
Other Previous Positions	<ul style="list-style-type: none"> * Board Advisor of LT Group, Inc. * Director of PAL Holdings, Inc. * Director/Executive Vice President/Treasurer/Chief Administrative Officer of Philippine Airlines, Inc. * Executive Vice President, Commercial Group and Manager, Corporate Development, of Philippine Airlines, Inc. * Director of Bulawan Mining Corporation and PNB Management and Development Corporation * Founder and President of Thames International Business School * Owner of Vaju, Inc. (Los Angeles, U.S.A.) * Systems Analyst/Programmer of Fallon Bixby & Cheng Law Office (San Francisco, U.S.A.) * Proponent/Partner of various NGO/social work projects like Gawad Kalinga's GK-Batya sa Bagong Simula, livelihood programs thru Teenpreneur Challenge spearheaded by ESA, Conserve and Protect Foundation's artificial reef project in Calatagan, Batangas, Quezon City, Sikap-Buhay Project's training and mentorship program for micro-entrepreneurs, and as Chairman of Ten Inspirational Entrepreneur Students Award
Awards/Citations	* Recipient of the Ten Outstanding Young Men (TOYM) Award for Business Education and Entrepreneurship (2006), UNESCO Excellence in Education and Social Entrepreneurship Award (2007), Leading Women of the World Award (2007), and "People of the Year", People Asia Award (2008)

Name	MARIA ALMASARA CYD N. TUANO-AMADOR
Age	67
Nationality	Filipino
Education	<ul style="list-style-type: none"> * Bachelor of Science in Business Economics from the University of Philippines School of Economics * Master of Arts in Economics from the University of Philippines School of Economics * Master of Science in Policy Science from the Graduate Institute of Policy Science in Tokyo, Japan * Doctor of Philosophy in Economics from the Australian National University
Current Position in the Bank	* Independent Director
Date of First Appointment	* April 25, 2023
Directorship in Other Listed Companies	* None
Other Current Positions	* Independent Director of Radiowealth Finance Company Inc.
Previous Positions	<ul style="list-style-type: none"> * Deputy Governor of the Resource Management Sector of the Bangko Sentral ng Pilipinas * Head of the BSP Research Academy * Chairperson of the BSP Provident Fund * Vice-Chairperson of the Philippine International Convention Center (PICC) * Chairperson of the PICC Executive Committee * Director of the Philippine Guarantee Corporation * Director of the Philippine Retirement Authority * Advisory Panel of the ASEAN+3 Macroeconomic Research Office * Assistant Governor of the Monetary Policy Sub-Sector of the Bangko Sentral ng Pilipinas * Managing Director of the Monetary Policy Sub-Sector of the Bangko Sentral ng Pilipinas * Director of the Center for Monetary & Financial Policy of the Bangko Sentral ng Pilipinas * Senior Advisor/Advisor to the Executive Director of the International Monetary Fund, Washington, D.C. * Director of the Department of Economic Research of the Bangko Sentral ng Pilipinas * Held positions in various capacities at the Department of Economic Research of the Bangko Sentral ng Pilipinas
Awards/Citations	<ul style="list-style-type: none"> * Australian National University, Inaugural (1993) Helen Hughes Graduate Diploma Prize in International and Development Economics (Canberra, Australia) * National Graduate Institute for Policy Science, 2019 Distinguished Alumnus Award (Tokyo, Japan) * University of the Philippines School of Economics Alumni Association, 2022 Distinguished Alumni in Public Service Award (Quezon City, Philippines)

Name	DOMINGO H. YAP
Age	90
Nationality	Filipino
Education	* Bachelor of Science in Business Administration major in Business Management from San Sebastian College Recoletos
Current Position in the Bank	* Independent Director
Date of First Appointment	* August 23, 2019
Directorship in Other Listed Companies	* None
Other Current Positions	* Director and President of H-Chem Industries, Inc., DHY Realty and Development Inc., Colorado Chemical Sales Corporation, Universal Paint & Coating Philippines, Inc., AllianceLand Development Corporation, and Kang Ha Association
Other Previous Positions	* President of the Federation of Filipino-Chinese Chamber of Commerce and Industries, Inc. * Governor of Y's Men Club Philippines * President of Y's Men Club Downtown of Manila * President of Rotary Club of Pasay City

Name	PROTACIO T. TACANDONG
Age	73
Nationality	Filipino
Education	<ul style="list-style-type: none"> * Bachelor of Science in Commerce major in Accounting from the University of San Carlos * Master in Management from the Asian Institute of Management * Certified Public Accountant
Directorship in Other Listed Companies	* None
Other Current Positions	<ul style="list-style-type: none"> * Co-Founder, Managing Partner and Chief Operating Officer of Reyes Tacandong & Co. * President, Reyes Tacandong & Co. Foundation, Inc.
Other Previous Positions	<ul style="list-style-type: none"> * Appointive Director from the Private Sector of the Philippine Deposit Insurance Corporation (PDIC) * National President of the Philippine Institute of Certified Public Accountants (PICPA) * Partner, Chief Finance & Administrative Officer and Head of SGV Branches of SGV & Co. * Held various positions in SGV & Co. * Partner of Andersen Societe Cooperative * Member of Rotary Club of Davao, Baguio North and Iligan City
Awards/Citation	<ul style="list-style-type: none"> * Accountancy Centenary Award of Excellence awarded by the Board of Accountancy * Parangal San Mateo given by PICPA * LEADavao Award, one of Davao City's most prestigious awards for outstanding citizens * Accountancy Hall of Fame given by PICPA * Outstanding Professional of the Year in the field of Accountancy given by the Professional Regulatory Commission * Far East Asia Tean Values Champions & Chairman Values Award given by Ernst & Young * PICPA Honorary Life Member * Most Outstanding CPA in Public Practice (National) given by PICPA * Sycip Award given by SGV & Co. * Distinguished Alumnus in Financial Management given by the University of San Carlos * Most Outstanding Alumnus (High School) given by Mt. Carmel School, Talisayan, Misamis Oriental

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

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

Board Advisors:

Name	WILLIAM T. LIM
Age	83
Nationality	Filipino
Education	* Bachelor of Science in Chemistry from Adamson University
Current Position in the Bank	* Board Advisor
Date of First Appointment	* January 25, 2013
Directorship in Other Listed Companies	* None
Other Current Positions	* President of Jas Lordan, Inc. * Director of PNB Securities, Inc., PNB Holdings Corporation, Allied Integrated Holdings, Inc. (<i>formerly PNB Savings Bank</i>), Allied Commercial Bank - Xiamen, and Genbancor Condominium Corporation * Advisor to the Chairman of the Board of Directors of Allianz PNB Life Insurance, Inc.
Other Previous Positions	* Board Advisor of PNB Savings Bank * Director of PNB Life Insurance, Inc., BH Fashion Retailers, Inc., and Concept Clothing, Co., Inc. * Consultant of Allied Banking Corporation * Director of Corporate Apparel, Inc. * Director of Concept Clothing * Director of Freeman Management and Development Corporation * Worked with Equitable Banking Corporation for 30 years, occupying various positions, including as VP & Head of the Foreign Department

Name	CHRISTOPHER J. NELSON
Age	64
Nationality	British
Education	<ul style="list-style-type: none"> * Bachelor of Arts and Master of Arts in History from Emmanuel College, Cambridge University, U.K. * Diploma in Marketing from the Institute of Marketing, Cranfield, U.K.
Current Position in the Bank	* Board Advisor
Date of First Appointment	<ul style="list-style-type: none"> * March 21, 2013 (Director) * May 27, 2014 (Board Advisor) * May 26, 2015 (Director) * April 27, 2021 (Board Advisor)
Directorship in Other Listed Companies	* None
Other Current Positions	<ul style="list-style-type: none"> * Director of PNB Europe Plc * Director of the Federation of Philippine Industries, and CyberQ Group, Inc. * Executive Director of the British Chamber of Commerce in the Philippines * Trustee of the American Chamber Foundation Philippines, Inc., Philippine Band of Mercy and Dualtech Training Center * Member of the Society of Fellows of the Institute of Corporate Directors
Other Previous Positions	<ul style="list-style-type: none"> * Director of Philippine National Bank * Director of PNB Holdings Corporation * Trustee of Tan Yan Kee Foundation * Director of the American Chamber of Commerce of the Philippines, Inc. * President of Philip Morris Philippines Manufacturing, Inc., a position he held for 10 years * Various management positions with Philip Morris International for 25 years including Area Director for Saudi Arabia, Kuwait, Gulf Cooperation Council, Yemen, and Horn of Africa

Name	FEDERICO C. PASCUAL
Age	81
Nationality	Filipino
Education	<ul style="list-style-type: none"> * Bachelor of Arts, Ateneo de Manila University * Bachelor of Laws (Member, Law Honors Society), University of the Philippines * Master of Laws, Columbia University
Current Position in the Bank	* Board Advisor
Date of First Appointment	<ul style="list-style-type: none"> * May 27, 2014 (as Independent Director) * April 27, 2021 (as Chairman of the Board) * April 25, 2023 (Board Advisor)
Directorship in Other Listed Companies	* None
Other Current Positions	<ul style="list-style-type: none"> * Chairman of PNB-Mizuho Leasing and Finance Corporation and PNB-Mizuho Equipment Rentals Corporation * Independent Director of Allianz PNB Life Insurance, Inc. * Independent Director of PNB International Investments Corporation * President/Director of Tala Properties, Inc. and Woldingham Realty, Inc. * Director of Apo Reef World Resort, Sarco Land Resources Ventures Corporation, SCTEX Development and Franchisers Corporation, and Hermosa Golden Rainbow Corporation * Partner of the University of Nueva Caceres Bataan Branch
Other Previous Positions	<ul style="list-style-type: none"> * Chairman/Independent Director of PNB General Insurers Co., Inc. and PNB Capital and Investment Corporation * Independent Director of PNB Holdings Corporation and PNB Savings Bank * President and General Manager of Government Service Insurance System * President and CEO of Allied Banking Corporation and PNOC Alternative Fuels Corporation * Various positions with PNB for twenty (20) years, including Acting President, CEO and Vice Chairman * President and Director of Philippine Chamber of Commerce and Industry * Chairman of National Reinsurance Corporation * Co-Chairman of the Industry Development Council of the Department of Trade and Industry * Treasurer of BAP-Credit Guarantee * Director of San Miguel Corporation, Philippine Stock Exchange, Manila Hotel Corporation, Cultural Center of the Philippines, CITEM, Bankers Association of the Philippines, Philippine National Construction Corporation, Allied Cap Resources HK, Oceanic Bank SF, USA, AIDSISA Sugar Mill, PDCP Bank, Equitable PCIB, Bankard, Philippine International Trading Corporation, and Philippine National Oil Corporation * Chairman and President of Alabang Country Club

Name	LOURDES A. SALAZAR
Age	68
Nationality	Filipino
Education	<ul style="list-style-type: none"> * Bachelor of Science in Commerce – major in Accounting (BSC in Accounting), University of Santo Tomas * Certified Public Accountant * Bachelor of Laws (LLB), University of the East
Current Position in the Bank	* Board Advisor
Date of First Appointment	* April 25, 2023
Directorship in Other Listed Companies	* None
Other Current Positions	<ul style="list-style-type: none"> * Chief Executive Officer & Director, Allied Banking Corporation (Hong Kong) Limited, a restricted license bank * Trustee, Allied Banking Corporation (Hong Kong) Limited Provided Fund * Director, ACR Nominees Limited * Director & Shareholder, Aposal Realty Corporation * Trustee & Special Projects Adviser, The Hong Kong Bayanihan Trust * Chairman, The DTC Association (The Hong Kong Association of Restricted License Banks and Deposit-taking Companies) * Honorary Member, The Philippine Chamber of Commerce in Hong Kong * Member representing DTCA, The Hong Kong General Chamber of Commerce * Member representing DTCA, The Deposit-taking Companies Advisory Committee, Hong Kong Monetary Authority * Honorary Advisor, The Hongkong Institute of Bankers
Other Previous Positions	<ul style="list-style-type: none"> * Independent Non-Executive Director, Allied Banking Corporation (Hong Kong) Limited, a restricted license bank * Independent Non-Executive Director, Dynamic Holdings Limited (HK Stock Code 29) * Executive Director, The Philippine Chamber of Commerce in Hong Kong * Member, HK Qualifications Framework Banking Industry Training Advisory Committee
Awards/Citations	* Banaag Award – The Philippine Presidential Citation for Filipino Individuals and Organizations Overseas in recognition of her diligence in initiating and effecting projects to promote the professional and socio-cultural advancement of Filipino entrepreneurs, overseas workers, and other sectors of the Filipino community in Hong Kong

Name	CARMEN K. TAN
Age	82
Nationality	Filipino
Current Position in the Bank	* Board Advisor
Date of First Appointment	* May 31, 2016 (Director) * September 22, 2023 (Board Advisor)
Directorship in Other Listed Companies	* Director of LT Group, Inc. MacroAsia Corporation and PAL Holdings, Inc.
Other Current Positions	* Vice Chairman of Philippine Airlines, Inc. * Director: Air Philippines Corporation, Asia Brewery, Inc., Buona Sorte Holdings, Inc., Cosmic Holdings Corporation, The Charter House, Inc., Dominion Realty and Construction Corporation, Eton City, Inc., Foremost Farms, Inc., Fortune Tobacco Corporation, Himmel Industries, Inc., Manufacturing Services & Trade Corp., Progressive Farms, Inc., PMFTC, Inc., Shareholdings Inc., Sipalay Trading Corp., Tanduay Distillers, Inc., Tangent Holdings Corporation, Trustmark Holdings Corp., Alliedbankers Insurance Corporation, Zuma Holdings and Management Corp., Grandspan Development Corp., Basic Holdings Corp., Saturn Holdings, Inc., Paramount Land Equities, Inc., Interbev Philippines, Inc., Waterich Resources Corp., and REM Development Corp.
Major Affiliations	* Trustee of Tan Yan Kee Foundation * Member of Tzu Chi Foundation

Name	FLORENCIA G. TARRIELA
Age	77
Nationality	Filipino
Education	<ul style="list-style-type: none"> * Bachelor of Science in Business Administration degree, Major in Economics, University of the Philippines * Master in Economics degree from the University of California, Los Angeles, where she topped the Masters Comprehensive Examination
Current Position in the Bank	* Board Advisor
Date of First Appointment	<ul style="list-style-type: none"> * May 29, 2001 (as Director) * May 24, 2005 (as Chairman of the Board) * May 30, 2006 (as Independent Director) * April 27, 2021 (as Board Advisor)
Directorship in Other Listed Companies	<ul style="list-style-type: none"> * Independent Director of LT Group, Inc. * Independent Director of Nickel Asia Corporation
Other Current Positions	<ul style="list-style-type: none"> * Director of PNB International Investments Corp. * Columnist for “Business Options” of the Manila Bulletin and “FINEX Folio” of Business World * Director/Vice President of Tarriela Management Company and Director/Vice President/Assistant Treasurer of Gozon Development Corporation * Life Sustaining Member of the Bankers Institute of the Philippines * Trustee of Tulay sa Pag-unlad, Inc. (TSPI) Development Corporation, TSPI MBAI
Other Previous Positions	<ul style="list-style-type: none"> * Director of Financial Executive Institute of the Philippines (FINEX) * Chairman/Independent Director of Philippine National Bank, PNB Capital and Investment Corporation, PNB-Mizuho Leasing and Finance Corporation, and PNB-Mizuho Equipment Rentals Corporation * Director of PNB Capital and Investment Corporation * Director of Eton Properties Philippines Inc. * Independent Director of PNB Life Insurance, Inc. * Director of Bankers Association of the Philippines * Undersecretary of Finance * Alternate Monetary Board Member of the BSP, Land Bank of the Philippines and the Philippine Deposit Insurance Corporation * Deputy Country Head, Managing Partner and first Filipina Vice President of Citibank N. A. * Country Financial Controller of Citibank NA Philippines for 10 years
Awards/Citations	<ul style="list-style-type: none"> * President, Bank Administration Institute of the Philippines * 2014 Most Outstanding Citibank Philippines Alumni awardee for community involvement * 2018 Go Negosyo Woman Intrapreneur Awardee

The following constitute the Bank’s Corporate Governance and Sustainability Committee for the year 2023-2024:

Edgar A. Cua*	-	Chairman
Wilfrido E. Sanchez*	-	Vice Chairman
Isabelita M. Papa*	-	Member
Maria Almasara Cyd N. Tuaño-Amador*	-	Member
Domingo H. Yap*	-	Member

** Independent Director*

The following constitute the Bank’s Board Audit and Compliance Committee (BACC) for the year 2023-2024:

Isabelita M. Papa*	-	Chairman
Edgar A. Cua*	-	Vice Chairman
Michael G. Tan	-	Member
Eusebio V. Tan	-	Member
Domingo H. Yap*	-	Member

** Independent Director*

The following are the Executive Officers of the Bank:

FLORIDO P. CASUELA

(Please refer to pages 14 to 15 of this Information Statement)

FRANCIS B. ALBALATE, 53, Filipino, holds the position of Executive Vice President and Chief Financial Officer of Philippine National Bank. He is a Certified Public Accountant. Prior to joining the PNB, he was Senior Vice President and Financial Controller of Union Bank of the Philippines. He was an Audit Partner at Punongbayan & Araullo from 2003 to 2011. He worked as Head of the Transaction Advisory Services from 2007 to 2009 and Audit Senior Manager from 1999 to 2003. He was a former Financial Services Industry Audit Leader at Deloitte Philippines from 2011 to 2016. He earned a Master’s degree in Business Management from the Asian Institute of Management. He graduated with a degree in Bachelor of Science in Commerce, majoring in Accounting, from San Beda College. He attended the Pacific Rim Bankers Program at the University of Washington in 2006.

ROBERTO D. BALTAZAR, 60, Filipino, Executive Vice President, is currently the Head of Global Banking and Markets Sector which includes the Global Markets Group, Wealth Management Group and the Financial Institutions Division. He is likewise a director of PNB Capital and Investment Corporation. Mr. Baltazar brings with him over 30 years of banking experience both in the Financial Markets and Corporate Banking Sector. He spent 4 years in Citibank as a foreign exchange trader then moved to HSBC in 1994 as head of FX Trading then eventually became Head of Global Markets, Debt Capital Markets and Securities Services in 2014. He sustained Debt Capital Markets and HSBC Securities Services (HSS) position as the number one Debt Capital Markets and Global Custodianship Business during his tenure. During this time, HSBC was likewise one of the top FX and Bond Trading houses. He was ACI President in 2013. He was an active member of the BAP Open Market Committee, specifically in the Foreign Exchange Subcommittee. He obtained his Bachelor of Arts degree in Economics from the Ateneo de Manila University and Master’s in Business Administration Degree from the University of North Carolina at Chapel Hill, USA.

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

AIDA M. PADILLA, 74, Filipino. “Aida” is Executive Vice President and Head of the Enterprise Services Sector. She is the chief strategist for modification of distressed and problem loans, administrator of all Bank-owned real estate properties and building facilities, and head of the Security Services of PNB. Aida is also a member of various management committees and attends Board Committee meetings as an observer. A seasoned professional, she honed her branch banking experience at Philippine Banking Corporation and the Global Bank where she rose to become Vice President for Marketing of its Corporate Banking Group. Aida obtained her Bachelor of Science degree in Commerce, Major in Accounting from St. Theresa’s College.

MANUEL C. BAHENA, JR., 62, Filipino, First Senior Vice President, is the Chief Legal Counsel of the Bank. He joined PNB in 2003 and was appointed as Head of Documentation and Research Division of the Legal Group in 2009. He then assumed the position of Chief Legal Counsel in 2014. Before joining PNB, he was the Corporate Secretary and Vice President of the Legal Department of Multinational Investment Bancorporation. He also formerly served as Corporate Secretary and Legal Counsel of various corporations, among which are the Corporate Partnership for Management in Business, Inc.; Orioxy Investment Corporation; Philippine Islands Corporation for Tourism and Development; Cencorp (Trade, Travel and Tours), Inc.; and Central Bancorporation General Merchants, Inc.

REYNALDO C. BURGOS, 55, Filipino. “Rey” is First Senior Vice President and Head of the Operations Group. Prior to joining PNB, he was previously connected with Metrobank from 1990 to 2022 as First Vice President, handling Settlements, Cash, and Clearing Operations. With over 30 years of experience, he was exposed to different areas of operations and was part of various projects such as re-engineering, branch transformation to sales model, process review and streamlining, data driven work and analytics, and automation. He was a major contributor of the present Cash Service Alliance (CSA) live project of the Bangko Sentral ng Pilipinas (BSP) and acted as Technical Working Group Head in the implementation of the Check Image Clearing System (CICS) in the Philippines, under the guidance of the BSP, Philippine Clearing House Corporation (PCHC), and Bankers Association of the Philippines (BAP). He served as President of the Clearing Officers Club, Inc. of the Philippines for 11 years. Today, he is member BAP Operations Committee and been serving BAP for more than 10 years. Presently in Bancnet, he is member of Operations and Membership Committees. He is also director of the PCHC and member of Arbitration and Information Technology Committees. Rey holds a Bachelor of Science degree in Commerce, Major in Accountancy from the Colegio de San Juan de Letran.

MARIA ADELIA A. JOSON, 69, Filipino, First Senior Vice President, is the Head of the Retail Banking Sector. Daday, as fondly called by her peers, has over 40 years of vast experience in the banking industry. She started her stint as a research analyst in Economic Research Department of Commercial Bank and Trust Company (Comtrust) in 1974. After 4 years, she took the exams and qualified for the Officers Training Program conducted in 1978 and was thereafter promoted to Branch Cashier of Comtrust-Taft Avenue Branch. In 1980, she joined Allied Banking Corporation (ABC) as Cashier of Roosevelt Branch. Throughout her stint at ABC, she has developed high proficiency in all facets of branch banking thru the various key positions she held in the bank as Branch Head, Area Head and Region Head prior to her designation as the Head of Branch Banking Group in 2014. In 2017, she was assigned to head a newly created group in the Retail Banking Sector Sales and Support Group. Because of her consistent commendable performance, she merited promotions not only in positions but also in rank which is currently at FSVP. Daday was designated as the Officer-in-Charge for the Retail Banking Sector (RBS) in February 2020 before she was officially appointed as the Head of RBS in November 2020. She obtained her degree in A.B. Economics at La Salle College.

CELESTE MARIE V. LIM, 47, Filipino, First Senior Vice President, is the Head of the Consumer Finance Sector. She obtained her Bachelor of Science degree in Business Administration, Major in Accounting and Economics from the College of Mount Saint Vincent in New York USA and her Master’s in Business Administration degree from the University of Chicago Booth School of Business in Chicago USA. In PNB, she was a Senior Vice President and Head of Cards and Payments Solutions Group prior to her current role. Before joining PNB, she was First Vice President and the Head of Cards Business Development and Operations Group of Security Bank Corporation from 2016 to 2021. She was also First Vice President and Head of Merchant Acquiring of Metrobank Cards Corporation from 2006 to 2016. She began her Retail Banking and Lending career in HSBC Philippines in 2001 as a Portfolio Risk Manager.

MARIA PAZ D. LIM, 63, Filipino, First Senior Vice President, is the Corporate Treasurer. She is also concurrently the Treasurer of PNB Capital and Investment Corporation and Allied Integrated Holdings, Inc. She obtained her Bachelor of Science degree in Business Administration, Major in Finance and Marketing, from the University of the Philippines, and Master's in Business Administration from the Ateneo de Manila University. She joined PNB on June 23, 1981, rose from the ranks and occupied various officer positions at the Department of Economics & Research, Budget Office and Corporate Disbursing Office prior to her present position.

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

ROLAND V. OSCURO, 60, Filipino, First Senior Vice President, is the Chief Information Security Officer, Head of the Enterprise Information and Cyber Security Group and, in concurrent capacity, the Data Protection Officer of the PNB Group. He obtained his Bachelor of Science in Electronics and Communications Engineering degree from Mapua Institute of Technology and took up units in Master's in Business Administration for Middle Managers at the Ateneo de Manila Graduate School. He is an Electronic and Communications Engineering Board passer. He is also an Information Systems Audit and Control Association's (ISACA) Certified Information Security Manager (CISM). Prior to his present position, Mr. Oscuro was hired as IT Consultant of the Bank on November 2, 2003. In May 2004, he was appointed as the Head of Network Management Division of Information Technology Group with the rank of First Vice President. He was the Operational Support System Group Manager of Multi-Media Telephony, Inc. (Broadband Philippines) prior to joining PNB. He was also connected with various corporations such as Ediserve Corp. (Global Sources), Sterling Tobacco Corporation, Zero Datasoft (Al Bassam), Metal Industry Research and Development Center, and Pacific Office Machines, Inc.

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

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

JOY JASMIN R. SANTOS, 50, Filipino, Senior Vice-President, is the Chief Trust Officer and Head of Trust Banking Group. She has served as Vice-President and Corporate Trust Division Head from 2013 to 2018 and Business Development Division Head of the Trust Banking Group from 2010 to 2012. Prior to joining PNB, she held key managerial positions in various local banks. Ms. Santos

graduated as Cum Laude in 1994 from the Ateneo de Manila University with a degree of Bachelor of Arts, Major in Management Economics and obtained her Master's in Business Administration from the Australian National University, Canberra, Australia in 2002. She has completed the One-Year Course on Trust Operations and Investment Management given by the Trust Institute Foundation of the Philippines in 2015 and graduated with Distinction. She is also a member of the Board of Directors of the Trust Officers Association of the Philippines (TOAP) and of the Trust Institute Foundation of the Philippines (TIFP).

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

JULIET S. DYTOC, 53, Filipino. "Juliet" is First Vice President, Chief Risk Officer and Head of the Risk Management Group. She joined PNB in 2010 under the Trust Banking Group (TBG) as Trust Risk Division Head. In this capacity, Juliet institutionalized the Trust Risk Management framework that covered a comprehensive range of risk areas including credit, market, operational, strategic, regulatory, liquidity, and reputational risk, among others. In September 2020, Juliet was appointed as head of the Market and ALM Division to manage the Bank's market, liquidity, and interest rate risk exposures. She was designated as the officer-in-charge of Risk Management Group in February 2022, and was appointed as the Chief Risk Officer in March 2023. She has over 25 years of experience in the banking and finance industry in the areas of risk management, account management, and product development. She started as a management trainee joining PCIBank's Management Development Program and was eventually seconded to PCIB Securities as an Investment Analyst. She took interest in the Trust business and was transferred to Equitable PCI Bank (now BDO Unibank) as a Trust Portfolio Manager. She continued this track in Metrobank as Trust Credit and Risk Officer, the first Trust risk management unit in the banking industry. She briefly handled product management at Standard Chartered Bank where she made available structured products for wealth management clients. At Sterling Bank of Asia, she refocused on risk management as head of its market risk unit. She is fluent in French and in conversational Chinese. Juliet graduated cum laude with a Bachelor of Arts degree in European Languages and obtained her Master's degree in Business Administration from the University of the Philippines. In 2000 she completed, placing fourth out of 80 participants, a one year course on Trust Operations and Investment Management given by the Trust Institute Foundation of the Philippines (TIFP). She was at some point certified by the Securities and Exchange Commission (SEC) as a Fixed Income Salesman. She is a Chartered Financial Analyst (CFA®) Charterholder and an active member of the CFA Society of the Philippines since 2005.

ANALISA I. SAN PEDRO, 46, Filipino. "Ana" is First Vice President and Chief Audit Executive. Ana joined the Bank in 2002 as Management Specialist and rose from the ranks to the position of First Vice President. She is an active member of the Institute of Internal Auditors (IIA) – Philippines, Association of Certified Anti-Money Laundering Specialists (ACAMS) and Bankers Institute of the Philippines (BAIPHIL). She was designated as the Officer-in-Charge of Internal Audit Group in November 2021. Ana holds a Bachelor of Science degree in Accountancy from the Polytechnic University of the Philippines. She is a Certified Public Accountant (CPA) and a Certified Treasury Professional (CTP).

(b) Identify Significant Employees

The Bank values all its employees for their contribution to the business. No employee who is not an executive officer is expected to make any significant contribution to the business of the Bank.

(c) Family Relationships

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

(d) Involvement in Certain Legal Proceedings

None of the directors, nominees for directors, nor any of the executive officers of the Bank have been, for the last five (5) years:

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

(e) Certain Relationships and Related Transactions

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

In the aggregate, DOSRI loans generally should not exceed the Bank's equity or 15% of the Bank's total loan portfolio, whichever is lower. As of December 31, 2023 and 2022, the Bank and its subsidiaries (hereinafter collectively referred to as the "Group") were in compliance with such regulations.

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Group's related parties include:

- key management personnel, close family members of key management personnel and entities which are controlled, significantly influenced by or for which significant voting power is held by key management personnel or their close family members;
- significant investors;
- subsidiaries, joint ventures and associates and their respective subsidiaries; and
- post-employment benefit plans for the benefit of the Group's employees.

For proper monitoring of related party transactions (RPT) and to assist the Board in performing its oversight functions in monitoring and managing potential conflicts of interest of Management, board members and stockholders, the Bank created the Board Oversight RPT Committee (BORC). The BORC is composed of at least five (5) regular members which should consist of three (3) independent

directors and two (2) non-voting members (the Chief Audit Executive and the Chief Compliance Officer). The Chairman of the BORC is an independent director and appointed by the Board.

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

The foregoing information addresses the requirement of Section 49 of the Revised Corporation Code to disclose the directors' self-dealings and related party transactions with the Bank.

Item 6. COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

(a) Executive Compensation

1) General

The annual compensation of executive officers consists of a 16-month guaranteed cash emolument. Non-executive directors are entitled to a per diem for each Board or Board committee meeting attended as follows: ₱60,000.00 for each board meeting and ₱30,000.00 for each committee meeting, provided that in no case shall the total per diem exceed ₱420,000.00 per month for committee meetings. No other emoluments are granted to non-executive directors of the Bank except for the aforementioned per diem. The ₱60,000.00 and ₱30,000.00 per diem for each board and board committee meeting, respectively, were recent adjustments. The last adjustment made on the directors' per diem was in 2014. There is no profit-sharing arrangement between the Bank and the Bank's directors. The President and CEO, being the only executive director, is not entitled to any per diem as it is deemed incorporated in his compensation. The total per diem paid to the non-executive directors of the Bank for 2023 amounted to ₱71.340 million broken down as follows:

Board Meetings	₱20.77 million
Board Committee Meetings	₱50.57 million

In view, however, of the competitiveness of the industry and high demand for senior executive officers and in order to maintain the Bank's attractiveness and advantage, the Bank is unable to disclose the exact amount of total compensation received by its President in 2023.

Due to the sensitivity of the information, the Bank prefers not to reflect in this Information Statement the annual report on the compensation received by each director as this will allow non-stockholders access to the information. This Information Statement is easily accessible and may be downloaded from the Bank's website and its PSE Edge profile. This may, therefore, endanger the safety and security of the directors and may be a violation of data privacy laws. In compliance, however, with Sections 29 and 49 of the Revised Corporation Code requiring corporations vested with public interest to submit to its stockholders and the Commission an annual report of the total compensation of each of their directors, a report on the total compensation of each director will be presented to the stockholders at the Annual Stockholders' Meeting of the Bank and a copy of said report will be submitted to the SEC, as may be required. Any stockholder may likewise inquire about the compensation of each director by sending a request to the Office of the Corporate Secretary and such inquiry will be addressed personally.

The above information addresses the requirements under Sections 29 and 49 of the Revised Corporation Code.

Other than as above-stated, there are no other arrangements concerning compensation for services rendered by directors or executive officers to the Group.

2) Summary Compensation Table

Below is a summary compensation table of the most highly compensated executive officers, directors and other officers of the Bank.

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

The information above addresses the requirements of Sections 29 and 49 of the Revised Corporation Code.

3) Employment Contracts and Termination of Employment and Change-in-Control Arrangements

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

4) Warrants and Options Outstanding

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

Item 7. INDEPENDENT PUBLIC ACCOUNTANTS

SyCip Gorres Velayo & Co., CPAs (SGV) was engaged as the external auditor of the Bank and its domestic subsidiaries for the calendar year 2023. Representatives of SGV will be present at the Stockholders' Meeting. They will have the opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions. Ms. Vicky B. Lee-Salas was the engagement partner of the Bank for the year 2023.

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

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

For the years reported, there were no changes in, nor disagreements with, the Bank's external auditors on accounting and financial disclosures.

OTHER MATTERS

Item 8. ACTION WITH RESPECT TO REPORTS

The following matters will be submitted to a vote at the Annual Stockholders' Meeting:

1. Approval of the Minutes of the 2023 Annual Stockholders' Meeting held on April 25, 2023

Hereunder is a summary of the salient matters discussed at the Annual Stockholders' Meeting of the Bank in 2023:

- a. The Minutes of the 2022 Annual Stockholders' Meeting held on April 26, 2022 was approved;
- b. A Report of the President on the Results of Operations for the Year 2022 was presented;
- c. The 2022 Annual Report was approved;
- d. All Legal Acts, Resolutions and Proceedings of the Board of Directors and Corporate Officers since the 2022 Annual Stockholders' Meeting were confirmed and ratified;
- e. Fifteen (15) Directors were elected to serve for the term 2023-2024; and
- f. SGV was appointed as External Auditor of the Bank for 2023-2024.

A copy of the Minutes of the 2023 Annual Stockholders' Meeting was uploaded in the Bank's website on April 27, 2023. The Minutes were prepared in accordance with the requirements of Section 49 of the Revised Corporation Code which require minutes of the most recent regular stockholders' meeting to include, among others, the following:

- a. A description of the voting and tabulation procedures in the previous meeting;
- b. A description of the opportunity given to stockholders to ask questions and a record of the questions asked and answers given;
- c. The matters discussed and resolutions reached;
- d. A record of the voting results for each agenda item;
- e. A list of the directors or trustees, officers and stockholders who attended the meeting; and
- f. Such other items that the Commission may require in the interest of good corporate governance and the protection of minority stockholders.

2. Approval of the 2023 Annual Report

The 2023 Annual Report of the Bank may be viewed and downloaded from the Bank's website at www.pnb.com.ph/asm2024. The President will likewise render his report on the Bank's performance for the year 2023 during the Stockholders' meeting in compliance with Section 49 of the Revised Corporation Code which requires a presentation to the stockholders of a descriptive, balance and comprehensible assessment of the Bank's performance and a financial report for the preceding year.

3. Ratification of all legal acts and proceedings of the Board of Directors and corporate officers since the 2023 Annual Stockholders' Meeting

A list of all legal acts, resolutions and proceedings taken by the directors and corporate officers will be too voluminous to be included in this report. Most relate to regular banking transactions and credit matters which the Board of Directors, either by law or by regulations issued by the BSP, is required to act upon. It includes, among others, approval of loans, investments, new products and services, amendment of bank policies and manuals, matters related to various bank-acquired assets and related party transactions. These actions are subjected to the annual review of the BSP and the Bank's external auditor.

Item 9. AMENDMENT OF THE BY-LAWS

The amendment of the following sections of the Bank's By-Laws will be presented for approval of the stockholders during the Annual Stockholders' Meeting:

- a. Sections 3.4 and 3.5, Article III;
- b. Sections 4.2, 4.3, 4.4 and 4.7, Article IV;
- c. Sections 5.4, 5.5, 5.8, 5.9, 5.11, 5.12 and 5.17, Article V; and
- d. Sections 6.1, 6.9, 6.10 and 6.11, Article VI.

The proposed amendments are (i) to align the Bank's By-Laws, and to make it consistent with, the provisions of the Revised Corporation Code of the Philippines and the rules and regulations issued by the SEC and (ii) to enhance good corporate governance practice of the Bank. A table of the proposed amendments to the Bank's By-Laws is attached as Annex "B".

Item 10. OTHER ACTIONS

- (a) Election of Directors

Fifteen (15) directors will be elected for the year 2024 – 2025.

- (b) Appointment of External Auditor

The BACC has sole authority to select, evaluate, appoint, dismiss, replace and reappoint the Bank's external auditors, subject to the approval of the Board of Directors and ratification of the stockholders, based on fair and transparent criteria such as (i) core values, culture and high regard for excellence in audit quality; (ii) technical competence and expertise of auditing staff; (iii) independence; (iv) effectiveness of the audit process; and (v) reliability and relevance of the external auditor's reports. The BACC has endorsed the reappointment of SGV as its external auditor for the year 2024 to the Board of Directors. The reappointment of SGV as external auditor of the Bank was approved by the Board of Directors on February 23, 2024, and will be presented for ratification of the stockholders at the Bank's Annual Stockholders' Meeting to be held on April 30, 2024.

SGV has the advantage of having historical knowledge of the business of the Bank and its subsidiaries and affiliates, having been the appointed external auditor of the Bank in 2023 and prior years.

Item 11. VOTING PROCEDURE

The affirmative vote of the stockholders present in person or by proxy representing at least a majority of the stockholders present at the meeting shall be sufficient to carry the vote for any of the matters submitted to a vote at the Annual Stockholders' Meeting, except for Items 6 and 8 of the Agenda on the amendment of the Bank's By-Laws and election of directors, respectively.

For Item 6 of the Agenda, on the amendment of the Bank's By-Laws, the favorable vote of the stockholders representing at least a majority of the outstanding capital stock of the Bank is required.

For the election of directors, the fifteen (15) nominees garnering the highest number of votes from the stockholders present or represented by proxy shall be elected directors for the ensuing year.

The manner of voting and counting of votes will be as follows:

- a) Every stockholder entitled to vote shall have the right to vote the number of shares registered in his name on record as of the close of business hours on April 1, 2024. Only duly signed proxies and electronic votes submitted on or before 5:00 p.m. on April 25, 2024 shall be honored for purposes of voting.

The requirements and procedure for voting through remote communication are reflected in Annex “C” of this Information Statement.

- b) For purposes of electing directors, the system of cumulative voting shall be followed. Each stockholder is entitled to such number of votes equal to the number of shares he owns multiplied by the number of directors to be elected. Under this voting system, the stockholder has the option to (i) cast all his votes in favor of one (1) nominee, or (ii) distribute those votes under the same principle among as many nominees as he shall see fit. Only candidates duly nominated shall be voted upon by the stockholders entitled to vote or by their proxies.
- c) The manner of election and the counting of the votes to be cast shall be under the supervision of the Corporate Secretary.

The foregoing address the requirement of Section 49 of the Revised Corporation Code to disclose to the stockholders material information on the current stockholders and their voting rights.

Item 12. CORPORATE GOVERNANCE

PNB subscribes to the highest standards of corporate governance as the Bank believes that good governance supports long-term value creation. A comprehensive discussion and report on the Bank’s corporate governance framework and its implementation prepared in accordance with the BSP’s Manual of Regulations for Banks (MORB), the Securities and Exchange Commission’s (SEC) Code of Corporate Governance for Publicly Listed Companies, and prevailing best practices prescribed under the ASEAN Corporate Governance Scorecard (ACGS) is attached as Annex “D” of this Information Statement.

UNDERTAKING TO PROVIDE ANNUAL REPORT

The Registrant undertakes to provide without charge to each Stockholder a copy of the Bank's Annual Report or SEC Form 17-A upon written request to the Bank addressed to:

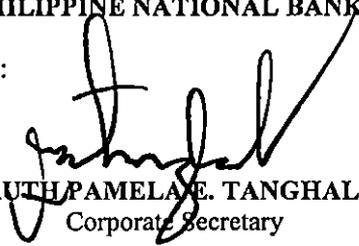
The Corporate Secretary
Philippine National Bank
9/F, PNB Financial Center
President Diosdado Macapagal Blvd.
Pasay City, Metro Manila

SIGNATURES

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Pasay City on March 19, 2024.

PHILIPPINE NATIONAL BANK

By:


RUTH PAMELA E. TANGHAL
Corporate Secretary



AGENDA

DETAILS AND RATIONALE

1. **Call to Order.** The Chairman, Mr. Edgar A. Cua, will formally open the 2024 Annual Stockholders’ Meeting of the Philippine National Bank (“PNB” or, the “Bank”).
2. **Secretary’s Proof of Notice and Quorum.** The Corporate Secretary, Atty. Ruth Pamela E. Tanghal, will certify that the Notice has been duly published and made available to stockholders of record as of April 1, 2024 pursuant to the existing regulations of the Securities and Exchange Commission. Thereafter, Atty. Tanghal will certify as to the existence of a quorum for the valid transaction of business at the Annual Stockholders’ Meeting.
3. **Approval of the Minutes of the 2023 Annual Stockholders’ Meeting held on April 25, 2023.** The Minutes of the 2023 Annual Stockholders’ Meeting of the Bank will be presented to the Stockholders for approval. A copy of the said Minutes was uploaded to the Bank’s website on April 27, 2023 and may be accessed at https://pnb-website.s3-ap-southeast-1.amazonaws.com/uploads/docs/2023_ASM_Minutes.pdf.
4. **Report of the President on the Results of Operations for the Year 2023.** The President, Mr. Florido P. Casuela, will present to the stockholders the highlights of the Bank’s performance for the year 2023.
5. **Approval of the 2023 Annual Report.** The 2023 PNB Annual Report, as well as the Audited Financial Statements (AFS) as of December 31, 2023, will be presented to the stockholders for approval. A copy of the AFS is incorporated in the Information Statement.
6. **Amendment of the Bank’s By-Laws.** To align with the provisions of the Revised Corporation Code of the Philippines and other applicable laws and regulations, and to enhance the Bank’s overall corporate governance practices, the amendment of the following sections of the By-Laws will be presented to the stockholders for approval:
 - a. Sections 3.4 and 3.5 of Article III;
 - b. Sections 4.2, 4.3, 4.4 and 4.7 of Article IV;
 - c. Sections 5.4, 5.5, 5.8, 5.9, 5.11, 5.12 and 5.17 of Article V;
 - d. Sections 6.1, 6.9, 6.10 and 6.11 of Article VI.
7. **Ratification of All Legal Acts, Resolutions and Proceedings of the Board of Directors and Corporate Officers since the 2023 Annual Stockholders’ Meeting.** The acts, resolutions and proceedings of the Board of Directors and Corporate Officers since the 2023 Annual Stockholders’ Meeting, most of which relate to regular banking transactions and credit matters which the Board of Directors, either by law or by regulations issued by the BSP, is required to act upon, will be presented to the stockholders for approval and ratification.
8. **Election of Directors.** The nominees for election as members of the PNB Board of Directors will be presented to the stockholders. The profiles of the nominees are included in the Information Statement.
9. **Appointment of External Auditor.** The appointment of SGV & Co. as the Bank’s external auditor for the year 2024 will be presented to the stockholders for confirmation and ratification.
10. **Other Matters.** Other matters arising subsequent to the sending out of the Notice of the Meeting and the Agenda, and as may be relevant to the Annual Stockholders’ Meeting, may be presented to the stockholders for consideration.
11. **Adjournment.** Upon consideration of all matters included in the Agenda, the Chairman shall declare the meeting adjourned.

PROPOSED AMENDMENTS TO THE BY-LAWS

Current Provision	Proposed Amendment
Article III Stock and Stock Certificates	
<p>Section 3.4 <u>Closing of Stock and Transfer Book or Fixing of Record Date.</u> The stock and transfer book of the Bank shall be closed for transfers during the seven (7) working days next preceding any meeting of the stockholders and during seven (7) working days next preceding the date upon which dividends are declared payable and during such additional time as the Board of Directors may from time to time determine.</p> <p>In lieu of closing the stock and transfer book, the Board of Directors may fix a date, not exceeding thirty (30) days preceding the date of any meeting of stockholders or any dividend payment date, as a record date for the determination of stockholders entitled to notice of, and to vote at any such meeting or entitled to receive payment of any dividend, and in such case only such stockholders as shall be stockholders of record on the date so fixed shall be entitled to a notice of, and to vote at any such meeting or to receive payment of such dividend notwithstanding any transfer of any stock on the books of the Bank after such record date.</p> <p>meeting or to receive payment of such dividend notwithstanding any transfer of any stock on the books of the Bank after such record date.</p> <p>In all cases, the fixing of the record date shall be in accordance with the rules of the Securities and Exchange Commission and the Philippine Stock Exchange.</p>	<p>Section 3.4 <u>Closing of Stock and Transfer Book or Fixing of Record Date.</u> The stock and transfer book of the Bank shall be closed for transfers during the seven (7) working days next preceding any meeting of the stockholders and during seven (7) working days next preceding the date upon which dividends are declared payable and during such additional time as the Board of Directors may from time to time determine.</p> <p>In lieu of closing the stock and transfer book, the Board of Directors may fix a date, <u>at least twenty eight (28) days</u> preceding the date of any meeting of stockholders or any dividend payment date, as a record date for the determination of stockholders entitled to notice of, and to vote at any such meeting or entitled to receive payment of any dividend, and in such case only such stockholders as shall be stockholders of record on the date so fixed shall be entitled to a notice of, and to vote at any such meeting or to receive payment of such dividend notwithstanding any transfer of any stock on the books of the Bank after such record date.</p> <p>after such record date.</p> <p>In all cases, the fixing of the record date shall be in accordance with the rules of the Securities and Exchange Commission and the Philippine Stock Exchange.</p>
<p>Section 3.5. <u>Lost and Destroyed Certificates.</u> Lost or destroyed certificates shall be replaced whenever any person claiming a certificate of stock to be lost or destroyed shall make an affidavit in triplicate as to the ownership of the stock alleged to have been lost or destroyed and the facts which support its loss or destruction, and only after complying with the requirements of the Corporation Code of the Philippines.</p> <p>The new certificate of stock shall be plainly marked as a duplicate certificate and shall otherwise be of the same tenor as the one alleged to have been lost or destroyed.</p>	<p>Section 3.5. <u>Lost and Destroyed Certificates.</u> Lost or destroyed certificates shall be replaced whenever any person claiming a certificate of stock to be lost or destroyed shall make an affidavit in triplicate <u>setting forth such information as may be required under,</u> and only after complying with the requirements of, <u>Section 72 of the Revised</u> Corporation Code of the Philippines.</p> <p>The new certificate of stock shall be plainly marked as a duplicate certificate and shall otherwise be of the same tenor as the one alleged to have been lost or destroyed.</p>

**Article IV
Stockholders**

Section 4.2 Annual Meetings. The annual meeting of the stockholders shall be held at the principal office of the Bank or any other place within Metro Manila as may be determined by the majority of the Board of Directors, on the last Tuesday of April of each year unless such day is a legal holiday, in which case, the business day next following shall be the meeting day for the particular year.

Section 4.2 Annual Meetings. The annual meeting of the stockholders shall be held at the principal office of the Bank or any other place within Metro Manila as may be determined by the majority of the Board of Directors, on the last Tuesday of April of each year unless such day is a legal holiday, in which case, the business day next following shall be the meeting day for the particular year.

The annual meetings of stockholders may be held either in person or by way of remote communication such as, but not limited to, videoconferencing, teleconferencing, or other alternative modes of communication that allow the stockholders a reasonable opportunity to participate, and in such manner as the board of directors may approve provided that the same shall be consistent with any regulation as may now or hereafter be imposed by law.

Section 4.3 Special Meetings. Special meetings of the stockholders may be called by the Chairman of the Board of Directors, by the President, by the majority of the Board of Directors, or on the demand in writing of the stockholders owning a majority of the voting stock of the Bank.

The call for special meeting shall be made at least fifteen (15) days in advance and shall specify the time, place and purpose of the meeting and no business other than that specified in the call shall be transacted at such special meeting.

Section 4.3 Special Meetings. Special meetings of the stockholders may be called by the Chairman of the Board of Directors, by the President, by the majority of the Board of Directors, or on the demand in writing of the stockholders owning a majority of the voting stock of the Bank.

Any number of stockholders who hold at least ten percent (10%) or more of the outstanding capital stock of the Bank shall likewise have the right to call for a special stockholders' meeting, subject to the guidelines set by law and relevant regulations as may now or hereafter be imposed.

The call for special meeting shall be made at least twenty eight (28) days in advance and shall specify the time, place and purpose of the meeting and no business other than that specified in the call shall be transacted at such special meeting.

Special meetings of stockholders may be held either in person or by way of remote communication such as, but not limited to, videoconferencing, teleconferencing, or other alternative modes of communication that allow the stockholders a reasonable opportunity to participate, and in such manner as the board of directors may approve provided that the same shall be consistent with any regulations as may now or hereafter be imposed by law.

Section 4.4 Notice of Meeting. Written notice of each regular or special meeting of stockholders, and supporting documents in printed or electronic form, shall be prepared and mailed, or caused to be prepared and mailed by the Secretary to the last known post office address of each stockholder not less than ten (10) days prior to the date set for such meeting, and in addition shall be

Section 4.4 Notice of Meeting. Written notice of each regular or special meeting of stockholders, and supporting documents, in printed or electronic form shall be prepared and mailed, or caused to be prepared and mailed, or delivered in person or by electronic means or by any other means as may be allowed by law by the Secretary to the last known post office address or electronic mail

<p>published or caused to be published by the Secretary for one week daily in at least one newspaper of general circulation in the Philippines. The notice shall specify the place, day and hour of the meeting, and in the case of a special meeting, such notice shall state the purpose of the same. Waiver of such notice may only be made in writing. No notice shall be necessary for any adjourned meeting.</p> <p>hall specify the place, day and hour of the meeting, and in the case of a special meeting, such notice shall state the purpose of the same. Waiver of such notice may only be made in writing. No notice shall be necessary for any adjourned meeting.</p>	<p><u>address (if available) of each stockholder at least fifteen (15) business days or twenty one (21) calendar days prior to the date of the meeting, whichever date occurs earlier, unless a longer period is hereafter required by law or regulation, and in addition shall be published or caused to be published by the Secretary for one week daily in at least one newspaper of general circulation in the Philippines for a period not less than ten (10) calendar days prior to the date set for such meeting. The notice shall specify the place, day and hour of the meeting, and in the case of a special meeting, the purpose of the same, together with such other information as may be required by law. Waiver of such notice may only be made in writing. No notice shall be necessary for any adjourned meeting. Attendance by a stockholder at such meeting shall constitute a waiver of notice of such meeting unless such stockholder's attendance is for the express purpose of objecting to the transaction of any business because the meeting was not lawfully convened.</u></p> <p><u>In case of postponement of annual meetings, written notice shall be sent to every stockholder in such manner as may be authorized by the Board of Directors, provided it is not inconsistent with law, at least two (2) weeks prior to the scheduled meeting.</u></p>
<p>Section 4.7 <u>Right to Vote; Proxies.</u> Stockholders entitled to vote at a stockholders' meeting may vote either in person, through remote communication or in absentia, or by proxy the number of shares registered in their respective names in the Stock and Transfer Book of the Bank. Proxies shall be in writing, signed by the stockholder and duly presented to the Secretary for inspection and recorded not later than 5:00 o'clock in the afternoon five (5) calendar days prior to the date of said meeting. Unless otherwise provided in the proxy, it shall be valid only for the meeting for which it is intended. No proxy shall be valid and effective for a period longer than five (5) years at any one time.</p> <p>hall be valid only for the meeting for which it is intended. No proxy shall be valid and effective for a period longer than five (5) years at any one time.</p>	<p>Section 4.7 <u>Right to Vote; Proxies.</u> Stockholders entitled to vote at a stockholders' meeting may vote either in person, through remote communication or in absentia, <u>or by any other means as may hereafter be authorized by law and the Board of Directors,</u> or by proxy the number of shares registered in their respective names in the Stock and Transfer Book of the Bank. Proxies shall be in writing, signed by the stockholder and duly presented to the Secretary for inspection and recorded not later than 5:00 o'clock in the afternoon five (5) calendar days prior to the date of said meeting. Unless otherwise provided in the proxy, it shall be valid only for the meeting for which it is intended. No proxy shall be valid and effective for a period longer than five (5) years at any one time.</p> <p>(5) years at any one time.</p> <p><u>The Board of Directors shall approve the procedure and guidelines to be observed for casting votes through remote communication or in absentia.</u></p>
<p>Article V Board of Directors</p>	
<p>Section 5.4 <u>Independent Directors.</u> As defined in Section 38 of the Securities Regulation Code, the General Banking Law of 2000 and the Manual of Regulations for Banks of the <i>Bangko Sentral ng Pilipinas</i>, an independent director means a</p>	<p>Section 5.4 <u>Independent Directors.</u> An independent director means a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be</p>

<p>person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in the Bank.</p> <p>There shall be at least two (2) independent directors or such number of independent directors that constitutes twenty percent (20%) of the members of the Board but in no case less than two (2).</p>	<p>perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in the Bank, <u>and as may be defined under the law, Securities Regulation Code and its implementing rules and regulations, the General Banking Law of 2000, the Manual of Regulations for Banks of the Bangko Sentral ng Pilipinas, and rules and regulations issued by the Securities and Exchange Commission.</u></p> <p><u>The Board should have at least three (3) independent directors, or such number as to constitute at least one-third (1/3) of the members of the Board, whichever is higher. The Board shall designate a lead director among the independent directors if the Chairman of the Board is not independent.</u></p>
<p>Section 5.5. <u>Nomination and Election of Independent Directors.</u> The following rules shall be applied in the nomination of independent director/s:</p> <p>The Corporate Governance Committee (acting as a Nomination Committee) shall have at least three (3) members, two (2) of whom shall be independent directors. It shall promulgate the guidelines or criteria to govern the conduct of the nomination. The same shall be properly disclosed in the company's Information or Proxy Statement or such other reports required to be submitted to the Commission.</p> <p style="text-align: center;">x x x</p>	<p>Section 5.5. <u>Nomination and Election of Independent Directors.</u> The following rules shall be applied in the nomination of independent director/s:</p> <p>(a) The Corporate Governance Committee (acting as a Nomination Committee) shall have at least three (3) members, <u>all</u> of whom shall be independent directors. It shall promulgate the guidelines or criteria to govern the conduct of the nomination. The same shall be properly disclosed in the company's Information or Proxy Statement or such other reports required to be submitted to the Commission.</p> <p style="text-align: center;">x x x</p>
<p>Section 5.8. <u>Compensation.</u> Directors, as such, shall receive such compensation for their services as may from time to time be fixed by the stockholders subject to the limitations set forth in Section 30 of the Corporation Code. Each director shall also be entitled to a reasonable per diem, as may be determined by the Board.</p>	<p>Section 5.8. <u>Compensation.</u> Directors, as such, shall receive such compensation for their services as may from time to time be fixed by the stockholders subject to the limitations set forth in Section 29 of the <u>Revised</u> Corporation Code. Each director shall also be entitled to a reasonable per diem, <u>which the President is authorized to fix and/or increase, subject to ratification by the stockholders.</u></p>
<p>Section 5.9 <u>Regular Meetings.</u> The Board of Directors shall be organized as such immediately after the election of the members thereof in a meeting for which no notice shall be required. Thereafter, the Board of Directors shall hold regular meetings at such particular date, hour or place within the Philippines as the Board may from time to time fix. Directors who cannot physically attend any Board meeting may participate and vote through remote communication, such as videoconferencing, teleconferencing, or other alternative modes of communication.</p>	<p>Section 5.9 <u>Regular Meetings.</u> The Board of Directors shall be organized as such immediately after the election of the members thereof in a meeting for which no notice shall be required. Thereafter, the Board of Directors shall hold regular meetings at such particular date, hour or place within the Philippines as the Board may from time to time fix. <u>Meetings of the Board of Directors may be held either in person or by way of remote communication such as, but not limited to, videoconferencing, teleconferencing, or other alternative modes of communication that allow the directors a reasonable opportunity to participate and in such manner as the board of directors may hereafter approve provided that the same shall be consistent with any regulations as may now or hereafter be imposed by law.</u> Directors who cannot physically attend any Board meeting may participate and vote through remote communication, such as</p>

	<p>videoconferencing, teleconferencing, or other alternative modes of communication.</p>
<p>Section 5.11 <u>Notice of Meetings</u>. The Secretary shall notify in writing or by telephone each member of the Board of all special meetings, at least three (3) hours before any such meeting. Notice need not be given of regular meetings of the Board of Directors held at times fixed by resolution of the Board. No failure or irregularity to give notice at any regular meeting shall invalidate the same or any proceeding thereat. In case of special meeting, the object thereof need not be stated in the notice.</p>	<p>Section 5.11 <u>Notice of Meetings</u>. The Secretary shall notify in writing or by telephone each member of the Board of all <u>regular and</u> special meetings, at least <u>two (2) days</u> before any such meeting. <u>A director may waive this requirement, either expressly or impliedly.</u> No failure or irregularity to give notice at any regular meeting shall invalidate the same or any proceeding thereat. In case of special meeting, the object thereof need not be stated in the notice.</p> <p><u>Notice of meetings may be sent to all directors through personal delivery, electronic mail, messaging service or such other manner as may hereafter be authorized by law and the Board of Directors. The Notice shall reflect such information as may be required by law.</u></p>
<p>Section 5.12 <u>Quorum</u>. The Directors shall act only as a Board, and the individual directors shall have no power to act as such. A majority of the directors shall be necessary at all meetings to constitute a quorum for the transaction of any business and every decision of a majority of the quorum duly assembled as a Board shall be valid as a corporate act unless otherwise provided by law. A minority of the Board present at any regular or special meeting shall, in the absence of a quorum, adjourn to a later date, and shall not transact any business until a quorum has been secured.</p> <p>ransact any business until a quorum has been secured.</p>	<p>Section 5.12 <u>Quorum</u>. The Directors shall act only as a Board, and the individual directors shall have no power to act as such. A majority of the directors shall be necessary at all meetings to constitute a quorum for the transaction of any business and every decision of a majority of the quorum duly assembled as a Board shall be valid as a corporate act unless otherwise provided by law. A minority of the Board present at any regular or special meeting shall, in the absence of a quorum, adjourn to a later date, and shall not transact any business until a quorum has been secured.</p> <p>ransact any business until a quorum has been secured.</p> <p><u>Directors attending the meeting and casting votes through remote communication, or electronically or other means as may be allowed by law, shall be deemed present for purposes of determining a quorum.</u></p>
<p>Section 5.17 <u>Other Committees</u>. The Board of Directors may, by resolution of the majority thereof, also create such other committees as may be required by law and the rules and regulations of the <i>Bangko Sentral ng Pilipinas</i> or as may be necessary with such powers as the Board may determine. Each committee shall have a written charter that describes its composition and function and the duties and responsibilities of its members. The charter shall be approved by the Board of Directors and reviewed and updated on a regular basis. The Board of Directors shall elect the members of the other committees and shall have the power at any time to change the members of, to fill vacancies in, or dissolve any such committees. Such committees shall meet at stated times, or on the request of any of their members upon notice to each member, and shall keep regular minutes of their proceedings which shall be submitted for the notation of the Board. For each attendance in any Board-created committee meeting of a member of the</p>	<p>Section 5.17 <u>Other Committees</u>. The Board of Directors may, by resolution of the majority thereof, also create such other committees, <u>such as, but not limited to, the Audit Committee, Corporate Governance Committee, Board Risk Oversight Committee, and Related Party Transaction Committee,</u> as may be required by, <u>and in accordance with,</u> law and the rules and regulations of the <i>Bangko Sentral ng Pilipinas</i> and the <u>Securities and Exchange Commission,</u> or as may be necessary with such powers as the Board may determine. Each committee shall have a written charter that describes its composition and function and the duties and responsibilities of its members. The charter shall be approved by the Board of Directors and reviewed and updated on a regular basis. The Board of Directors shall elect the members of the other committees and shall have the power at any time to change the members of, to fill vacancies in, or dissolve any such committees. Such committees shall meet at stated</p>

<p>Board of Directors, the member shall be entitled to such per diem as the Board of Directors may fix from time to time.</p> <p>es shall meet at stated times, or on the request of any of their members upon notice to each member, and shall keep regular minutes of their proceedings which shall be submitted for the notation of the Board. For each attendance in any Board-created committee meeting of a member of the Board of Directors, the member shall be entitled to such per diem as the Board of Directors may fix from time to time.</p>	<p>times, or on the request of any of their members upon notice to each member, and shall keep regular minutes of their proceedings which shall be submitted for the notation of the Board. For each attendance in any Board-created committee meeting of a member of the Board of Directors, the member shall be entitled to such per diem as the Board of Directors may fix from time to time.</p> <p>es shall meet at stated times, or on the request of any of their members upon notice to each member, and shall keep regular minutes of their proceedings which shall be submitted for the notation of the Board. For each attendance in any Board-created committee meeting of a member of the Board of Directors, the member shall be entitled to such per diem as the Board of Directors may fix from time to time.</p>
<p>Article VI Officers</p>	
<p>Section 6.1 <u>Designation</u>. The Board of Directors shall elect the President of the Bank who shall be a member of the Board, and appoint a Secretary and a Treasurer who need not be members of the Board. The Board may also, upon the recommendation of the President, from time to time, appoint such classes of Vice Presidents and such other officers as may be necessary for the efficient operation of the Bank. The Board of Directors may create such other additional positions as it may consider proper and necessary to efficiently carry out the programs and objectives of the Bank.</p> <p>t the programs and objectives of the Bank.</p> <p>All officers of the Bank appointed by the Board of Directors shall hold office at the pleasure of the Board. Except for the President, all other officers of the Bank need not be directors thereof.</p>	<p>Section 6.1 <u>Designation</u>. The Board of Directors shall elect the President of the Bank who shall be a member of the Board, and appoint a Secretary and a Treasurer who need not be members of the Board. The Board may also, upon the recommendation of the President, from time to time, appoint such classes of Vice Presidents and such other officers as may be necessary for the efficient operation of the Bank. The Board of Directors may create such other additional positions, <u>including, but not limited to, a Chairman and a Chairman Emeritus, and renew their designations,</u> as it may consider proper and necessary to efficiently carry out the programs and objectives of the Bank.</p> <p>All officers of the Bank appointed by the Board of Directors shall hold office at the pleasure of the Board. Except for the President, all other officers of the Bank need not be directors thereof.</p>
<p>Section 6.9 <u>Vacancies and Delegation of Offices</u>. Any vacancy in the office of the Chairman or the President, created by death, resignation, or otherwise, may be filled for the unexpired term in the manner prescribed in Section 5.7 of these By-Laws.</p> <p>In case of permanent incapacity or absence of both the Chairman and the President, the Board of Directors shall designate a temporary Chairman and an Acting President from among its members.</p> <p>In case of temporary absence or disability of any officer of the Bank or of any reason that the Board of Directors may deem sufficient, the Board of Directors may delegate the powers and duties of such officer to any other officer for the time being.</p>	<p>Section 6.9 <u>The Chairman</u>. The Board of Directors may appoint a Chairman of the Board in accordance with the provisions of law and rules and regulations issued by the Securities and Exchange Commission and/or the Bangko Sentral ng Pilipinas. <u>He shall have such functions as provided for in Section 5.6 of these By-Laws and as may be granted to him by law. He shall have a term of one (1) year. The Chairman of the Board shall be a separate individual from the Chief Executive Officer.</u></p>

-	<p><u>Section 6.10. The Chairman Emeritus. The Board of Directors may designate a Chairman Emeritus of the Board from among the previous directors and Chairmen of the Board. He shall hold office for a term of one (1) year. The Chairman Emeritus shall act in an advisory capacity. He may attend the meetings of the Board of Directors but shall not vote at such meetings. He may be entitled to a reasonable per diem, pursuant to Section 5.8 of these By-laws.</u></p>
-	<p><u>Section 6.11 Vacancies and Delegation of Offices.</u> Any vacancy in the office of the Chairman or the President, created by death, resignation, or otherwise, may be filled for the unexpired term in the manner prescribed in Section 5.7 of these By-Laws.</p> <p>In case of permanent incapacity or absence of both the Chairman and the President, the Board of Directors shall designate a temporary Chairman and an Acting President from among its members.</p> <p>In case of temporary absence or disability of any officer of the Bank or of any reason that the Board of Directors may deem sufficient, the Board of Directors may delegate the powers and duties of such officer to any other officer for the time being.</p> <p>(Note: In view of the addition of a new Article VI, Sections 6.9 and 6.10, the previous Article VI, Section 6.9 is renumbered to Article VI, Section 6.11.)</p>

REQUIREMENTS AND PROCEDURE FOR PARTICIPATION AND VOTING THROUGH REMOTE COMMUNICATION

A. Registration for the 2024 ASM and Voting through Remote Communication

1. Stockholders of record as of April 1, 2024, who wish to attend the Annual Stockholders’ Meeting (the “ASM”) and vote in absentia should register through the PNB ASM Registration Portal at www.pnb.com.ph/asm2024 on or before April 23, 2024 (“Registration Period”).
2. Stockholders are required to provide the following for validation and verification:

a. For individual Stockholders

- Scanned copy of the front and back portions of the stockholder’s valid government-issued **photo ID**. This must be in a digital (JPG, PDF, PNG, TIFF, HEIF) format with a file size no larger than 2MB. Valid government-issued photo IDs include the following: Driver’s License, Passport, Unified Multi-Purpose ID, Professional Regulation Commission ID, SSS ID, Pag-Ibig ID, Senior Citizen ID, and Philippine National ID;
- Valid and active e-mail address;
- Valid and active contact number (landline or mobile number).

b. For Stockholders with Joint accounts

In addition to the above requirements, a scanned copy of an authorization letter signed by all stockholders jointly owning the shares designating who among them is authorized to cast the vote for the account. The authorization letter must also be in a digital (JPG, PDF, PNG, TIFF, HEIF) format with a file size no larger than 2MB.

c. For Corporate Stockholders

- Scanned copy of a Secretary’s Certificate or a board resolution under oath regarding the authority of the representative to attend the meeting and vote for and on behalf of the Corporation. This must be in a digital (JPG, PDF, PNG, TIFF, HEIF) format with a file size no larger than 2MB;
- Scanned copy of the front and back portions of the valid government-issued **photo ID** of the stockholder’s representative. This must be in a digital (JPG, PDF, PNG, TIFF, HEIF) format with a file size no larger than 2MB. Valid government-issued photo IDs include the following: Driver’s License, Passport, Unified Multi-Purpose ID, Professional Regulation Commission ID, SSS ID, Pag-Ibig ID, Senior Citizen ID, and Philippine National ID;
- Valid and active email address of the stockholder’s representative;
- Valid and active contact number of the stockholder’s representative (landline or mobile number).

d. For Stockholders represented by Proxy

- In addition to the above requirements for the stockholder, the same requirements shall be submitted by the Proxy or authorized representative;
- Scanned copy of the Proxy Form or an authorization letter signed by the stockholder, authorizing the Proxy to attend the meeting and cast the vote for the account. This must also be in a digital (JPG, PDF, PNG, TIFF, HEIF) format with a file size no larger than 2MB.

e. For Stockholders under Broker accounts

- Scanned copy of the broker’s certificate signed by the authorized signatory/ies on the stockholder’s number of shares. This must be in a digital (JPG, PDF, PNG, TIFF, HEIF) format with a file size no larger than 2MB;
 - In case of a corporate stockholder, also submit a scanned copy of the certification signed by a duly authorized officer of such corporate beneficial owner attesting to the authority of the representative to vote for and on behalf of the corporate beneficial stockholder. This must be in a digital (JPG, PDF, PNG, TIFF, HEIF) format with a file size no larger than 2MB;
 - Scanned copy of the front and back portions of the stockholder’s valid government-issued **photo ID**. This must be in a digital (JPG, PDF, PNG, TIFF, HEIF) format with a file size no larger than 2MB. Valid government-issued photo IDs include the following: Driver’s License, Passport, Unified Multi-Purpose ID, Professional Regulation Commission ID, SSS ID, Pag-Ibig ID, Senior Citizen ID, and Philippine National ID;
 - Valid and active email address;
 - Valid and active contact number (landline or mobile number).
3. Upon completion of the verification procedure, the stockholder will receive an email confirmation which includes the link which the stockholder may use to access the PNB 2024 ASM livestream. Stockholders who opted during the online registration to vote in absentia will likewise receive a link to PNB’s secure online voting portal (“Voting Portal”) with the stockholder’s default username and password.
 4. The validation and verification procedure may take up to three (3) days upon submission of the required documents. Stockholders are encouraged to register early within the Registration Period.
 5. The Voting Portal contains the agenda items reflected on the Notice of the 2024 PNB ASM. Registered stockholders may vote as follows:
 - (a) For items other than the election of directors, registered stockholders have the option to vote “For”, “Against”, or “Abstain”;
 - (b) For election of Directors, the system of cumulative voting shall be followed. Each stockholder is entitled to such number of votes equal to the number of shares he/she/it owns multiplied by the number of directors to be elected. Under this voting system, the stockholder has the option to (i) cast all his/her/its votes in favor of one (1) nominee, or (ii) distribute his/her/its votes among as many nominees as he/she/it may deem fit;
 - (c) Once the registered stockholder has completed voting, he/she/it can submit his/her/its votes by clicking the “Submit” button. Upon submission, the registered stockholder may no longer change his/her/its votes.
 6. The Office of the Corporate Secretary shall tabulate all valid votes cast in absentia and votes cast through proxies. An independent party will validate the voting results, which will be reported by the Corporate Secretary at the meeting. All votes should be submitted no later than 5:00 p.m. on April 25, 2024.

B. Other Information Regarding the 2024 PNB ASM

1. Only those stockholders who have completed the registration and verification procedure within the Registration Period shall be considered in determining the existence of a quorum.
2. The conduct of the ASM will be streamed live. Votes and queries cannot be submitted through the livestreaming link. Registered stockholders may send their queries or comments to pnb_asm@pnb.com.ph on or before April 26, 2024. Queries sent but not addressed during the ASM due to time constraints shall be addressed separately and responded to through email.
3. The proceedings will be recorded in video and audio format. The Minutes of the ASM will be uploaded to the PNB website within five (5) business days upon the adjournment of the ASM.

CORPORATE GOVERNANCE

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

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

This report provides an account of the Bank’s corporate governance framework and its implementation across all levels of the organization. This report has also been prepared in accordance with the BSP’s Manual of Regulations for Banks (MORB), the SEC’s Code of Corporate Governance for Publicly Listed Companies, and prevailing best practices prescribed under the ASEAN Corporate Governance Scorecard (ACGS).

Board of Directors

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

Board Committees

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

The Chairman, Vice Chairman, and the President and CEO

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

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

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

The President and Chief Executive Officer (CEO) is Florido P. Casuela. He first assumed the position in an acting capacity on July 5, 2022, until his formal election on April 25, 2023. As President and CEO, he is the overall-in-charge of the management of the business and affairs of the Bank as governed by the strategic direction and risk appetite approved by the Board. He communicates and implements the Bank’s vision, mission, values, and overall strategy.

The complete profile of the Chairman, the Vice Chairman, and the President and CEO can be found on the profiles of the Board of Directors on pages 11, 12 and 14 to 15, respectively, of the Information Statement.

Board Composition

The Bank has fifteen Board members with a broad range of work experience, diverse education and professional backgrounds and deep industry expertise. They are elected by the shareholders during the Annual Meeting of the Stockholders and hold office for the ensuing year until their successors are elected and qualified. PNB's directors, prior to their election during the stockholders' meeting, are thoroughly screened to ensure that they possess all the qualifications and none of the disqualifications under existing laws and BSP regulations.

The President is the only member of the Board who has executive responsibility over day-to-day operations while the remaining Board members are non-executive directors (NEDs) who do not perform any work related to the operations of the Bank.

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

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

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

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

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

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

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

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

Board Advisors

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

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

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

Corporate Secretary

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

The Corporate Secretary assists the Board of Directors and the Board-level committees in the conduct of their meetings in recording the proceedings and in keeping a complete and true record of the proceedings of these meetings. Thus, she plays a significant role in supporting the Board in discharging its duties and responsibilities. Her functions include the safekeeping and the preservation of the integrity of the minutes of the meetings and ensuring that the Board members have accurate information that will enable them to form sound decisions on matters that require their approval. She is also responsible in providing regulators with required periodic reports as well as necessary and relevant information on material transactions.

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

Chief Compliance Officer

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

Chief Risk Officer

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

Chief Audit Executive

The Chief Audit Executive (CAE) is responsible for developing and managing a broad and comprehensive program of internal auditing covering the Bank, its subsidiaries, and overseas businesses. This ensures that the Board is provided with an independent assessment on the adequacy, effectiveness and compliance to regulatory standards of key organizational and procedural controls and risk management systems. The Bank's CAE is Analisa I. San Pedro, who has held the position since 2022.

Management Committee

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

Management Committee

Florido P. Casuela

Director / President

Francis B. Albalate

Executive Vice President & Chief Financial Officer

Head, Financial Management, Strategy, and Sustainability Sector

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

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

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

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

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

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

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

Jose German M. Licup
First Senior Vice President
Chief of Staff to the President & CEO

concurrent positions:
Head, International Banking and Remittance Group

Officer in Charge
PNB-Mizuho Leasing and Finance Corporation

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

Maria Paz D. Lim
First Senior Vice President
Corporate Treasurer

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

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

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

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

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

Jennifer Y. Ng
Senior Vice President
Head, Marketing Group

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

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

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

Socorro D. Corpus
Officer in Charge
Human Resources Group

Yolanda M. Albano
President
Allied Integrated Holdings, Inc

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

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

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

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

Legal Vehicles, Business, and Support Groups

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

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

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

Skills, Competency, and Diversity

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

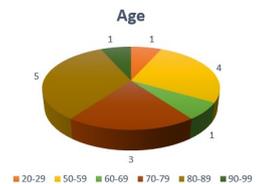
In designing the Board’s composition, diversity shall be considered from various aspects including, but not limited to, age, gender, ethnicity, cultural and educational background, skills, competence, and knowledge. The Board also ensures that there is appropriate representation of women in the Board.

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

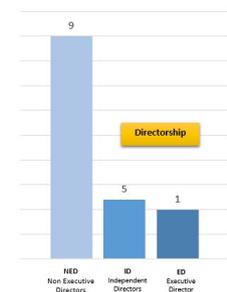


Consistent with PNB’s implementation of the ASEAN Corporate Governance Scorecard, the Bank continuously strives to meet the following:

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



Consistent with previous years, the Bank has met the above-mentioned diversity targets. As of December 31, 2023, PNB had four (4) female directors in the Board, two (2) of whom are independent directors. The Board members also have diverse educational background, expertise, corporate qualifications, and professional experience, including accounting, auditing, aviation and travel, banking and finance, business acumen, consumer goods, economics, general management expertise, tax and legal expertise, manufacturing, real estate, and tobacco.



Nomination and Election of Directors

PNB’s Board members are nominated and elected based on the following criteria: knowledge, skills, experience, a record of integrity and good reputation, and the ability to promote smooth interaction among Board members. Further, in the case of non-executive directors, the criteria include independence of mind, given their responsibilities to the Board and in light of the Bank’s business and risk profile. An independent director is a person who is independent of management and the controlling shareholder and is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director.

4 OUT OF 9 BOARD COMMITTEES ARE CHAIRED BY WOMEN

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

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

Meetings and Attendance

The Board of Directors meetings are held on a monthly basis. Special meetings may be convened, as necessary. The Corporate Secretary issues the annual Board calendar every December for the ensuing year.

Matters requiring decision and approval and matters which are for the Board’s information are clearly set out in the detailed agenda. The Corporate Secretary informs the Board members of the agenda of their meetings and distributes materials at least five (5) business days prior to the scheduled meeting. She likewise ensures that the members possess accurate information that would enable them to make sound decisions on matters that require their approval. The Chairman encourages openness, clarity, and debate at Board meetings; directors participate actively in Board discussions and share their insights on issues and matters tabled.

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

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

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

¹ Member of the Board of Directors until September 22, 2023.

² Member of the Board of Directors until September 22, 2023. Appointed as Chairman Emeritus effective September 22, 2023.

³ Elected as a Member of the Board of Directors on September 22, 2023.

⁴ Elected as a Member of the Board of Directors on September 22, 2023.

⁵ Elected as a Member of the Board of Directors on April 25, 2023.

⁶ Member of the Board of Directors until April 24, 2023.

In addition to the regular and special meetings of the Board, non-executive directors also meet regularly, other than in meetings of the audit, risk oversight, corporate governance, and related party transactions committees, in the absence of senior management, with the external auditor and heads of the internal audit, compliance and risk management functions. The non-executive directors' meetings, with the independent directors, were held on March 6, 2023, and on June 6, 2023, with the external auditors (SGV) when the latter presented the results of the audit of the 2022 Financial Statements of PNB and its Subsidiaries and the 2022 Management Letter, respectively.

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

Remuneration

The remuneration and fringe benefits of members of the Board of Directors consist of (i) per diem for every Board and Board committee meeting attended and (ii) non-cash benefits such as, healthcare plan, group life insurance, and group accident insurance.

The total per diem given to the Board, the total compensation of the President and of the four (4) most highly compensated executive officers were disclosed in the Information Statement sent to all shareholders.

No proposal on the remuneration of Directors was presented to the shareholders for approval during the 2023 Annual Stockholders' Meeting (ASM) of PNB.

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

Retirement and Term Limit

As a matter of policy, a Board member is expected to remain fit and proper for the position of a director for the duration of his term, in accordance with the requirements and qualifications set out under the Bank's Corporate Governance Manual, Manual of Regulations for Banks (MORB), and other applicable requirements under existing laws and BSP regulations.

The director has the burden to prove that he possesses all the minimum qualifications and none of the disqualifications set forth in the MORB. He shall continue to be mentally and physically fit to perform his responsibilities, manifested by his attendance and active participation during Board meetings, continuing training and education, and continued dialogue with other directors and key officers of the Bank, among others. In the event that a director no longer has the required fitness to perform his or her functions and responsibilities, he shall inform the Board of his intent to retire or to refrain from seeking re-election.

An independent director of the Bank may only serve as such for a maximum cumulative term of nine (9) years. Upon reaching the term limit, the independent director shall be perpetually barred from serving as independent director in the Bank but may continue to serve as a regular director. The nine (9)-year maximum cumulative term for independent directors shall be reckoned from 2012. As of December 31, 2023, the Bank has no independent director who has served for more than nine (9) years.

Board Performance Evaluation

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

The members of the Board of Directors participate in an annual self-assessment exercise to assess their individual and collective performance. This exercise is also designed to determine and measure the adherence of Management to corporate governance practices and is also a platform to address and discuss specific areas/components that the Board and each director needs to improve on.

The questionnaire covers comprehensive evaluation criteria focused on matters such as the director's time commitment and independence, governance landscape, ethical culture in the organization, risk governance, fitness and propriety of Board and Management, sustainability, and internal controls.

The Board performance evaluation is facilitated by the Corporate Governance Division (CGD) of the Global Compliance Group. The CGD consolidates and reviews the responses and presents the summary of results and significant findings to the Corporate Governance and Sustainability Committee and to the Board of Directors. The Board of Directors shall then ensure that the results of the Board performance evaluation are shared, and discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement.

In compliance with the SEC's Code of Corporate Governance for Publicly Listed Companies, the Bank engages an external entity every three (3) years to assess the structure, processes, dynamics, roles, and overall performance of the Board and to further align PNB's governance framework with best practices. The last engagement with a third-party assessor was with the Institute of Corporate Directors (ICD) in 2020.

Orientation and Continuing Education

The Bank and the members of the Board of Directors value on-going professional development and actively participate in training programs annually to keep abreast of key issues and developments in the industry. Professional development may relate to a particular subject area, committee membership, or key developments in PNB's external environment, market, or operations.

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

As of December 31, 2023, all directors were compliant with the annual four (4)-hour continuing training requirement. Certificates of attendance have been submitted to SEC and disclosed to PSE.

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

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

Shareholdings

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

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

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

Concurrent and Interlocking Directorships

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

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

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

A non-executive director may concurrently serve as director of a maximum of five (5) publicly listed companies. In applying this provision to concurrent directorship in entities within the conglomerate, each entity where the non-executive director is concurrently serving as a director shall be separately considered in assessing compliance to this requirement. As of December 31, 2023, all fifteen (15) directors have complied with the prescribed limit on concurrent and interlocking directorships.

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

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

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

BOARD COMMITTEES

The Board of Directors has delegated certain functions to its nine (9) committees to enable a more focused and specialized attention on specific areas. These are the Board Audit and Compliance Committee (BACC), Board IT Governance Committee (BITGC), Board Oversight RPT Committee (BORC), Board Strategy and Policy Committee (BSPC), Corporate Governance and Sustainability Committee, Executive Committee (EXCOM), Risk Oversight Committee (ROC), Trust Committee and the Board Overseas Offices Oversight Committee (BOOOC).

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

Name	Board Audit and Compliance	Board IT Governance	Board Oversight RPT	Board Strategy and Policy	Corporate Governance and Sustainability	Executive	Risk Oversight	BOOOC	Trust
Edgar A. Cua	VC			VC	C	M (Non-voting)	M		
Leonilo G. Coronel				M		C	M		VC
Florido P. Casuela		M		M		M			M Ex-Officio
Estelito P. Mendoza									
Isabelita M. Papa	C	M		M	M		M	M	

Wilfrido E. Sanchez			C	M	VC		M (Non-voting)		M (Non-voting)
Lucio C. Tan III		VC		M		M			
Michael G. Tan	M			M		M			
Sheila T. Pascual				M		M			C
Vivienne K. Tan		C		M		M	M		M
Felix Enrico R. Alfiler		M		C		VC	M	C	M
Domingo H. Yap	M		M	M	M		VC		
Maria Almasara Cyd N. Tuaño-Amador			VC	M	M	M (Non-voting)	C	M	
Eusebio V. Tan	M			M		M			
Chester Y. Luy		M		M		M	M		M

Legend:

C – Chairman

VC – Vice Chairman

M – Member

Board Audit and Compliance Committee (BACC)

Mandate:

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

Structure and membership:

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

Meetings and Attendance:

- In 2023, the BACC held a total of twenty two (22) meetings: twelve (12) regular meetings, eight (8) special and two (2) joint meetings.
- The committee charter stipulates that meetings shall be held at least four (4) times a year. Special meetings may be convened, as necessary. Meetings can only be held if attended by majority of the members; but the vote of the majority of the quorum which in no case is less than two (2) members is required to approve any act in all the meetings of the committee. For matters requiring the Committee's approval and/or endorsement for Board approval, the Chairperson shall call the matter to a vote during the said meeting. In the event the votes are tied, the Chairperson shall cast her vote to break the tie.

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

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

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

Board IT Governance Committee (BITGC)

Mandate:

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

Structure and membership:

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

Meetings and Attendance:

- In 2023, the BITGC held a total of thirteen (13) meetings: twelve (12) regular meetings and one (1) special meeting.
- The committee charter stipulates that meetings shall be held at least every month. Meetings can only be held if attended by a majority of the members less one (1) member; but the vote of the majority of the quorum which in no case is less than two (2) members is required to approve any act in all the meetings of the committee. For acts or management recommendations that need urgent approval or endorsement, the Chairperson shall call the matter to a vote during the said meeting. In the event the votes are tied, the Chairperson shall cast his or her vote to break the tie.

Name	Role	No. of meetings attended	% Present
Vivienne K. Tan	Chairman, Non-Executive Director	13	100.00
Lucio C. Tan III	Vice Chairman, Non-executive Director	13	100.00
Edgar A. Cua	Member, Independent Director	4 ¹	100.00
Isabelita M. Papa	Member, Independent Director	13	100.00
Florido P. Casuela	Member, Executive Director	13	100.00
Felix Enrico R. Alfiler	Member, Non-Executive Director	12	92.31
Chester Y. Luy	Member, Non-Executive Director	2 ²	100.00
Maria Almasara Cyd N. Tũaño-Amador	Member, Independent Director	1 ³	100.00

¹ Member of the BITGC until April 24, 2023.

² Elected as a Member of the BITGC on October 27, 2023

³ Elected as a Member of the BITGC on April 25, 2023. Resigned as a member of the BITGC on May 26, 2023.

Board Oversight RPT Committee (BORC)**Mandate:**

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

Structure and membership:

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

Meetings and Attendance:

- In 2023, the BORC held a total of eleven (11) regular meetings.
- The committee charter stipulates that BORC shall conduct monthly meetings or as may be necessary. Meetings can only be held if attended by a majority of the members; but the vote of the majority of the quorum which in no case is less than two (2) members is required to approve any act in all the meetings of the committee. For acts or management recommendations that need urgent approval or endorsement, the Chairperson shall call the matter to a vote during the said meeting. In the event the votes are tied, the Chairperson shall cast his or her vote to break the tie.

Name	Role	No. of meetings attended	% Present
Wilfrido E. Sanchez	Chairman, Independent Director	9	81.82
Maria Almasara Cyd N. Tũaño-Amador	Vice Chairman, Independent Director	7 ¹	100.00
Domingo H. Yap	Member, Independent Director	11	100.00
Federico C. Pascual	Member, Independent Director	4 ²	100.00
Edgar A. Cua	Member, Independent Director	4 ³	100.00
Leonilo G. Coronel	Member, Non-Executive Director	0 ⁴	-
Isagani A. Cortes	Non-voting Member	10	86.00
Analisa I. San Pedro	Non-voting Member	9	100.00

¹ Elected as a Member of the BORC on April 25, 2023.

² Member of the BORC until April 24, 2023.

³ Member of the BORC until April 24, 2023.

⁴ Elected as a Member of the BORC on April 25, 2023. Resigned as a Member of the Committee on May 26, 2023.

Board Strategy and Policy Committee (BSPC)

Mandate:

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

Structure and membership:

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

Meetings and Attendance:

- In 2023, the BSPC held a total of forty (40) meetings: twenty three (23) regular meetings, three (3) special and fourteen (14) joint meetings.
- The committee charter stipulates that regular meetings shall be held at least every month. Meetings can only be held if attended by a majority of the members. For acts or management recommendations that need urgent approval or endorsement, the Chairperson shall call the matter to a vote during the said meeting. In the event the votes are tied, the Chairperson shall cast his or her vote to break the tie.

Name	Role	No. of meetings attended	% Present
Felix Enrico R. Alfiler	Chairman, Non-executive Director	38	95.00
Edgar A. Cua	Vice Chairman, Independent Director	40	100.00
Florido P. Casuela	Member, Non-Executive Director	40	100.00
Maria Almasara Cyd N. Tuaño-Amador	Member, Independent Director	27 ¹	100.00
Isabelita M. Papa	Member, Independent Director	40	100.00
Sheila T. Pascual	Member, Non-Executive Director	36	90.00
Wilfrido E. Sanchez	Member, Independent Director	40	100.00
Lucio C. Tan III	Member, Non-Executive Director	32	80.00
Michael G. Tan	Member, Non-Executive Director	37	92.50
Vivienne K. Tan	Member, Non-Executive Director	39	97.50
Domingo H. Yap	Member, Independent Director	37	92.50
Leonilo G. Coronel	Member, Non-Executive Director	40	100.00
Eusebio V. Tan	Member, Non-Executive Director	11 ²	91.67
Chester Y. Luy	Member, Non-Executive Director	12 ³	100.00
Federico C. Pascual	Member, Independent Director	13 ⁴	100.00

¹ Elected as a Member of the BSPC on April 25, 2023.

² Elected as a Member of the BSPC on September 22, 2023.

³ Elected as a Member of the BSPC on September 22, 2023.

⁴ Member of the BSPC until April 24, 2023.

Corporate Governance and Sustainability Committee

Mandate:

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

Structure and membership:

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

Meetings and Attendance:

- In 2023, the committee held a total of thirteen (13) meetings: twelve (12) regular meetings and one (1) special meeting.
- The committee charter stipulates that meetings shall be held at least every month. Meetings can only be held if attended by a majority of the members; but the vote of the majority of the quorum which in no case is less than two (2) members is required to approve any act in all the meetings of the committee. For acts or management recommendations that need urgent approval or endorsement, the Chairperson

shall call the matter to a vote during the said meeting. In the event the votes are tied, the Chairperson shall cast his or her vote to break the tie.

Name	Role	No. of meetings attended	% Present
Edgar A. Cua	Chairman, Independent Director	13	100.00
Wilfrido E. Sanchez	Vice Chairman, Independent Director	13	100.00
Domingo H. Yap	Member, Independent Director	13	100.00
Isabelita M. Papa	Member, Independent Director	13	100.00
Maria Almasara Cyd N. Tuaño-Amador	Member, Independent Director	8 ¹	100.00
Federico C. Pascual	Member, Independent Director	5 ²	100.00

¹ Elected as a Member of the Corporate Governance and Sustainability Committee on April 25, 2023.

² Member of the Corporate Governance and Sustainability Committee until April 24, 2023.

Executive Committee

Mandate:

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

Structure and membership:

- The membership and composition of the committee complies with the requirements of the Revised Corporation Code and other applicable laws.
- The committee consists of nine (9) members: six (6) non-executive directors, two (2) independent directors, and one (1) executive director.
- Independent directors may be appointed as non-voting members and may assume an advisory capacity to the committee. Non-voting members shall not vote with respect to any determination and proposal requiring the approval or notation of the committee and shall not count towards a quorum at any meeting.

Meetings and Attendance:

- In 2023, the Executive Committee held a total of fifty (50) meetings.
- The presence of a majority of the members of the committee shall constitute a quorum. The unanimous vote of all the members present at the meeting shall be required to approve any act in all the meetings of the committee, otherwise the proposal under consideration shall be elevated to the Board for approval. For acts or management recommendations that need urgent approval or endorsement, the Chairperson shall call the matter to a vote during the said meeting. In the event the votes are tied, the Chairperson shall cast his or her vote to break the tie.

Name	Role	No. of meetings attended	% Present
Leonilo G. Coronel	Chairman, Non-Executive Director	50	100.00
Felix Enrico R. Alfiler	Vice Chairman, Non-Executive Director	47	94.00
Sheila T. Pascual	Member, Non-Executive Director	44	88.00
Lucio C. Tan III	Member, Non-Executive Director	44	88.00
Michael G. Tan	Member, Non-Executive Director	49	98.00
Vivienne K. Tan	Member, Non-Executive Director	49	98.00
Florido P. Casuela	Member, Executive Director	50	100.00
Maria Almasara Cyd N. Tuaño-Amador	Member, Independent Director	29 ¹	100.00
Edgar A. Cua	Non-voting Member, Independent Director	34 ²	100.00
Eusebio V. Tan	Member, Non-Executive Director	12 ³	100.00
Chester Y. Luy	Member, Non-Executive Director	12 ⁴	100.00
Federico C. Pascual	Member, Independent Director	15 ⁵	93.75
Wilfrido E. Sanchez	Member, Independent Director	16 ⁶	100.00

¹ Elected as a Member of the Executive Committee on May 26, 2023.

² Elected as a Member of the Executive Committee on April 25, 2023.

³ Elected as a Member of the Executive Committee on September 22, 2023.

⁴ Elected as a Member of the Executive Committee on September 22, 2023.

⁵ Member of the Executive Committee until April 24, 2023.

⁶ Member of the Executive Committee until April 24, 2023.

Risk Oversight Committee (ROC)

Mandate:

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

Structure and membership:

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

Meetings and Attendance:

- In 2023, the ROC held a total of thirty two (32) meetings: twenty three (23) regular meetings and nine (9) joint meetings.
- The committee charter stipulates that regular meetings shall be held at least every month. Meetings can only be held if attended by a majority of the members; but the vote of the majority of the quorum is required to approve any act in all the meetings of the committee. For acts or management recommendations that need urgent approval or endorsement, the Chairperson shall call the matter to a vote during the said meeting. In the event the votes are tied, the Chairperson shall cast his or her vote to break the tie.

Name	Role	No. of meetings attended	% Present
Maria Almasara Cyd N. Tuaño-Amador	Chairman, Independent Director	23 ¹	100.00
Domingo H. Yap	Vice Chairman, Independent Director	30	93.75
Edgar A. Cua	Member, Independent Director	28 ²	100.00
Isabelita M. Papa	Member, Independent Director	32	100.00
Wilfrido E. Sanchez	Member, Independent Director	9 ³	81.82
Vivienne K. Tan	Member, Non-Executive Director	31	96.88
Leonilo G. Coronel	Member, Non-Executive Director	28 ⁴	100.00
Felix Enrico R. Alfiler	Member, Non-Executive Director	22 ⁵	95.65
Chester Y. Luy	Member, Non-Executive Director	3 ⁶	100.00
Florido P. Casuela	Member, Executive Director	8 ⁷	100.00

¹ Elected as a Member of the ROC on April 25, 2023.

² Member of the ROC until April 24, 2023; Re-elected as a Member of the ROC on May 26, 2023.

³ Member of the ROC until April 24, 2023. Re-elected as a Member of the ROC on October 27, 2023.

⁴ Member of the ROC until April 24, 2023; Re-elected as a Member of the ROC on May 26, 2023.

⁵ Elected as a Member of the ROC on April 25, 2023.

⁶ Elected as a Member of the ROC on October 27, 2023.

⁷ Member of the ROC until April 24, 2023.

Trust Committee

Mandate:

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

Structure and membership:

- The committee consists of eight (8) members: one (1) independent director, five (5) non-executive directors, one (1) executive director, and the Chief Trust Officer.
- No member of the BACC is concurrently designated as a member of the Trust Committee.

Meetings and Attendance:

- In 2023, the Trust Committee held a total of sixteen (16) meetings: eleven (11) regular meetings, three (3) special and two (2) joint meetings.
- As stipulated in its charter, the committee shall meet at least once every quarter. The presence of a majority of the members of the committee less one (1) member shall constitute a quorum; but the vote

of the majority of the quorum, which in no case is less than two (2) members, is required to approve any act in all the meetings of the committee. For acts or management recommendations that need urgent approval or endorsement, the Chairperson shall call the matter to a vote during the said meeting. In the event the votes are tied, the Chairperson shall cast his or her vote to break the tie.

Name	Role	No. of meetings attended	% Present
Sheila T. Pascual	Chairman, Non-Executive Director	12	75.00
Leonilo G. Coronel	Member, Non-executive Director	16	100.00
Vivienne K. Tan	Member, Non-Executive Director	16	100.00
Chester Y. Luy	Member, Non-Executive Director	3 ¹	100.00
Felix Enrico R. Alfiler	Member, Non-Executive Director	16	100.00
Wilfrido E. Sanchez	Non-voting Member, Independent Director	15	93.75
Federico C. Pascual	Non-voting Member, Independent Director	7 ²	100.00
Florido P. Casuela	Ex-officio, Executive Director	16	100.00
Joy Jasmin R. Santos	Ex-officio, Chief Trust Officer	16	100.00

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

² Member of the Trust Committee until April 24, 2023

Board Overseas Offices Oversight Committee (BOOOC)

Mandate:

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

Structure and membership:

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

Meetings and Attendance:

- In 2023, the Committee held two (2) meetings.
- The Committee holds regular meetings at least once every quarter. For acts or management recommendations that need urgent approval or endorsement, the Chairperson shall call the matter to a vote during the said meeting. In the event the votes are tied, the Chairperson shall cast his or her vote to break the tie.

Name	Role	No. of meetings attended	% Present
Felix Enrico R. Alfiler	Chairman, Non-Executive Director	2	100.00
Isabelita M. Papa	Member, Independent Director	2	100.00
Maria Almasara Cyd N. Tuaño-Amador	Member, Independent Director	2	100.00

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

MANAGEMENT COMMITTEES

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

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

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

Meanwhile, the Chief Risk Officer (CRO) oversees the risk management function and proposes enhancements to frameworks and procedures to ensure that the Bank's infrastructure, systems, and processes are robust and effective to fully support strategic objectives and risk-taking activities.

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

The Chief Information Security Officer (CISO), who reports directly to the ROC, plays a key role in providing leadership and support for information security as well as balancing business and security requirements. The CISO is also responsible for ensuring that information security risks are within acceptable levels. In concurrent capacity, he is the Bank's Data Protection Officer (DPO) tasked to monitor compliance with the Data Privacy Act or Republic Act No. 10173, its implementing rules and regulations, issuances by the National Privacy Commission, and other applicable laws and policies.

The complete background and qualifications of the members of the MANCOM can be found on pages 35 to 38 of the Information Statement.

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

BANK COMMITTEES As of October 13, 2023

1	ACQUIRED ASSETS DISPOSAL COMMITTEE (AADC)
2	ANNUAL INSTITUTIONAL TOP PERFORMANCE AWARDS COMMITTEE
3	ASSET AND LIABILITY COMMITTEE (ALCo)
4	ASSET DISPOSAL COMMITTEE (HEAD OFFICE)
5	CAPITAL MANAGEMENT SUB-COMMITTEE
6	COMMITTEE ON ACCREDITATION OF OVERSEAS REMITTANCE AGENT – SELECTION OF EXPATRIATES AND BRANCH SITE (CAORASEBS)- OVERSEAS
7	COMMITTEE ON DECORUM AND INVESTIGATION (CoDi)
8	DOMESTIC BRANCH SITE SELECTION COMMITTEE (DBSSC)
9	ETHICAL STANDARDS COMMITTEE (ESC)
10	FINANCIAL CRIME RISK REVIEW COMMITTEE (FCRRC)
11	INSTITUTIONAL BANKING SECTOR CREDIT COMMITTEE (IBSCC)
12	INSTITUTIONAL TRANSACTION BANKING GROUP STEERING COMMITTEE
13	IT EVALUATION COMMITTEE (ITEC)
14	IT PROJECT PRIORITIZATION COMMITTEE
15	MANAGEMENT COMMITTEE (ManCom)
16	MANAGEMENT RISK COMMITTEE (MRC)
17	METRO MANILA COMMERCIAL CREDIT COMMITTEE
18	OCCUPATIONAL SAFETY, HEALTH, AND FAMILY WELFARE COMMITTEE
19	OPERATIONS COMMITTEE (OpCom)
20	PHILIPPINE FINANCIAL REPORTING STANDARD (PFRS) 9 COMMITTEE
21	PNB RETIREMENT FUND BOARD
22	PNB SERVICE EXCELLENCE AND PROFESSIONAL DEVELOPMENT AWARDS SELECTION COMMITTEE
23	PNB SUCCESSION MANAGEMENT PROGRAM – TALENT BOARD
24	PROCUREMENT COMMITTEE
25	PROMOTION COMMITTEE A
26	PROMOTION COMMITTEE B
27	PROMOTION COMMITTEE C
28	PROVINCIAL COMMERCIAL CREDIT COMMITTEE (PCCC) FOR LUZON ACCOUNTS
29	PROVINCIAL COMMERCIAL CREDIT COMMITTEE (PCCC) FOR VISAYAS AND MINDANAO ACCOUNTS
30	RETAIL BANKING SECTOR CREDIT COMMITTEE (RBSCC)
31	RETAIL LENDING GROUP CREDIT COMMITTEE (RLGCC)
32	SENIOR MANAGEMENT CREDIT COMMITTEE (SMCC)
33	TECHNOLOGY COMMITTEE (TechCom)
34	TRANSFORMATION GROUP STEERING COMMITTEE
35	TRANSFORMATION WORKING GROUP

COMPLIANCE

A sound and effective compliance regime is the cornerstone of PNB's strength and market presence. The Bank adheres to the values of integrity, ethics, and good governance in the conduct of its business and affairs, exercising prudence in arriving at decisions, enforcing internal discipline and a system of checks and balances in its operating processes, and upholding transparency and accountability to its various stakeholders, including customers, investors, stockholders, and regulators.

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

GCG is headed by the CCO, who functionally reports to the BACC and administratively, to the President and CEO. GCG is independent from the line of business and is composed of five (5) divisions: Financial Crime Risk, Regulatory Compliance Risk, Compliance Assurance, Compliance Operations and Corporate Governance. GCG, through the CCO, oversees the overall design and effective implementation of the Compliance Program, which serves as the authoritative codification of GCG's powers, mandate, authority, and formal status within the organization. The program further fosters adherence to banking laws, rules and regulations and is ultimately aimed to promote the safety and soundness of PNB's operations.

Financial Crime Risk

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

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

The Financial Crime Risk Division (FCRD) encompasses five (5) key areas: anti-money laundering, counter terrorist financing, sanctions, anti-bribery and corruption, and tax transparency; and this was expanded to cover not only money laundering, but also other forms of financial crime. To mitigate the different risks, the FCRD ensures an end-to-end robust control framework is in place and is embedded enterprise wide. The FCRD also provides trainings to upskill and retool employees and to keep them abreast in the changes in policies and procedures set forth by legislation, regulations, banking guidance, and global best practices.

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

Regulatory Compliance Risk

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

Compliance Assurance

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

Compliance Operations

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

INTERNAL AND EXTERNAL AUDIT

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

IAG maintains its independence from the responsibilities of Management, and it reports functionally to the BACC monthly. The BACC is responsible for the establishment of IAG and the appointment, re-appointment, and replacement of the CAE and the Deputy Chief Audit Executive (DCAE). The responsibility of the BACC includes the annual performance review of the CAE, accepting the resignation and/or dismissal subject to due process. It also reviews, evaluates, and approves the Annual Audit Plan as well as the audit reports to the extent that the BACC Chairman may issue directives to the Senior Management to develop and implement necessary corrective actions in a timely manner. The IAG's independence from the responsibilities of Management is critical to the objectivity, authority, and credibility of the IAG. It is established through accountability to the governing body; unfettered access to people, resources, and data needed to complete its work; and freedom from bias or interference in the planning and delivery of audit services.

On the other hand, external assurance providers (external auditors) provide additional assurance to: a) satisfy regulatory expectations that serve to protect the interests of the stakeholders and b) satisfy requests by Management and the governing body to complement internal sources of assurance. The external auditor undertakes an independent audit of the Bank and provides an objective assurance regarding the manner under which the financial statements are prepared and presented to the shareholders. The external auditor also ensures the establishment and maintenance of an environment of good corporate governance as reflected in the financial records and reports of the Bank.

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

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

The IAG aligns and collaborates its audit activities and maintains open communication line with the external auditors.

RIGHTS OF SHAREHOLDERS

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

All shareholders have the right to nominate and elect candidates to the Board of Directors. They also have the right to remove and replace directors and vote on certain corporate acts in accordance with the Revised Corporation Code, including, but not limited to: (i) amendment to the Bank's Articles of Incorporation and By-Laws, (ii) authorization on issuance of additional shares, and (iii) transfer or other mode of disposition of all or substantially all assets of the Bank.

The rights and responsibilities of shareholders are discussed in detail in PNB's Corporate Governance Manual and By-Laws, which are both accessible through PNB's website.

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

Stockholders' Meeting

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

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

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

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

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

Before the ASM

On January 27, 2023, the Board of Directors approved the holding of the ASM on April 25, 2023, through remote communication and allowed voting *in absentia* to provide the stockholders a safer mode of attendance and participation in the Bank's ASM. The Notice of the ASM was disclosed to the PSE Edge on the same day.

The Notice was also published, in print and online format, from March 29, 2023, to March 30, 2023 in The Philippine Star and in the Business World, and from April 9, 2023 to April 15, 2023 in The Manila Bulletin, The Philippine Star, and the Business World.

During the ASM

The Bank conducted its 2023 ASM via remote communication and implemented electronic voting *in absentia* to provide the Directors, Senior Management, shareholders, and other stakeholders a safer mode of attendance and participation in the ASM in accordance with the Revised Corporation Code of the Philippines and SEC Memorandum Circular No. 6, Series of 2020.

All members of the Board, the Chairperson of the Board, the President and Chief Executive Officer (CEO), the Chairman of the Board Audit and Compliance Committee (BACC), the Chief Compliance Officer (CCO), the Officer-in-Charge of the Investor Relations Officer, representatives of the external auditors, and other key officers attended the virtual ASM.

The Chairperson of the Board formally opened the 2023 ASM. The Corporate Secretary certified the existence of a quorum for a valid transaction of business at the meeting. Every shareholder qualified to vote was entitled to one vote for each share of stock standing in his or her name on the books of the Bank.

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

Shareholders were allowed to elect directors individually. Each resolution dealt with only one item; there was no bundling of several items into the same resolution.

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

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

After the ASM

The results of the meeting were disclosed on the PSE Edge and posted on the Bank's website on April 25, 2023. The Minutes of the ASM were uploaded to the Bank's website on April 27, 2023. The Minutes contained the voting results including approving, dissenting, and abstaining votes for all resolutions/each agenda item, questions raised by shareholders, responses from the Board and officers, and attendance of the Board members and key officers.

DISCLOSURE AND TRANSPARENCY

PNB Website

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

Annual and Quarterly Reports

The Bank provides complete and accurate information on its operations and affairs regularly. The annual and quarterly reports are the primary disclosure mechanisms used by the Bank to convey its financial performance in a comprehensive, accurate, reliable, and timely manner. The reports provide a fair and complete picture of PNB's financial condition and results of business operations. Management's statement of responsibility regarding the Bank's financial statements and the fair and truthful preparation thereof is included in the Bank's Annual Report. The reports are also disclosed in accordance with the reportorial requirements of the SEC and PSE. The contents of these reports are generated through coordination with resource units.

Press Releases and Media Briefings

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

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

Investor Relations

Investor relations is the Bank's strategic responsibility to keep the communication and information open with investors and help to maintain the Bank's foothold in the financial market. During the year, the Bank continued its efforts in deepening its engagement with shareholders, investors, analysts, and the media through virtual conferences and briefings sponsored by investment bank and financial services companies. The discussions focused on PNB's operating results and outlook on growth and asset quality, overall strategy amid the dynamically evolving business environment. In addition, PNB replied to various queries from investors/analysts. Aside from these, PNB also met with institutional investors to respond to specific concerns of said investors and informed them of latest developments on the Bank, particularly the strategic initiatives to sustain growth and profitability post-pandemic.

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

The Investor Relations Program is anchored on three main principles:

- Accuracy and Timeliness: PNB is committed to provide analysts, credit rating agencies, investors, and shareholders with correct and up-to-date information on developments in the Bank;

- Transparency: PNB is committed to disclose relevant information to investors and shareholders in accordance with the prescribed standard of disclosure by regulatory agencies; and
- Consistency and Impartiality: PNB is committed to prepare the same, unbiased information and to make said information accessible to all interested analysts, credit rating agencies, investors, and existing shareholders through various modes of communication.

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

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

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

GOVERNANCE POLICIES AND PRACTICES

Corporate Governance Manual

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

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

Corporate Governance Confirmation Statement

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

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

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

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

Code of Ethics for Directors

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

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

Code of Conduct for Employees

The Code of Conduct for Employees is designed to prescribe a moral code for employees which would not only instill discipline but also yield higher productivity at the workplace and enhance and safeguard the corporate

image of the Bank. The provisions of the Code apply to all employees, including its overseas branches and offices and PNB's domestic and foreign subsidiaries.

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

Each individual accomplishes an Acknowledgement Receipt certifying therein that he/she has been furnished with a copy of the Code; that he/she has fully read and understood the provisions embodied in the Code; and that he/she promises to abide with the rules and regulations of the Code. The same is being re-issued annually to all employees.

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

Whistleblowing Mechanism

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

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

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

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

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

Anti-Bribery and Anti-Corruption

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

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

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

Consumer Welfare

In line with BSP Circular No. 1160 Series of 2022 covering Regulations on Financial Consumer Protection implementing Republic Act No. 11765 otherwise known as the "Financial Products and Service Consumer Protection Act", the Bank continues to embed consumer protection practices across the organization. It is at the forefront of the Bank's corporate responsibility, from the Board of Directors who approves the policies and conducts oversight in the implementation of Bank's Consumer Protection Risk Management System (CPRMS) and the Consumer Assistance Management System (CAMS), to the Management Committee who ensures that all consumer protection practices are aligned with the approved policies and risk management system, and is consistently adhered to by relevant units. Aligned with the Bank's Enterprise Risk Management Framework

(ERMF), the CPRMS includes governance structure, policies, processes, measurement, and control procedures and mechanisms to protect the rights and interest of consumers.

Consumers have the right to be informed of the benefits as well as the risks involved regarding the products and services they availed from the Bank. Throughout the banking relationship, the following standards of conduct are observed: (a) equitable and fair treatment (b) disclosure and transparency of financial products and services, (c) protection of consumer assets against fraud and misuse (d) data privacy and protection, and (e) timely handling and redress of complaints.

Consumer assistance mechanisms are made available in various forms: face-to-face support from PNB Branch personnel; account officers and relationship managers; 24x7 customer care hotlines; and electronic or digital channels. Each inquiry, request and/or complaint is acknowledged and processed within the standard turnaround time. From the frontline offices, customer concerns are handled by the resolving offices to provide reasonable resolution to address the same. Escalation of customer concerns is in place to ensure that appropriate courses of action is given to complex complaints. This complaint management process is established, a cross-functional activity involving multiple offices, which provide priority assistance in resolving customer concerns. As part of this process, monitoring of complaints resolution and validation of implemented resolution has been incorporated to ensure customer satisfaction and retention is achieved. The process also extends to periodic root cause assessment, formulation, implementation and monitoring of long-term mitigation initiatives to limit the recurrence of system or process exceptions, and thereby improve customer experience and concerns.

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

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

Creditors' Rights

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

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

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

Outsourcing and Vendor Management

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

While continuously improving the processes of AVMD to streamline operations, heighten control procedures and comply with recent BSP requirements, the Bank also started to incorporate its general policy on

Sustainability with the guidance of the Corporate Sustainability Unit (CSU) of the Bank in compliance with the government's mandate on the matter.

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

Selection Process for Senior Management

The Bank recognizes that employees are its most valuable resource. PNB remains consistent in its effort to ensure a steady pool of qualified and competent talents who will sustain the leadership and improve the performance of the Bank resulting in excellent customer service and increase in shareholder value.

Before a senior officer (with rank of Vice President and up) is appointed, suitable candidates are identified from various sources. Interviews are conducted by the recommending Group/Sector Head, Human Resource Group Head, President and CEO, and a Director of the Bank to determine the overall qualifications and capabilities of the candidates and to include other factors to be considered in the selection. Once a candidate is selected, submission of all requirements will be completed and faithful adherence to all the conditions of regulatory bodies. Thereafter, the approval of the Board of Directors, as endorsed by the President and the Corporate Governance and Sustainability Committee will be sought. Once hiring of the senior officer is approved by the Board, submission of all requirements will be completed and faithful adherence to all the conditions of regulatory bodies.

Succession Management

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

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

- (a) Identification of key management positions.
- (b) Nomination of Candidates - based on results and past performance, competencies, and potential, subject to the initial evaluation of the Talent Board, the respective Sector or Group head nominates possible candidates who may be from within or outside of their respective Group/Sector subject to the acceptance of the concerned officer-candidate prior to processing.
- (c) Conduct of Talent Screening - the process of evaluating and assessing the shortlisted nominees' competencies through online assessment, 360-degree feedback survey, and interviews with the members of the Talent Board or designated interviewers, if necessary. Those who qualify based on the evaluation of the Talent Board shall be recommended for inclusion in the Executive Talent Pool, subject to the approval of the President & CEO.
- (d) Learning and Development – to address the development needs of each talent, an Individual Development Plan (IDP) consisting of on-the-job training, interactional development programs, and classroom training shall be created by the Sector or Group head and/or designated mentor. For a more objective and in-depth assessment of the talent's competencies, he/she may be required to train in the Assessment and Development Center. The training result is made an integral part of the IDP.
- (e) Talent's Progress Review – the progress of the talent is monitored and evaluated.
- (f) Engagement – strategies are employed to sustain the desired level of performance as well as the employee's commitment to the program.
- (g) Placement – the talent review process and the learning and development programs continue until the need or opportunity arises for the talent to assume a key/critical position within the organization.

In-House and External Training Program for Senior Management

The Bank has continued to put learning and development at the forefront of its people strategy in 2023. The PNB Institute for Banking Excellence (IBE) facilitated various trainings in the form of Face-to-Face (F2F) sessions and Virtual instructor-led Trainings (VILT) using the MS Teams platform. These were for both its technical and soft skills development as it continued to provide upskilling and reskilling opportunities for employees. For highly specialized topics, out-of-house training programs were also made available.

The Learning and Development programs were further supplemented by courses offered in its e-learning platform, LinkedIn Learning, which provides on-demand online learning content available 24/7/365. Regulatory training topics such as the Anti-Money Laundering (AML) Home Study Program and Information Security Awareness Training (ISAT) were integrated in the platform. Moreover, a specially curated Learning Path encompassing the Bank's 10 Core Competencies has been established, catering to development of the core competencies of the Bank's leaders.

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

Cultivating a mentoring culture through our mentor certification program, PNB B.L.O.O.M. (Building Leaders by Offering Opportunities through Mentoring) continued, guided by the framework for modern mentoring in the context of an Asian culture and following internationally accepted principles and practices. Alongside, programs on Bank product awareness, risk management, internal audit, digital fluency, and economic outlook were also provided to align with the Bank's sustainability thrust.

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

Remuneration Policy

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

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

Officers' Compensation and Benefits

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

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

Performance-Based Remuneration

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

Retirement

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

There are three (3) modes of retirement, to wit:

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

Employees who intend to resign from service but do not meet the prescribed eligibility requirements are not entitled to any separation pay.

PHILIPPINE NATIONAL BANK is **not soliciting proxies** and a stockholder is NOT required to submit a proxy to PNB. This Proxy form is being provided only for the convenience, and upon request, of a stockholder.

P R O X Y

The undersigned Stockholder of **PHILIPPINE NATIONAL BANK** (“PNB”) does hereby nominate, constitute and appoint _____ with email address _____ as my/our/its proxy, to represent me/us/it and vote all shares registered in my/our/its name in the books of PNB at the Annual Stockholders’ Meeting scheduled on April 30, 2024. I/we hereby confirm and ratify any and all acts lawfully done by my/our/its proxy pursuant hereto.

Any other proxy or proxies issued by me/us/it on or before this date is/are hereby considered revoked and declared null and void and will have no effect whatsoever.

	For	Against	Abstain
1. Approval of the Minutes of the 2023 Annual Stockholders’ Meeting held on April 25, 2023	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Approval of the 2023 Annual Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Amendment of the following sections of the Bank’s By-Laws:			
a. Section 3.4, Article III	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Section 3.5, Article III	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Section 4.2, Article IV	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. Section 4.3, Article IV	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e. Section 4.4, Article IV	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f. Section 4.7, Article IV	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
g. Section 5.4, Article V	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
h. Section 5.5, Article V	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
i. Section 5.8, Article V	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
j. Section 5.9, Article V	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
k. Section 5.11, Article V	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
l. Section 5.12, Article V	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
m. Section 5.17, Article V	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
n. Section 6.1, Article VI	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
o. Section 6.9, Article VI	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
p. Section 6.10, Article VI	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
q. Section 6.11, Article VI	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Ratification of All Legal Acts, Resolutions and Proceedings of the Board of Directors and Corporate Officers since the 2023 Annual Stockholders’ Meeting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Appointment of External Auditor (SGV & Co.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	VOTE FOR	NUMBER OF VOTES	
6. Election of Directors			
Felix Enrico R. Alfiler	<input type="checkbox"/>		
Florido P. Casuela	<input type="checkbox"/>		
Edgar A. Cua (Independent Director)	<input type="checkbox"/>		
Chester Y. Luy	<input type="checkbox"/>		
Estelito P. Mendoza	<input type="checkbox"/>		
Isabelita M. Papa (Independent Director)	<input type="checkbox"/>		
Sheila T. Pascual	<input type="checkbox"/>		
Wilfrido E. Sanchez	<input type="checkbox"/>		
Protacio T. Tacandong (Independent Director)	<input type="checkbox"/>		
Eusebio V. Tan	<input type="checkbox"/>		
Lucio C. Tan III	<input type="checkbox"/>		

Michael G. Tan	<input type="checkbox"/>	
Vivienne K. Tan	<input type="checkbox"/>	
Maria Almasara Cyd N. Tuaño-Amador (Independent Director)	<input type="checkbox"/>	
Domingo H. Yap (Independent Director)	<input type="checkbox"/>	

Name of Stockholder : _____ Email Address : _____

Signature : _____ Date : _____

Contact Number : _____



MANAGEMENT REPORT

Item 1. Business

A. Business Development

The Philippine National Bank (PNB or the “Bank”), the country’s first universal bank, is one of the largest local private commercial banks in terms of assets, net loans and receivables, capital and deposits. As of December 31, 2023, the Bank has a distribution network of 631 domestic branches and offices and 1,680 automated teller machines (ATM) in the Philippines. In addition, it has the widest international footprint among Philippine banks spanning Asia, Europe, the Middle East and North America with its overseas branches, representative offices, remittance centers and subsidiaries.

In July 2016, PNB celebrated its Centennial Year with the theme, “A Century of Excellence”, signifying a meaningful milestone for an institution that has served generations of Filipinos here and abroad. For over 100 years, PNB stands proud as an institution of stability and security for many Filipinos. With its century of banking history and experience, PNB is poised to move forward to becoming a more dynamic, innovative and service-focused bank, providing service excellence to Filipinos all over the world.

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

On February 9, 2013, the Bank concluded its merger with Allied Banking Corporation (ABC) as approved and confirmed by the Board of Directors (BOD) of PNB and ABC on January 22 and January 23, 2013, respectively. The respective shareholders of PNB and ABC, representing at least two-thirds of the outstanding capital stock of both banks, approved the terms of the Plan of Merger of the two banks on March 6, 2012.

To support the Bank’s efforts to diversify its funding sources to meet the financial needs of its clients, PNB offered Long-Term Negotiable Certificates of Time Deposit (LTNCDs), which extend the maturity profile of the Bank’s liabilities as part of overall liability management and to raise long-term funds for general corporate purposes. In October 2018, PNB received the approval from BSP to issue up to ₱20.0 billion worth of LTNCDs. In this regard, PNB issued the first tranche of 5.5-year LTNCDs totaling ₱ 8.2 billion at 5.75% per annum in February 2019. The original ₱ 3.0 billion offering was upsized to meet the 2.7x oversubscription arising from the strong demand from both retail and institutional investors. On October 11, 2019, PNB listed the second tranche of LTNCDs totaling ₱4.6 billion which was double the announced issue size of ₱ 2.0 billion.

In April 2018, PNB successfully issued in Singapore and Hong Kong its 5-year Fixed Rate Senior Notes worth US\$300 million out of its US\$1 billion Medium Term Note (MTN) Program. This marked the first time that PNB tapped the international bond market for medium term dollar funding. Orders for the offering reached approximately US\$1.2 billion at its peak, equivalent to 4x oversubscription. The high demand for the initial issue underscored the international investors’ strong confidence in PNB. In May 2019, PNB’s BOD approved the increase in the amount of the Bank’s MTN Program to US\$2 billion. The following month, PNB issued US\$750 million in 5.25-year Fixed Rate Senior Notes priced at 99.47% and carried a yield of 3.39% and a coupon of 3.28%. The transaction was oversubscribed with an orderbook of over US\$3.25 billion. The proceeds of the Notes were used to support PNB’s loan expansion as the Bank took advantage of the country’s sustained economic growth.

In July 2019, the Bank successfully issued and listed 276,625,172 Common Shares priced at ₱ 43.38 per share from its stock rights offering. The net proceeds from the offering amounted to ₱ 11.7 billion. Proceeds from the offering were expected to enhance PNB's presence in emerging growth areas.

PNB fully integrated its wholly-owned thrift bank subsidiary, PNB Savings Bank (PNBSB), into the Bank through acquisition of its assets and assumption of its liabilities in exchange for cash on March 1, 2020. Consequently, the 68 PNBSB branches were converted into PNB branches while the systems integration was completed last June 7, 2020. With the integration, PNB would be able to deliver a more efficient banking experience and serve a wider customer base, while the customers of PNBSB would have access to PNB's diverse portfolio of financial solutions. The consumer lending business, previously operated through PNBSB, would also benefit from PNB's ability to efficiently raise low cost of funds. Since the purpose of this company changed from banking to that of a holding company, PNBSB was renamed as Allied Integrated Holdings Inc. (AIHI) after the Securities and Exchange Commission (SEC) approved the amendments to its Articles of Incorporation and By-Laws last February 23, 2021. The SEC also approved the end of the corporate life of AIHI on December 31, 2022, and the company is now proceeding towards liquidation.

On November 9, 2020, the BOD and Stockholders of PNB Holdings Corporation (PHC) approved the sale of PHC's equity investment in PNB General Insurers Co., Inc. (PNB Gen) to PNB or any suitable 3rd party buyer. Moreover, on December 11, 2020, the BOD of PNB approved the sale of its 100% shares in PNB Gen to Alliedbankers Insurance Corporation (ABIC). Consequently, on December 29, 2020, a Share Purchase Agreement was entered into by PNB and PHC, collectively as "Sellers", and ABIC as "Buyer" for the sale of 100% PNB Gen shares. Last January 21 and March 19, 2021, PNB received from ABIC the first two tranches representing 10% and 45%, respectively, of the selling price for the sale of PNB's shares in PNB Gen. On March 31, 2021, ABIC advanced 80% of the last tranche of the selling price. On April 30, 2021, PNB received from ABIC the remaining 20% of the last tranche of the selling price for the sale of PNB's shares in PNB Gen marking the Bank's exit from the nonlife insurance space.

Last March 26, 2021, the Bank's BOD approved and confirmed the infusion of additional capital of up to ₱ 245.0 million to Allianz-PNB Life Insurance, Inc., an affiliate, subject to regulatory and other necessary approvals.

In 2021, the Bank has undertaken a series of transactions to monetize its low-earning assets. On January 13, 2021, the SEC approved the increase in the authorized capital stock of PHC from ₱ 500.0 million to ₱ 50.5 billion. On the same date, PNB proceeded with the subscription of an additional 466,770,000 PHC shares in exchange for certain real estate properties with fair values of ₱ 46.7 billion. Last April 23, 2021, the Bank's BOD approved the property dividend declaration of up to 239,353,710 Common Shares of PHC with a par value of ₱ 100.00 per share, to all stockholders of record as of May 18, 2021. On December 27, 2021, PNB received the Certificate of Filing the Notice of Property Dividend Declaration issued by the SEC on December 24, 2021.

Amidst the challenging COVID-19 pandemic and varying degrees of community lockdowns in 2020, PNB deployed its "Bank on Wheels" in Metro Manila and some provinces where travel was restricted to provide easy and convenient access to cash for its clients. Bank on Wheels are mobile ATMs that allow customers to conveniently perform transactions such as cash withdrawal, cash deposit, bills payment, and fund transfer. Furthermore, the Bank provided its customers more options for cash withdrawal through its partnership with RD Pawnshop, one of the leading pawnshop chains in the country. PNB is the provider of the POS network that allows bank customers to conveniently withdraw cash from 100 select RD Pawnshop branches nationwide. In addition, the Bank partnered with Ninja Van Philippines to make it easier and safer for small and medium businesses across the country to receive payments and manage cash flow during COVID-19 and beyond.

Even with the pandemic, PNB was still able to introduce new products for its customers. In February 2020, PNB launched the Ze-Lo Mastercard that allows cardholders to enjoy the perks of a normal Mastercard credit card but with zero annual fees and low interest. Ze-Lo stands for "Zero Annual Fees and Low Interest" representing the two main features of the card. In April 2020, PNB branches started offering the new product of ABIC, Home Protect 2000, a home insurance that covers PNB depositors against loss of residence and contents due to fire, lightning, earthquake, smoke, explosion, vehicle impact, and falling aircraft for a minimal premium. The Bank also introduced an online remittance system, Xchanged USA, for overseas Filipino workers. In September 2021, PNB launched two new global feeder funds, namely: the

PNB World Perspectives Equity Feeder Fund and the PNB US Equity Sustainability Leaders Feeder Fund. These feeder funds will allow Filipino investors to invest in US and other globally-traded shares of stocks to further diversify their investments. Likewise, in support of the government's Personal Equity Retirement Account (PERA) program, PNB, as a product provider, launched its first digital PERA fund, the PNB PERA Bond Fund. Last October 2021, the PNB Singapore Mobile App was launched for Filipinos in Singapore to make remittance easier and more convenient for them. The app enables a fully-automated remittance process for all registered clients and potential clients (subject to one-time onsite Know-Your-Customer) based in Singapore. Last March 2022, PNB and CIS Bayad Center, Inc., or Bayad, the country's biggest and widest multi-channel payment platform, have partnered to make it easier for Filipinos to settle payments electronically. This strategic partnership offers a one-stop-shop solution for the best customer experience. PNB also introduced the PNB CashNet Plus mobile app for corporate clients last April 2022. Clients have the option to log in via biometrics for added security and convenience in accessing their company accounts.

In September 2023, PNB introduced the PNB World Elite Mastercard (WEM) to its high net-worth customers. The PNB WEM, dubbed as the Bank's most premium card, is a by-invitation only credit card in partnership with Mastercard and PAL. It is designed to appeal to a segment of high net-worth customers and geared to connect with PNB's high-end and affluent cardholders. The product offers exclusive and top-tier benefits and services suitable to its target market's status.

To provide convenient financial services to Overseas Filipino Workers (OFWs), PNB opened a branch at the Department of Migrant Workers (DMW) Building in November 2023. The establishment of this branch reflects the Bank's commitment to serve OFWs seeking reliable banking solutions as PNB offers a range of services tailored to their requirements. OFWs transacting in this branch are assured to receive personalized assistance and guidance in navigating their financial matters. This customer-centric approach is consistent with the Bank's strategy of being a supportive financial partner for the OFWs.

The Bank through its wholly-owned subsidiary, PNB Capital and Investment Corporation (PNB Capital) remained active in capital market transactions in 2021 to 2023. PNB Capital was appointed either as lead/joint lead arranger, issue manager, underwriter, domestic manager and/or bookrunner for the initial public offering, preferred shares and/or bond offerings of prominent companies. In recognition of its remarkable deals, PNB Capital won three awards at The Asset Triple A Country Awards for Sustainable Finance 2022 held last February 2023 for the following: Best IPO award for Citicore Energy REIT Corp.'s ₱ 6.4-billion IPO, where it was a Joint Bookrunner and Lead Local Underwriter for the transaction; Best Transition Bond for SMC Global Power Holdings Corp.'s ₱ 40.0-billion Fixed Rate Bond, where it was the Lead Underwriter and Bookrunner; and Best New Bond for the Cebu Landmasters, Inc.'s (CLI) ₱ 5.0-billion Fixed Rate Bond where it acted as Co-lead Underwriter.

In affirmation of the Bank's well-managed operations, PNB also received awards from various organizations and other international award-giving bodies. In April 2021, the employment-related online platform LinkedIn ranked PNB as #1 in the 2021 LinkedIn Top Companies list in the Philippines, a ranking of the 15 best workplaces to grow one's career. PNB was also recognized by Asiamoney as Best Bank for Investment Research during its Private Banking Awards in June 2021. The award is a testament to the Bank's contribution in helping its clients make sound investment decisions by sharing their insights on equities, industries, and the Philippine economy. The award is a milestone for the Bank as this is the first international recognition for its research initiatives. The Bank was also recognized as Best KYC and Customer Onboarding Technology of the Year by The Asian Banker for its Risk Management Awards. The award acknowledges the Bank's new Anti-Money Laundering Monitoring Solution, showing that the Bank does not rely on a single level of protection but has invested and deployed layers to protect customers and their transactions. Further, the Bank's "Own a Philippine Home Loan" (OPHL) product was recognized as Mortgage and Home Loan Product of the Year by The Asian Banking and Finance on its Retail Banking Awards. Moreover, PNB was recognized by the Bangko Sentral ng Pilipinas (BSP) as "Outstanding Regional Partners" in the 2021 BSP Stakeholders Appreciation Ceremony held in July 2021.

PNB received two awards from the Philippine Dealing System Holdings Corp (PDS Group) during the 17th PDS Annual Awards held last March 25, 2022, viz., (1) the Top Fixed-Income Brokering Participant and (2) one of the Top Five Fixed-Income Cash Settlement Banks. In addition, PNB has been recognized by Asiamoney as the Best Bank for Investment Research in the Philippines for the second consecutive year during its Private Banking Awards last April 25, 2022. In September 2022, PNB was awarded by the Social Security System (SSS) as "Best Disbursement Partner" in the Commercial Bank category in its

“2022 Balikat ng Bayan Awards” during its 65th founding anniversary celebration. The SSS Balikat ng Bayan Awards acknowledge the valuable contributions of individuals and organizations in helping SSS deliver quality service and programs to its members. In November 2022, PNB was awarded for the second year in a row by a joint program of the European Union and the UN Women as Runner Up for Transparency and Reporting during the UN Women 2022 Philippines Women’s Empowerment Principles (WEPs) event. PNB was also cited for its commitment to transparency and reporting pertaining to gender data and indicators as well as report on performance and impact of gender on its adaptive policies and programs, tracking performance in progress towards gender equality, and women’s economic empowerment. In December 2022, PNB was awarded by Asia Corporate Excellence and Sustainability Awards (ACES) as one of Asia’s Most Influential Companies during the recent ACES Awards 2022 Ceremony and Gala Dinner held in Kuala Lumpur, Malaysia. The award is given to companies that show genuine interest in the well-being of its stakeholders through corporate social responsibility initiatives that are integrated into policies and operations, with a high level of employee and top management involvement on community engagement, environment, and social empowerment programs.

In March 2023, PNB received recognition again during the 18th Philippine Dealing System (PDS) Annual Awards Night held in Makati for its strong contribution to the growth and stability of local financial markets. The Bank was cited as: a) the Top 2 Fixed-Income Brokering Participant that garnered the highest total volume turnover of securities transacted by face amount; and b) the Top 5 Fixed-Income Cash Settlement Bank for generating the highest volume for the year as measured by the total number of fixed-income transactions settled for PDEX Trading Participants who are non-demand deposit account holders at the Central Bank.

Forbes media ranked PNB as 2nd Best Bank in the Philippines in its list of 2023 World’s Best Banks in April 2023. The Forbes ranking is based on a worldwide survey of 48,000 banking customers in 32 countries. PNB is among the 415 leading and best banks to appear in the Forbes rankings in 2023. Banks were rated in terms of general satisfaction (30%), recommendation (30%), and 40% for trust, terms and conditions, digital services, customer services, and financial advice.

In June 2023, PNB was recognized twice in the Asia Responsible Enterprise Awards (AREA) 2023 for the following categories: (i) Corporate Governance category as PNB adheres and maintains the quality and completeness of disclosure and reporting of governance practices in annual reports of business entities in the public and private sectors; and (ii) Corporate Sustainability Reporting category for the Bank’s comprehensive sustainable reporting in disclosure, transparency, and credibility while bridging the social, environmental, and economic issues affiliated to the business.

PNB’s High Dividend Fund was recognized in August 2023 as one of the Best Managed Funds for 2023 under the Peso Equity Fund category by the Chartered Financial Analyst (CFA) Society of the Philippines, an association of local investment professionals that annually gives recognition to funds that stand out among peers. The PNB High Dividend Fund was among the seven funds that delivered the highest risk-adjusted returns to investors. Launched in June 2012, the PNB High Dividend Fund is a domestic equity fund in the Philippines that seeks dividend income and capital appreciation by investing in listed companies with high dividend yields and established history of paying dividends.

In September 2023, the SSS gave PNB two awards as Best Collection Partner for the Overseas Bank category and Best Disbursement Partner for the Universal Bank category during the Balikat ng Bayan Awards 2023. The ‘Best Collection Partner’ distinction is given to financial institutions that are consistently among the top with the highest collections, biggest volume of transactions, and widest coverage. The ‘Best Disbursement Partner’ award is given to PESONet-member financial institutions that have the highest number of transactions and highest amount of disbursements to pensioners, employers, and individual accounts.

PNB received the prestigious Four Golden Arrow Award during the 2023 ASEAN Corporate Governance Scorecard Golden Arrow Awards organized in September 2023. PNB has been a recipient of the award in recent years, receiving two consecutive Four Golden Arrow recognition in 2021 and 2022 and Three-Golden Arrow recognition in 2020. The Golden Arrow Recognition, given by the Institute of Corporate Directors is the highest corporate governance award given to the country’s top publicly listed companies based on the 2023 ASEAN Corporate Governance Scorecard assessment results.

In September 2023, PNB received the prestigious Gawad Maestro Learning and Development Organization of the Year Award for the Private Sector category from the Philippine Society for Talent Development (PSTD) during the 6th Gawad Maestro Awards 2023. PNB was recognized for fostering a strong learning culture in the workplace and continuously implementing learning and development programs that help employees cope with the changing times and ways of working. PSTD likewise noted that the Bank has demonstrated outstanding leadership and creativity in improving organizational performance through learning and development.

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

In December 2023, PNB was declared as the Best Bank for Corporate Social Responsibility in the Philippines by the International Business Magazine Awards 2023. The award manifests PNB's sincerity and commitment to implement a culture of creating a meaningful impact by respecting and supporting communities and the environment.

B. Business Description

1. Product and Services

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

Its banking activities are undertaken through the following groups within the Bank, namely:

Retail Banking Sector

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

International Banking and Remittance Group

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

Consumer Finance Sector

As part of the Bank's ongoing efforts to streamline operations and optimize cost structure to ensure operational efficiency as well as harness the maximum potential of the consumer loan business, the Consumer Finance Sector (CFS) was created in November 2023, consolidating the Cards and Payments

Solutions Group (CPSG) and the Retail Lending Group (RLG) together with selected Retail Lending Operations Department functions.

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

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

Institutional Banking Sector

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

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

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

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

Global Banking and Markets Sector

The Global Banking and Markets Sector (GBMS) is primarily tasked with the management of the Bank's liquidity and funding needs, as well as the execution of financial market transactions involving investments, trading of fixed income, foreign exchange, derivatives and hedging solutions for clients. The Sector also capitalizes on opportunities in capital markets as the economy continues to recover. Furthermore, the Sector is entrusted to strategically deploy excess funds in low-risk high-quality investment outlets, effectively manage returns and duration and ensure the ease of converting these investments into higher-yielding assets as the market normalizes. Likewise, GBMS provides a wide range of banking products and services to corporates, governments, financial institutions, and individuals. Its functions include developing the Bank's wealth management proposition by providing corporate and high-net-worth individuals access to the financial markets. In addition, GBMS builds partnerships with banks and non-bank financial institutions by offering them banking solutions to address their needs and help attain their objectives. Moreover, GBMS ensures the availability of alternative funding sources for the Bank through trade advance facilities of foreign banks and multilateral or government funding sources.

Trust Banking Group

The Trust Banking Group (TBG) offers a wide range of investment funds which include money market, fixed income, multi-asset, local equity funds and global feeder funds. These funds are suited to meet every customer's financial standing, investment goal, risk appetite and investment horizon. These funds are managed by a team of professional fund managers who have a wealth of training and experience under their belts.

As one of the pioneers in the trust banking business, PNB has a wide clientele base of retail, corporate and institutional clients who benefit from its wide array of trust banking products and services, large

distribution network, professional expertise, and sound investment strategies. TBG is considered as one of the strongest trust entities in the industry on Fiduciary services such as Escrow, Facility Agency, Trust Under Indenture and Transfer Agency. Its personal trust products and services include Personal Management Trust, and Investment Management Account. The Group’s corporate trust products and services include Corporate Fund Management and Employee Benefit Trust.

Digital Innovations Group

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

2. Competition

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

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

3. Revenue Derived from Foreign Operations

The percentage contributions of the Bank and its subsidiaries’ (the “Group”) offices in Asia, USA and Canada, United Kingdom to the Group’s revenue, for the years 2023, 2022, 2021 are as follows:

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

4. New Products and Services

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

1. **Acceptance of SSS RTP Payments via OTC (launched 2022)**
The Bank, through the collaboration and integration efforts with SSS, was able to simplify payment acceptance and processing of SSS loans and contributions via OTC with the nationwide launch of the SSS real-time posting (RTP) payments. This also opens more opportunities for the Bank to fulfill and upsell other PNB products and services to SSS in the digital space.
2. **CCAM 20K Machine (launched 2022)**
The Corporate Cash Accept Machine (CCAM) is an innovative variant of the deposit pick up facility where the Bank, through its partnership with a Service Provider (SP), installs a cash accept machine in the corporate client's premises. The first variant with 10,000 notes capacity was launched in February 2020. To support the higher volume of cash deposits from customers, the Bank launched the CCAM with 20,000 notes capacity in 2022.
3. **PNB C@shNet Plus Mobile App (launched 2022)**
The Bank launched the PNB C@shNet Plus Mobile Application, the mobile version of the Corporate Online Banking Platform. The Mobile App promises a superior, convenient, and efficient way of doing online business transactions such as account viewing, monitoring of accounts receivables, and initiation and approval of payments.
4. **CMS Client Onboarding via Webinars (launched 2022)**
The Bank's Cash Management Implementation Team began onboarding clients to the cash management facilities through webinars conducted multiple times in a month. Given the simpler and more intuitive user experience of the improved corporate internet banking platform of the Bank (PNB C@shNet Plus), client onboarding can now be performed outside of the traditional one-on-one implementation. In addition, participants may attend the webinar sessions more than once, should they need a refresher later.
5. **Corporate Employee Loan Program (CELP) Platform**
The Corporate Employee Loan Program (CELP) is a multipurpose loan facility offered to the employees and members of Accredited Anchor Client / Employer with recourse. Loan proceeds will be used for the acquisition of brand-new vehicles, purchase of house and/or lot and improvement, and other purposes. The platform helped the Bank save at least 60 minutes (1 hour) of processing per application. With the automated process, the turnaround time of booking decreased from five to ten days to three days.
6. **Save and Soar Promo (launched 2023)**
This promo is a deposit campaign open to all new-to-bank and existing clients. This promo provides PAL Mabuhay Miles points for every ₱100,000.00 incremental YTD-ADB for six months, a free one-year ATMSafe Plus insurance, and a chance to win a business class e-gift card to New York, USA via Philippine Airlines.
7. **PNB Easy Open, Easy Ipon Online Account Application (launched 2023)**
The promo is an Online Account Application campaign open to all Filipino applicants residing in the Philippines – whether new-to-bank or existing clients – who wish to open a Savings Account via the PNB website. Qualified clients can enjoy zero initial deposit and zero maintaining balance requirement.
8. **PNB Global Hong Kong Pangarap Loan System (launched 2023)**
The new system enables the quick evaluation of loan applications and allows the borrower to claim the loan amount within one hour from time of application.
9. **PNB Singapore Panalong Padala Promo**
This monthly raffle promo gave qualified mobile app users the chance to win one million pesos worth of prizes.
10. **RCI Instant Padala Instant Rewards Promo**
This ran until December 31, 2023. Remitters with qualifying transactions (at least US\$500 or US\$1000) received either a US\$5 or US\$10 gift vouchers.

11. **APAS Conversion Incentive Program**
Top domestic PNB branches who convert APAS beneficiaries to PNB OFW Savings accountholders stand to earn cash incentives. The Program shall run until April 2024.
12. **GHK Instant Padala Instant Saya Promo**
Remitters who transact at least two times totaling ₱10,000 in a month will receive a HKD10 Jollibee voucher.
13. **Digital campaign promoting PNB's remittance service**
This runs until February 2024 in Facebook and Instagram, in all corridors where PNB is present.
14. **Foreign Exchange (FX) Forward Contracts (launched 2022)**
A deliverable FX Forward is a derivative transaction where a client and PNB shall enter a contract to purchase/sell a specified amount of currency against another at a specified exchange rate for delivery at a specified future date. The client will be able to hedge FX risk of foreign currency denominated investment securities.
15. **Cross Currency Asset Swaps (CCAS launched 2022)**
A CCAS is a derivative transaction where a client and PNB agree to simultaneously exchange coupon and/or principal amount of foreign currency securities ("underlying asset") in another currency. CCAS can hedge the FX risk of client and/or enhance the foreign currency coupon of the investment security.
16. **Wealth Management System (launched 2022-2024)**
The Wealth Management System is a unified wealth and investment management platform that handles Reservation Management Module (implemented July 2022), the Customer Relationship Module (implemented July 2023), and the Customer Portal (implemented January 2024).
17. **Home Loan Calculator (launched 2022)**
This is a web-based tool that borrowers can use to estimate the amount they can borrow and the monthly payments needed within the desired loan repayment term.
18. **Fast Lane Approval Process for Home and Auto Loans (launched in 2023)**
This program aimed to improve the Turnaround Time (TAT) for qualified depositors applying for home or auto loan by considering clients' average daily balance and the length of banking relationship with PNB.
19. **Flexi Loan Program (reintroduced in 2023)**
This program offers loans to individuals for personal use. Loans are secured by residential real estate properties and/or holdout on deposits to finance the assets and other personal-related and household expenditures of a borrower.
20. **10/90 Home Loan Program (relaunched in 2023)**
This program offers a low equity of 10% to PNB's accredited Tier 1 Developers.
21. **Instant issuance of PNB-PAL Mabuhay Miles Debit Mastercard (launched 2022)**
Customers who opened their accounts via Online Account Application can immediately get their PNB-PAL Mabuhay Miles Debit Mastercard from the PNB branch of account, enabling them to use their debit cards right away.
22. **Bonus Miles (launched 2022)**
This promo allowed PNB credit cardholders to double their miles when they redeem their reward points to Mabuhay Miles and gave them a chance to be upgraded to Mabuhay Miles Elite status.
23. **Apply & Win 1 of 3 Mercedes-Benz GLA 200 AMG Promo (launched 2022)**
New credit cardholders who applied and got approved for PNB Platinum Mastercard, PNB-PAL Mabuhay Miles Platinum Mastercard, and PNB-PAL Mabuhay Miles World Mastercard during the promo period got the chance to win a brand-new Mercedes-Benz GLA 200 AMG – a luxury subcompact SUV.

24. **Mastercard Travel Rewards (launched in 2023)**
This program provides exclusive cash back offers to Platinum and World credit cardholders from merchants around the globe whenever they travel or shop online or instore.
25. **Mastercard Travel Pass (launched in 2023)**
This program is a branded airport experience powered by DragonPass made available to PNB-PAL Mabuhay Miles World Mastercard cardholders. Through this program, PNB-PAL Mabuhay Miles World Mastercard cardholders get four (4) free complimentary lounge access for lounges within the DragonPass network worldwide.
26. **New Credit Card Functionalities in the PNB Digital App (launched in 2023)**
New features were introduced to further enhance banking experience of credit cardholders. These were the credit card PIN viewing and the credit card rewards points viewing.
27. **Credit Card Promotions (2022 and 2023)**
Various promotional tie-ups in the dining (up to 50% off), shopping and entertainment categories were implemented. Some notable partners were Barcino, Dusit, New World, Xiu Restaurant, Greyhound Thai Restaurant, Lazada, Shopee and Grab.
28. **Personal Loans (launched in 2023)**
Personal Loan is an unsecured product for new and existing clients that can provide lumpsum upfront cash to be paid back in installment. This loan can be used for the following personal needs: Medical Expenses, Education Fees, Home Renovation, Purchase of Appliances or Gadgets, Vacation/Travel or Other Expenses.
29. **Multi-Proxy Service (MPS) - Launched in 2023**
MPS revolutionizes InstaPay fund transfers by introducing a real-time proxy look-up system. This innovative service allows the use of easily remembered proxies, such as an email address or mobile number, to facilitate the sending and receiving of funds, eliminating the need for traditional account numbers. Initially rolling out for PNB clients, MPS enables receiving of funds directly through proxies once they are successfully linked via the PNB Digital App. This seamless integration ensures a more convenient banking experience.

PNB DIGITAL BANKING RELEASES AND ENHANCEMENTS

1. **UITF Online in PNB Digital (launched 2022)**
In response to the increasing usage and demand for mobile applications, PNB's Trust Banking Group began transitioning its UITF online facility to the PNB Digital Mobile App. The first module, which allowed existing UITF online clients to view their outstanding UITF investments, was publicly launched in July 2022. The second module was officially launched in November 2022, allowing clients to view their UITF redemption history. Finally, in May 2023, PNB launched the remaining modules of the UITF Online, allowing clients to enroll, subscribe, redeem, update their nominated UITF Settlement Account and update their risk profile.
2. **Bayad Aggregator Biller Integration (2022)**
The Bank launched its pilot biller with real-time posting capability, Meralco RTP under the Bayad Aggregator. Through this, PNB Digital users are now able to pay their Meralco bills in real-time with a few taps on their mobile phones. The Bank remains committed to onboarding the next Bayad billers (Autosweep RFID, Easytrip, and NBI) from a sea of 438 Bayad billers.
3. **Cardless Withdrawal (launched 2022)**
With the aid of the PNB Digital App, customers can make ATM cash withdrawal requests from their PNB deposit accounts without the need for debit cards.
4. **Person to Merchant and Person to Biller QR Code Payments (launched 2022)**
Done via the PNB Digital App, these services allowed customers to have more payment options.
5. **PNB Digital Key (launched 2022)**
Part of the multi-factor authentication features of the PNB Digital App, this completed the authentication for bills payment and funds transfer transactions with a soft token via in-app push

notification to verify the financial transactions initiated through the client's registered device without the need for an OTP sent via SMS.

6. **Time Deposit Viewing (Launched 2022)**
Customers can enroll and monitor their existing Time Deposit accounts on the app.
7. **Person-to-Person Fund Transfer via QR Code (launched 2022)**
Customers can send money to other local banks by scanning payee's QR code or uploading an existing code saved on the customer's mobile device.
8. **Checkbook Ordering (Launched 2022)**
Customers can order a checkbook for pick-up at their branch of account.
9. **eWallet Top-up (Launched 2022)**
With the app, customers can easily load up their eWallets anytime,
10. **Scheduled and Recurring Fund Transfers and Payments (Launched 2022)**
Customers can schedule one-time or recurring bills payments and fund transfers so they never miss important due dates.
11. **Credit Card Rewards (Launched 2022)**
PNB credit cardholders can monitor their earned rewards points anytime.
12. **Viewing of Credit Card PIN (Launched 2023)**
PNB credit cardholders can easily access their PIN for electronic transactions such as ATM cash advance.
13. **Request money via mobile number or email address (Launched 2023)**
Customers can receive funds by sharing their registered email or mobile number to the sender – no need for them to share their PNB account number anymore.

PNB DIGITAL PROMOS

1. **Do More, Win More (launched 2022)**
Cash Incentive Campaign for clients to enroll in the PNB Digital and/or perform eligible financial transactions to earn raffle entries for a chance to win cash prizes worth ₱2,000, ₱20,000 and ₱100,000.
2. **Happy Holidays Promo (launched 2023)**
Client Incentive Campaign encouraging PNB clients and PNB Digital users to enroll and/or perform eligible financial transactions to earn raffle entries for a chance to win cash prizes worth ₱20,000, ₱10,000 or a grand prize of Samsung Galaxy Z Flip4, 128GB.
3. **Bank Easy, Fly Easy Promo (launched 2023)**
Travel Incentive Campaign for clients to enroll in the PNB Digital and/or perform eligible financial transactions to earn raffle entries for a chance to win PAL e-vouchers worth ₱10,000 and ₱50,000.

5. Related Party Transactions

Please refer to Item 5(e) of the Information Statement.

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

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

7. Government Approval of Principal Products or Services

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

8. Estimate of Amount Spent for Research and Development Activities

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

9. Number of Employees

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

	Total
Officers:	
Vice President and up	155
Assistant Manager up to Senior Assistant Vice President	4,354
Rank and file	3,818
Total	8,327

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

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

The Bank has not suffered any strikes, and the Management of the Bank considers its relations with its employees and the Union as harmonious and mutually beneficial. Industrial peace is continuously being enjoyed by both Management and the organized Union.

10. Risk Management

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

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

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

A disciplined risk management culture and framework facilitates oversight of and accountability for risk at all levels of the organization and across all risk types. The Bank's BOD, through the Risk Oversight Committee (ROC), exercises oversight and provides guidance to PNB's experienced Senior Management Team who, through the Management Risk Committee (MRC), works closely with the

business lines in managing risk. There is a rich risk culture, which seamlessly flows through not only within the Bank, but also across the Group and the Bank's affiliates.

The Board of Directors has delegated specific responsibilities to various Board Committees, which are integral to PNB's risk governance framework and allow executive management, through Management Committees, to evaluate the risks inherent in the business and to manage them effectively. On the other hand, executive officers are assigned to various Management Committees that provide the leadership and execution of the vision and policies approved by the Board of Directors. Business strategies are driven, for the most part, by the day-to-day directions decided by these Management Committees with approvals and notation by the various Board Committees.

There are nine (9) Board Committees, to wit:

1. Board Audit & Compliance Committee (BACC);
2. Board IT Governance Committee (BITGC);
3. Board Overseas Offices Oversight Committee (BOOOC);
4. Board Oversight RPT Committee (BORC);
5. Board Strategy & Policy Committee (BSPC);
6. Corporate Governance and Sustainability Committee (CorGov);
7. Executive Committee (EXCOM);
8. Risk Oversight Committee (ROC); and
9. Trust Committee (TrustCom).

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

The risk management policy includes the following:

- 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 ROC Charter states that the ROC shall be composed of at least three (3) members of the Board of Directors, majority of whom shall be Independent Directors including the Chairperson. The Chairperson shall not be the Chairperson of the Board of Directors, or any other Board Committee. At present, the ROC is composed of nine (9) members of the Board of Directors.

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

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

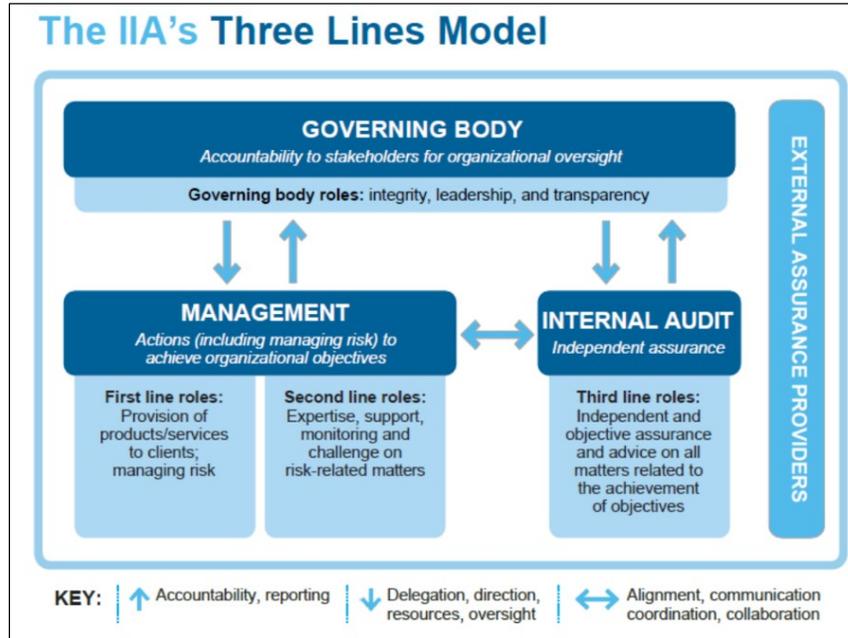
Mainly composed of the Bank's Sector and Group heads, the MRC is responsible for reviewing and monitoring enterprise level risks and assessing risk responses proposed or taken by the relevant risk owner, and for providing inputs to the ERMF process. The MRC shall periodically assess whether the Bank's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

The approach to managing risk is outlined in the Bank's ERMF which creates the context for setting policies, standards, and establishing the right practices throughout the 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.

PNB's risk management framework banks on a dynamic process that supports the development and implementation of the overall strategy of the Bank. The process revolves around methodically

addressing risks associated with the business lines of PNB. The ERMF, with regular reviews and updates, has served the Bank well and has been resilient through economic cycles. The Bank has placed a strong reliance on this risk governance framework with the *three lines* model of The Institute of Internal Auditors (IIA) (see *Figure 1*): Governing Body, Management, and Internal Audit:

Figure 1



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

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

1. The *first line roles* are the lines of business who are directly involved in managing risks. This entails the proactive self-identification of risks as well as the design and implementation of appropriate controls. Within the business lines, a culture of open communication is key to sustainable risk-return thinking. Discussions about new products, existing and new positions, and other issues must be broad and not just limited to meeting financial targets. Data and information availability are a must to ensure that front office and top Management undertake relevant and timely decisions with respect to risk taking. Finally, limits and other basic controls must be respected. For example, limit setting and limit monitoring shall be done within prescribed policies and procedures, front-liners who manage clients and handle cash shall be subject to mandatory leaves, and segregation of duties should be clear and enforced.
2. The *second line roles* are the support units who provide expertise and insight to the first line in managing risks. For the Bank, second line roles include the Risk Management Group (RMG), Enterprise Information & Cyber Security Group (EICSG) and Global Compliance Group (GCG): RMG implements the risk management framework and assists risk owners in reporting adequate risk-related information to the ROC. EICSG manages the overall information security, cyber security and data privacy risks of the Bank in terms of confidentiality, integrity and availability of information of its customers as well as other stakeholders. EICSG also manages risks to Information Technology and Project Management. GCG ensures that a strong compliance program is in place, effectively monitored, and aligned with the risks of the Bank's individual

business processes. The second line roles may also recommend implementation of action plans, corrective actions or service recovery in managing the risk impact and prevent recurrence. The RMG and EICSG report to the ROC, while the 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. The 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 Group is independent from the business lines and monitors the following risk areas:

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

Implementation of the processes and procedures that support the policies for risk management applicable to PNB is monitored. These policies clearly establish the types of risks to be managed, define the risk organizational structure, and provide appropriate training necessary to manage and control risks. The policies also provide for the validation, audit, and compliance testing to measure the effectiveness and suitability of the risk management structure. In addition, the ERMF recognizes model validation as an integral component of model governance which ensures that risks relative to use of models are identified, cascaded to concerned parties, escalated to oversight committees, and deliberated for appropriate management actions. Model validation is Management's resource to better understand the models, its purpose and limitations and ultimately manage expectations, actions, and decisions made based on the output of the model.

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

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

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

Pillar 1 Risks:

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

Pillar 2 Risks:

1. Credit Concentration Risk;

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

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

Risk Categories and Definitions

Under the Bank’s ERMF, all risk-taking business units, including domestic and foreign subsidiaries, shall perform comprehensive assessment of all material risks. This is accomplished annually, and/or more often, as needed. The process includes:

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

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

The Bank broadly classifies and defines risks into the following categories and manage the risks according to their characteristics. These are monitored accordingly under the enterprise ICAAP 2023 program, to wit:

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
Credit Risk (including Credit Concentration Risks and Counterparty Risks)	<p>Credit risk is the risk to earnings or capital that arises from an obligor/s, customer/s or counterparty’s failure to perform and meet the terms of its contract.</p> <p>Credit concentration risk arises from excessive exposures to individual counterparties, groups of related counterparties and groups of counterparties with similar characteristics (e.g., counterparties in specific geographical locations, economic or industry sector). Its potential loss implications are large enough relative to a bank’s capital, total assets, or overall risk level, to threaten a financial institution’s health or ability to maintain its core operations. It is inherent in a bank’s assets, liabilities or off-balance sheet items, through the execution or processing of transactions (either product or service), or through a</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 NPL Levels) ▪ Monitoring of Compliance to Regulatory and Internal Limits ▪ Stress Testing ▪ Rapid Portfolio Review ▪ Monitoring of Credit Risk Migration ▪ Movement of Portfolio ▪ Concentrations and Demographics Review ▪ Large Exposure Report ▪ Country Limits Monitoring ▪ Adequacy of Loan Loss Reserves Review ▪ Post Credit Review

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
	<p>combination of exposures across these broad categories. The potential for loss reflects the size of the position and the extent of loss given a particular adverse circumstance. (BSP MORB Sec 301.6, Series of 2009; Basel Committee on Banking Supervision [BCBS])</p>		
Market Risk	<p>Market risk is the risk to earnings or capital arising from adverse movements in factors that affect the market value of financial instruments, products and transactions in an institution's overall portfolio, both on or off-balance sheet and contingent financial contracts. Market risk arises from market-making, dealing and position taking in interest rate, foreign exchange, equity, and commodities market. (BSP Cir. No. 544, Series of 2006)</p>	<ul style="list-style-type: none"> ▪ Value at Risk (VaR) Utilization ▪ Results of Marking to Market ▪ Risks Sensitivity/ Duration Report ▪ Exposure to Derivative/ Structured Products 	<ul style="list-style-type: none"> ▪ VaR Limits ▪ Stop Loss Limits ▪ Management Triggers ▪ Duration Report ▪ Republic of the Philippines (ROP) Exposure Limit ▪ Limit to Structured Products ▪ Exception Report on Traders' Limit ▪ Exception Report on Rate Tolerance ▪ Stress Testing ▪ BSP Uniform Stress Testing
Liquidity Risk	<p>Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from a financial institution's (FI) inability to meet its obligations when they come due. Liquidity risk includes the inability to manage unplanned decreases or changes in funding sources. Liquidity risk also arises from the failure to recognize or address changes in market conditions that affect the Bank's ability to liquidate assets quickly and with minimal loss in value. (BSP Cir. No. 510/545).</p>	<ul style="list-style-type: none"> ▪ Funding Liquidity Plan ▪ Liquidity Ratios ▪ Large Fund Providers ▪ Maximum Cumulative Outflow (MCO) ▪ Liquid Gap Analysis 	<ul style="list-style-type: none"> ▪ MCO Limits ▪ Liquid Assets Monitoring ▪ Stress testing ▪ Large Fund Provider Analysis ▪ Funding Liquidity/ Contingency Planning
Interest Rate Risk in the Banking Books (IRRBB)	<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 FI activities (basis risk); from changing rate relationships across the spectrum of maturities (yield curve risk); and from interest-related options embedded in FI products (options risk). The amount at risk is a function of the magnitude and direction of interest rate changes and the size and maturity structure of the mismatch position. (BSP Circ 1044, Series of 2019)</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 Limits ▪ Balance Sheet Profiling ▪ Interest Repricing Gap Analysis ▪ Cashflow based Economic Value of Equity (EVE) ▪ Stress testing ▪ BSP Uniform Stress Testing
Operational Risk	Operational Risk refers to the risk of	<ul style="list-style-type: none"> ▪ Risk Identification 	<ul style="list-style-type: none"> ▪ Internal Control

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
	<p>loss resulting from inadequate or failed internal processes, people and systems; or from external events. This definition includes Legal Risk but excludes Strategic and Reputational Risk. Operational Risk is inherent in all activities, products and services, and cuts across multiple activities and business lines within the FI and across the different entities in a banking group or conglomerate where the financial institution belongs. (BSP Circular 900, dated 18 January 2016)</p>	<ul style="list-style-type: none"> ▪ 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: Risk Identification – Risk Maps Risk Measurement and Analysis – ICAAP Risk Assessment</p>	<ul style="list-style-type: none"> ▪ Board Approved Operating Policies and Procedures Manuals ▪ Board Approved Product Manuals ▪ Loss Events Report (LER) ▪ Risk and Control Self-Assessment (RCSA) ▪ Key Risk Indicators (KRI) ▪ Fraud Management Program ▪ Business Continuity Management (BCM) ▪ Statistical Analysis
Included in the Operational Risks:			
<p>Reputational Risk</p>	<p>Reputational risk is the current and prospective impact on earnings or capital arising from negative public opinion. This affects the Bank's ability to establish new relationships or services or continue servicing existing relationships. This risk may expose the Bank to litigation, financial loss, or a decline in its customer base. In extreme cases, the Bank loses its reputation and may suffer a run on deposits. (BSP Cir. No. 510, dated 03 Feb 2006). Reputational Risk also covers Customer Franchise Risk and Consumer Protection Risk. Customer Franchise Risk is defined in the Bank's Policy on ICAAP, as the failure to find, attract, and win new clients, nurture and retain those the Bank already has, and entice former clients back into the fold as well as the failure to meet client's expectation in delivering the Bank's products and services. Consumer Protection Risk is defined as failure of the bank to deliver its mandate to provide appropriate service and protection to its financial consumers.</p>	<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: Risk Identification – Risk Maps Risk Measurement and Analysis – ICAAP Risk Assessment</p> <p>Major Factors considered:</p> <ul style="list-style-type: none"> ▪ Products ▪ Technology ▪ People ▪ Policies and Processes ▪ Stakeholders (including customer and regulators) 	<ul style="list-style-type: none"> • Account Closures Report • Consolidated Complaints Report • Mystery Caller/Shopper Evaluation/ Risk Mitigation of negative media coverage Public Relations Campaign Profiling on the mobile and internet banking users Review of Stock Price performance • Fraud Management Program • Social Media Management Framework • Social Media Risk Management • Use of Social Media metrics Media monitoring tool • Screening and Recruitment Process of Personnel Internal Audit Risk Based Work Program • Compliance Testing and Review
<p>Strategic Business Risks</p>	<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</p>		<ul style="list-style-type: none"> ▪ Regular ALCO Financial Updates ▪ Seminars and Economic briefings ▪ Banking industry reports and industry research studies

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
	<p>the compatibility of the firm's strategic goals, the business strategies developed to achieve those goals, the resources deployed against these goals, and the quality of implementation. (BSP Cir. No. 510, dated 03 Feb 2006).</p>		<ul style="list-style-type: none"> ▪ Research Division's economic reports and forecasting and equities reports ▪ Management Profitability Reports ▪ Compliance Updates on new, revised regulations ▪ Retail Bank / Corporate Bank / Retail Lending weekly updates on performance/ volume levels ▪ Annual Strategic Planning Exercise
<p>Information Security/ Cyber Security Risk</p>	<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 associated with financial loss, disruption or damage to the reputation of an organization from failure, unauthorized or erroneous use of its information systems. (NIST IR 7298 Revision 2, Glossary of Key Information Security Terms, Page Numbers 98 & 100)</p>		<ul style="list-style-type: none"> ▪ Incident Reporting Management ▪ Information Security Policy Formulation ▪ Risk Assessment ▪ Information Security Management System Implementation ▪ Continuous InfoSec / cyber risk awareness campaigns ▪ Network Security Protection ▪ Limits on Access Privileges ▪ Scanning of outbound and inbound digital traffic
<p>Data Privacy Risk</p>	<p>Data Privacy Risks are those that could lead to the unauthorized collection, use, disclosure or access of personal data. It includes risks that the confidentiality, integrity and availability of personal data will not be maintained, or the risk that processing will violate the rights of data subjects or the privacy principles (transparency, legitimacy and proportionality). Consequently, the data privacy risks may negatively impact the Bank's reputation and may result to noncompliance issue and financial losses. (Data Privacy Act of 2012 or RA 10173).</p>		<ul style="list-style-type: none"> • Installation of firewalls, IPS/IDS, enterprise security solution (anti-virus for endpoint, email and internet). • Enterprise-wide Implementation of the Information Security Management Systems • Education / InfoSec Awareness is also constantly conducted • Conduct of internal and 3rd party vulnerability assessments and penetration testing (to include social engineering tests) and follow through on remediation of threats and risks

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
			<ul style="list-style-type: none"> • Implementing the enterprise-wide data privacy risk management framework which complies with both domestic and global requirements • Institutionalization of data protection culture within the group through regular awareness programs • Data Privacy Management System • Conduct of Privacy Impact Assessment (PIA) as required by DPA of 2012
Information Technology Risk	<p>Information Technology (IT) Risk is any potential adverse outcome, damage, loss, violation, failure or disruption associated with the use of or reliance on computer hardware, software, devices, systems, applications and networks. (BSP Circular 808) It is also a business risk that is associated with the use, ownership, operation, involvement, influence and adoption of IT within the Bank. It consists of IT-related events that could potentially impact the business. IT Risk includes Information Security Risk that could result from non-preservation of any or all of the domains of information security; that is, confidentiality, integrity and availability of information asset. (ISACA Risk IT Framework).</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"> ▪ Risk Awareness Campaigns ▪ IT Risk Assessments ▪ Formal Project Management Program adoption ▪ Vulnerability Assessment and Penetration Testing ▪ Maintenance and upgrades of disaster recovery sites ▪ Business Users / IT joint engagement for problem resolution ▪ Technology Operations Management Policies & Guidelines ▪ IT Risk Monitoring ▪ IT Risk Assessment ▪ Project Risk Assessment
Human Resource Risk	<p>Human Resource Risk covers the Bank's risk of financial loss due to the inadequate training, inexperience or illegal activities of risk-taking behavior of personnel. This risk is closely related to operations risk and its internal control aspects. It highlights the human side of risk-taking and the role and adequacy of code of conduct, personnel policies, training and development programs, ability to recruit and retain employees through adequate compensation and benefits and ability to sustain adequate workforce through succession planning.</p>	<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>Institutionalize policies covering Talent Acquisition/Retention and Career Management; Remuneration Management; Performance Appraisal System covering the following main tools:</p> <ul style="list-style-type: none"> • Sourcing and Screening of Candidates • General Qualification Requirements for Applicants • Screening and Pre-employment Assessment Exams • Selection Interviews • Candidate Matching – ensuring “job fit” through

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
			person/position review <ul style="list-style-type: none"> Competitive compensation and employee benefits; Compliance with Labor Law on payment of benefits and salaries Institutionalize the Bank's Performance Appraisal System (e.g., targets versus achievements) Provide training and/or issue guidelines to ensure that the process is done objectively.

Regulatory Capital Requirements under BASEL III – PILLAR 1 Capital Adequacy Ratio

The Bank's Capital Adequacy Ratio as of December 31, 2023 stood at 17.7% on a consolidated basis while the Risk Weighted Assets (RWA) as of the end of 2023 amounted to ₱802.506 billion composed of ₱678.114 billion (Credit Risk Weighted Assets – CRWA), ₱42.037 billion (Market Risk Weighted Assets – MRWA) and ₱82.355 billion (Operations Risk Weighted Assets – ORWA).

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

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

Presented below is the full reconciliation of all regulatory capital elements back to the balance sheet in the audited financial statements as at December 31, 2023 attributable to the Bank (amounts in ₱ Thousands):

Accounts	Balance in Financial Reporting Package	Accounting differences and other adjustments	Balance in Audited Financial Statements
Capital stock	₱61,030,594	₱–	₱61,030,594
Additional paid-in capital	32,106,560	–	32,106,560
Surplus reserves	4,648,865	29,065	4,677,930
Surplus	86,227,821	5,946,348	92,174,169
Net unrealized loss on available-for-sale investments	(1,910,046)	187,393	(1,722,653)
Remeasurement losses on retirement plan	(2,603,355)	(125,187)	(2,728,542)
Accumulated translation adjustment	2,002,510	(2,842)	1,999,668
Other equity reserves	390,517	–	390,517
Share in aggregate reserves on life insurance policies	24,246	–	24,246

TOTAL	₱181,917,712	₱6,034,777	₱187,952,489
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Credit Risk-Weighted Assets as of December 31, 2023

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

In ₱ Millions	Exposure, Net of Specific Provision	Exposures covered by Credit Risk Mitigants*	Net Exposure	0%	20%	50%	75%	100%	150%
Cash & Cash Items	21,099	-	21,099	21,098	1	-	-	-	-
Due from BSP	95,420	-	95,420	95,420	-	-	-	-	-
Due from Other Banks	23,226	-	23,226	-	10,954	10,060	-	2,212	-
Financial Asset at FVPL	-	-	-	-	-	-	-	-	-
Available for Sale	1,411	-	1,411	-	-	-	-	1,411	-
Held to Maturity (HTM)	125,231	8,593	116,639	86,452	4,451	17,361	-	8,375	-
Unquoted Debt Securities	-	-	-	-	-	-	-	-	-
Loans & Receivables	652,055	4,904	647,152	6	101,641	43,114	8,326	478,742	15,323
Loans and Receivables Arising from Repurchase Agreements, Securities Lending and Borrowing Transactions	69,906	63,695	6,212	5,994	17	201	-	-	-
Sales Contracts Receivable	2,510	-	2,510	-	-	-	-	2,206	303
Real & Other Properties Acquired	9,466	-	9,466	-	-	-	-	-	9,466
Other Assets	22,260	-	22,260	1,995	-	-	-	20,265	-
Total On-Balance Sheet Asset	1,022,585	77,191	945,394	210,965	117,063	70,735	8,326	513,212	25,092
Total Risk Weighted Asset - On-Balance	-	-	-	-	23,413	47,704	6,245	513,212	37,638

In ₪ Millions	Exposure, Net of Specific Provision	Exposures covered by Credit Risk Mitigants*	Net Exposure	0%	20%	50%	75%	100%	150%
Sheet									
Total Risk Weighted Asset - Off-Balance Sheet Asset	-	-	-	-	-	-	422	51,485	-
Counterparty Risk Weighted Asset in Banking Book	-	-	-	-	-	378	-	-	-
Counterparty Risk Weighted Asset in Trading Book	-	-	-	-	-	1,321	-	332	-

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

Market Risk-Weighted Assets as of December 31, 2023

The Bank's regulatory capital requirements for market risks of the trading portfolio are determined using the standardized approach ("TSA"). Under this approach, interest rate exposures are charged both for specific risks and general market risk. The general market risk charge for trading and Fair Value through Other Comprehensive Income (FVOCI) portfolio is calculated based on the instrument's coupon and remaining maturity with risk weights ranging from 0% for items with very low market risk (i.e., tenor of less than 30 days) to a high of 12.5% for high risk-items (i.e., tenor greater than 20 years) while capital requirements for specific risk are also calculated for exposures with risk weights ranging from 0% to 8% depending on the issuer's credit rating. On the other hand, equities portfolio is charged 8% for both specific and general market risk while foreign exchange (FX) and Non-Deliverable Forward (NDF) exposures are charged 8% and 4% respectively, for general market risks only.

Capital Requirements by Market Risk Type under the Standardized Approach

(Amounts in ₪ Millions)	Capital Charge (a)	Adjusted Capital Charge (b) $b = a * 125\% \text{ 1/}$	Market Risk Weighted Exposures (c) $c = b * 10 \text{ 2/}$
Interest Rate Exposures			25,336.372
Specific Risk	813.690	1,017.113	10,171.126
General Market Risk	1,213.219	1,516.525	15,165.245
Equity Exposures	0.443	0.554	5.543
Foreign Exchange Exposures	1,335.594	1,669.493	16,694.926
Total			42,036.840

Notes:

1/ Capital charge is multiplied by 125% to be consistent with BSP required minimum Capital Adequacy Ratio (CAR) of 10%, which is 25% higher than the Basel minimum of 8%.

2/ Adjusted capital charge is multiplied by 10 (i.e. the reciprocal of the minimum capital ratio of 10%)

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

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

Specific Risk

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

Part IV.1a INTEREST RATE EXPOSURES – SPECIFIC RISK (Amounts in ₱ millions)							
	Positions	Risk Weight					
		0.00%	0.25%	1.00%	1.60%	8.00%	Total
PHP(₱)-denominated debt securities issued by the Philippine National Government (NG) and BSP	Long	129,790.370	-	-	-	-	-
	Short	0.00	-	-	-	-	-
FCY-denominated debt securities issued by the Philippine NG/BSP	Long	-	0.00	1,296.659	2,907.631	-	-
	Short	-	0.00	0.00	0.00	-	-
Debt securities/derivatives with credit rating BBB- and above issued by other sovereigns	Long	-	1,982.027	2,852.698	234.648	-	-
	Short	-	0.00	0.00	0.00	-	-
Debt securities/derivatives with credit rating of AAA to BBB-issued by other entities	Long	-	2,638.497	3,208.429	1,800.358	-	-
	Short	-	0.00	0.00	0.00	-	-
All other debt securities/derivatives that are below BBB- and unrated	Long	-	-	-	-	8,118.484	-
	Short	-	-	-	-	-	-
Subtotal	Long	129,790.370	4,620.524	7,357.786	4,942.637	8,118.484	-
	Short	0.00	0.00	0.00	0.00	0.00	-

Risk Weighted Exposures [Sum of long and short positions times the risk weight]		0.00	11.551	73.578	79.082	649.479	813.690
Part IV.1a INTEREST RATE EXPOSURES – SPECIFIC RISK (Amounts in ₱ millions)							
	Positions	Risk Weight					
		0.00%	0.25%	1.00%	1.60%	8.00%	Total
Specific Risk Capital Charge for Credit-Linked Notes and Similar Products							0.00
Specific Risk Capital Charge for Credit Default Swaps and Total Return Swaps							0.00
Specific Risk Capital Charge for Debt Securities and Debt Derivatives							813.690

General Market Risk – Peso

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

Currency: PESO							
PART IV.1d GENERAL MARKET RISK (Amounts in ₱ millions)							
Zone	Time Bands		Debt Securities & Debt Derivatives/Interest Rate Derivatives		Risk Weight	Weighted Positions	
			Total Individual Positions				
	Coupon 3% or more	Coupon less than 3%	Long	Short		Long	Short
1	1 month or less	1 month or less	112,359.807	38,487.706	0.00%	0.00	0.00
	Over 1M to 3M	Over 1M to 3M	62,605.786	4,011.212	0.20%	125.212	8.022
	Over 3M to 6M	Over 3M to 6M	388.797	3,459.810	0.40%	1.555	13.839
	Over 6M to 12M	Over 6M to 12M	384.491	1,115.851	0.70%	2.691	7.811
2	Over 1Y to 2Y	Over 1.0Y to 1.9Y	26,881.135	0.00	1.25%	336.014	0.00
	Over 2Y to 3Y	Over 1.9Y to	2,457.507	0.00	1.75%	43.006	0.00

		2.8Y					
	Over 3Y to 4Y	Over 2.8Y to 3.6Y	2,461.152	29.191	2.25%	55.376	0.657
3	Over 4Y to 5Y	Over 3.6Y to 4.3Y	7,184.535	0.00	2.75%	197.575	0.00
	Over 5Y to 7Y	Over 4.3Y to 5.7Y	1,333.117	0.00	3.25%	43.326	0.00
	Over 7Y to 10Y	Over 5.7Y to 7.3Y	2,424.738	0.00	3.75%	90.928	0.00
	Over 10Y to 15Y	Over 7.3Y to 9.3Y	0.306	0.00	4.50%	0.014	0.00
	Over 15Y to 20Y	Over 9.3Y to 10.6Y	0.862	0.00	5.25%	0.045	0.00
	Over 20Y	Over 10.6Y to 12Y	0.00	0.00	6.00%	0.00	0.00
		Over 12Y to 20Y	0.00	0.00	8.00%	0.00	0.00
	Over 20Y	0.00	0.00	12.50%	0.00	0.00	
Total			218,482.234	47,103.769	-	895.742	30.329
Overall Net Open Position		865.413					
Vertical Disallowance		1.293					
Horizontal Disallowance		6.961					
Total General Market Risk Capital Charge							873.667

General Market Risk – US Dollar (US\$)

The capital charge on the Bank's General Market Risk from dollar-denominated exposures is ₱302.841 million. The exposure is concentrated under the Over 1 year to 2 years' time bucket with risk weight of 1.25% resulting in a capital charge of ₱72.933 million. The balance is distributed across other time buckets up to over 20 years with capital charge ranging from ₱0.267 million to ₱63.710 million.

Currency: US\$							
PART IV.1d GENERAL MARKET RISK (Amounts in ₱ millions)							
Zone	Time Bands		Debt Securities & Debt Derivatives/Interest Rate Derivatives		Risk Weight	Weighted Positions	
			Total Individual Positions			Long	Short
	Coupon 3% or more	Coupon less than 3%	Long	Short			
1	1 month or less	1 month or less	41,24.607	68,487.110	0.00%	0.000	0.000
	Over 1M to 3M	Over 1M to 3M	5,919.812	20,972.499	0.20%	11.840	41.945
	Over 3M to 6M	Over 3M to 6M	6,623.354	2,018.490	0.40%	26.493	8.074
	Over 6M to 12M	Over 6M to 12M	4,479.051	0.000	0.70%	31.353	0.000

2	Over 1Y to 2Y	Over 1.0Y to 1.9Y	5,834.643	0.000	1.25%	72.933	0.000	
	Over 2Y to 3Y	Over 1.9Y to 2.8Y	2,523.931	0.000	1.75%	44.169	0.000	
	Over 3Y to 4Y	Over 2.8Y to 3.6Y	1,256.400	0.000	2.25%	28.269	0.000	
3	Over 4Y to 5Y	Over 3.6Y to 4.3Y	2,316.710	0.000	2.75%	63.710	0.000	
	Over 5Y to 7Y	Over 4.3Y to 5.7Y	190.999	0.000	3.25%	6.207	0.000	
	Over 7Y to 10Y	Over 5.7Y to 7.3Y	221.671	0.000	3.75%	8.313	0.000	
	Over 10Y to 15Y	Over 7.3Y to 9.3Y	993.573	0.000	4.50%	44.711	0.000	
	Over 15Y to 20Y	Over 9.3Y to 10.6Y	10.702	0.000	5.25%	0.562	0.000	
	Over 20Y	Over 10.6Y to 12Y	0.000	0.000	6.00%	0.000	0.000	
		Over 12Y to 20Y	0.000	0.000	8.00%	0.000	0.000	
		Over 20Y	2.135	0.000	12.50%	0.267	0.000	
Total			71,615.587	91,478.098		338.826	50.019	
Overall Net Open Position		288.807						
Vertical Disallowance		1.991						
Horizontal Disallowance		12.042						
Total General Market Risk Capital Charge							302.841	

General Market Risk – Third currencies

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

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

SGD	1 month or less	0.000	313.024	0.00%	0.000	0.000				
TOTAL		0.000	313.024		0.000	0.000		-	-	0.000
JPY	Over 3 months to 6 months	5,045.003		0.40%	20.180	-				
	Over 6 months to 12 months	1,738.846		0.70%	12.172	-				
TOTAL		6,783.849			32.352	-	-	-	-	32.352
HKD	1 month or less	0.000	992.232	0.00%	0.000	0.000				
	Over 1M to 3M	0.000	1,094.907	0.20%	0.000	2.190				
	Over 3M to 6M	0.000	542.496	0.40%	0.000	2.170				
TOTAL		0.000	2,629.636		0.000	4.360	4.360	-	-	4.360

PART IV.1d GENERAL MARKET RISK (Amounts in ₪ millions)

Currency	Time Bands	Total Debt Securities & Debt Derivatives/Interest Rate Derivatives		Risk Weight	Weighted Positions		Overall Net Open Position	Vertical disallowance	Horizontal disallowance within	Total General Market Risk Capital Charge
		Long	Short		Long	Short				
KRW	1 month or less	0.00	0.000	0.00%	-	-				
TOTAL		0.000	0.000		-	-	-	-	-	-
NZD	1 month or less	0.000	14.020	0.00%	0.000	0.000				
TOTAL		0.000	14.020		-	0.000	0.000	-	-	0.000
EUR	1 month or less	0.00	202.144	0.00%	0.000	0.000				
TOTAL		0.00	202.144		0.000	0.000	-	-	-	0.000
GBP	1 month or less	-	98.711	0.00%	0.000	0.000				
TOTAL		0.000	98.711		0.000	0.000	-	-	-	0.000

CAD	1 month or less	0.000	33.484	0.00%	0.000	0.000				
TOTAL		0.000	33.484		0.000	0.000	-	-	-	0.000
TOTAL THIRD CURRENCIES										36.712

Equity Exposures

The Bank's holdings are in the form of preferred stocks traded in the PSE, with 8% risk weight both for specific and general market risk. The Bank's capital charge for equity weighted positions is ₱0.443 million or total risk-weighted equity exposures of ₱5.543 million.

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

Foreign Exchange Exposures

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

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

Currency						
A.1 U.S. Dollar	USD	5.007	0.624		5.631	311.798
A.2 Japanese Yen	JPY	1.928	0,395		2.324	128.654
A.3 Swiss Franc	CHF	0.740	0.00		0.740	40.975
A.4 Pound Sterling	GBP	0.981	0.012		0.993	54.977
A.5 Euro	EUR	2.943	0.026		2.969	164.390
A.6 Canadian Dollar	CAD	0.226	0.00		0.226	12.504
A.7 Australian Dollar	AUD	0.160	0.00		0.160	8.887
A.8 Singapore Dollar	SGD	3.479	0.00		3.479	192.647
A.9 Foreign currencies not separately specified above						
Arab Emirates Dirham	AED	0.007	0.00		0.007	0.408
Dinar	Bahrain BHD	0.003	0.00		0.003	0.163
Dollar	Brunei BND	0.001	0.00		0.001	0.038
Renminbi	Yuan CNY	0.077	0.00		0.077	4.276
Dollar	Hongkong HKD	0.355	0.688		1.043	57.761
Won	Korean KRW	0.027	0.00		0.027	1.505
Ringgit	Malaysian MYR	0.00	0.00		0.00	0.00
n Krone	Norwegia NOK	0.00	0.00		0.00	0.00
Zealand Dollar	New NZD	0.014	0.00		0.014	0.748
Riyal	Saudi SAR	0.312	0.00		0.312	17.297
	Thai Baht THB	0.006	0.00		0.006	0.320
Dollar	Taiwan TWD	0.003	0.00		0.003	0.184
Rupiah	Indo INR	0.00	0.00		0.00	0.00
A.10 Sum of net long positions						997.531
A.11 Sum of net short positions						0.00
B. Overall net open positions 1/						997.531
C. Risk Weight						8%
D. Total Capital Charge for Foreign Exchange Exposures (B. times C.)						79.802
E. Adjusted Capital Charge for Foreign Exchange Exposures (D. times 125%)						99.753
F. Total Risk-Weighted Foreign Exchange Exposures, Excluding Incremental Risk-Weighted Foreign Exchange Exposures Arising From NDF Transactions (E. times 10)						997.531
G. INCREMENTAL RISK-WEIGHTED FOREIGN EXCHANGE EXPOSURES ARISING FROM NDF TRANSACTIONS (Part IV.3A, Item F.)						15,697.395
H. TOTAL RISK WEIGHTED FOREIGN EXCHANGE EXPOSURES (Sum of F. and G.)						16,694.926

Operational Risk – Weighted Assets as of December 31, 2023

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

(Amounts in ₱ Millions) Consolidated as of December 31, 2023	Gross Income	Capital Requirement (15% x Gross Income)
2020 (Year 3)	43,151	6,473
2021 (Year 2)	41,386	6,208
2022 (Last Year)	47,232	7,085
Average for 3 Years		6,588
Adjusted Capital Charge (Average x 125%)		8,236
Total Operational Risk Weighted Asset		82,356

C. Subsidiaries

The following represent the Bank's significant subsidiaries:

Domestic Subsidiaries:

Allied Integrated Holdings Inc. (AIHI) is a wholly-owned subsidiary of PNB. It was formerly PNB Savings Bank, which had been converted into a holding company on October 28, 2020 after PNB substantially acquired its assets and liabilities on March 1, 2020 and after its thrift bank license was surrendered to BSP on March 5, 2020.

The SEC duly approved on February 23, 2021 its conversion into a holding company, the change in its corporate name to Allied Integrated Holdings, Inc., as well as the shortening of its corporate life up to December 31, 2022 only, as embodied in its Amended Articles of Incorporation.

Subsequently, on February 10, 2022, the SEC further approved the decrease in the authorized capital stock of AIHI, from ₱15 billion divided into 149,975,000 Common Shares with a par value of ₱100.00 each and 25,000 Preferred Shares with a par value of ₱100.00 each, to ₱3 billion divided into 30,000,000 Common Shares with a par value of ₱100.00 each.

At present, AIHI is mainly tasked with the management of the remaining real estate properties acquired by the former PNB Savings Bank.

AIHI ended the year 2023 with total assets of ₱1.6 billion consisting of ₱1.1 billion in Cash, Real Estate ROPA of ₱212.8 million (net) and Other Assets of ₱204.1 million. Paid Capital Stock was ₱3.0 billion with a Negative Retained Earnings of ₱1.4 billion and a Net Income of ₱4.5 million in 2023.

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

As of December 31, 2023, PNB Capital had an authorized capital of ₱2.0 billion or 20,000,000 shares with a par value of ₱100.00 per share and a paid-up capital of ₱1.5 billion equivalent to 15,000,000 shares. Its principal business is to provide investment banking services which include debt and equity underwriting, private placement, loan arrangement, loan syndication, project financing and general financial advisory services, among others. The company is authorized to buy and sell, for its own account, securities issued by private corporations and the Philippine Government. PNB Capital distributes its structured and packaged debt and equity securities by tapping banks, trust companies, insurance companies, brokerage houses, funds and other entities that invest in such securities.

Investment banking is a highly regulated industry. Regulatory agencies overseeing PNB Capital include the BSP, the SEC, the Bureau of Internal Revenue, as well as several affiliates, support units and regulatory commissions of these entities.

The primary risks of the company include underwriting, reputational and liability risks. Firstly, underwriting risk pertains to the risk of market's non-acceptance of securities being offered and underwritten by PNB Capital. In such scenario, the company would have to purchase the offered securities for its own account. Secondly, reputational risk arises from the possibility that the company may not be able to close mandated deals as committed. Thirdly, liability risk refers to the risk from possible lawsuits

filed by the client and investors due to non-performance of committed duties or gross negligence by the company. These primary risks are addressed by:

- ensuring that the staff members are well-trained and capable, at the functional and technical level, to provide the services offered;
- understanding the clients' specific needs and goals;
- clarifying and documenting all goals, methodologies, deliverables, timetables and fees before commencing on a project or engagement and including several indemnity clauses to protect PNB Capital from being held liable for actions and situations beyond its control. These indemnity clauses are revised and improved upon after each engagement, as and when new protection clauses are identified;
- having legal counsels review sensitive documents that may be cause for possible disputes or litigations with clients and investors;
- having clients fill-up client suitability forms for their investments in instruments underwritten/arranged by PNB Capital; and
- all transactions are properly documented and approved by the Investment Committee and/or Board of Directors.

As of December 31, 2023, PNB Capital's unaudited total assets and total equity stood at ₱2.1 billion and ₱1.9 billion, respectively. Its unaudited net income for the year ended December 31, 2023 was ₱311.8 million.

PNB-Mizuho Leasing and Finance Corporation (formerly PNB-IBJL Leasing and Finance Corporation), was incorporated on April 24, 1996 under the auspices of the Provident Fund of the Bank as PF Leasing and Finance Corporation. It was largely inactive until it was used as the vehicle for the joint venture between the Bank (60%), Mizuho Leasing Co Ltd., Tokyo (35%), and Industrial Bank of Japan, now called Mizuho Corporate Bank (5%). The corporate name was changed to Japan-PNB Leasing and Finance Corporation (JPNB Leasing) and the joint venture company commenced operations as such in February 1998.

On January 31, 2011, PNB increased its equity interest in JPNB Leasing from 60% to 90%. The Bank's additional holdings were acquired from minority partners, IBJ Leasing Co., Ltd. (IBJL) and Mizuho Corporate Bank, which divested their 25% and 5% equity interests, respectively. IBJL remains as an active joint venture partner with a 10% equity interest.

PNB-Mizuho Leasing and Finance Corporation operates as a financing company under Republic Act No. 8556 (the Financing Company Act of 1998, as amended). Its major activities are financial lease (direct lease, sale-leaseback, lease-sublease and foreign currency leasing), operating lease (through wholly-owned subsidiary, PNB-Mizuho Equipment Rentals Corporation), term loans (for productive capital expenditures secured by chattel mortgage), receivable discounting (purchase of short-term trade receivables and installment papers) and Floor Stock Financing (short-term loan against assignment of inventories, e.g., motor vehicles).

Majority of the principal products or services are in peso leases and loans. Foreign currency (US\$ and JPY) leases and loans are mostly funded by IBJL.

On April 3, 2014, the PNB-IBJL Leasing and Finance Corporation's Board and stockholders approved the increase of the company's authorized capital from ₱150 million to ₱1.0 billion, representing 10,000,000 shares with a par value of ₱100.00 per share, in preparation for the declaration of stock dividends. On June 27, 2014, PNB-IBJL Leasing and Finance Corporation's Board approved the declaration of 2 shares to 1 share stock dividends to stockholders of record as of June 30, 2014.

On November 28, 2014, PNB and IBJL entered into a Share Sale and Purchase Agreement covering the buy back by IBJL from PNB of 15% equity ownership in Japan-PNB Leasing with a closing date of January 30, 2015.

On January 13, 2015, the SEC approved the increase in its authorized capital stock from ₱150.0 million consisting of 1.5 million shares with a par value of ₱100.00 per share to ₱1.0 billion consisting of 10 million shares with a par value of ₱100.00 per share. Subsequently, the stock dividends declaration was implemented with the issuance of 300,000 new shares on January 23, 2015.

On January 30, 2015, the buyback of the 15% equity of Japan-PNB Leasing by IBJL from PNB was consummated, resulting to an equity ownership as follows: PNB - 75% and IBJL - 25%.

On March 27, 2015, the SEC approved the change of name of Japan-PNB Leasing and Finance Corporation to PNB-IBJL Leasing and Finance Corporation.

On December 15, 2017, the Bank's BOD approved an additional capital infusion of up to ₱400 million to PNB-IBJL Leasing and Finance Corporation. The BSP approved on February 26, 2018 the additional capital infusion of ₱400 million to PNB-IBJL Leasing and Finance Corporation. PNB paid the ₱400 million additional capital infusion on April 6, 2018.

On August 29, 2018, PNB and IBJL entered into a Share Sale and Purchase Agreement covering the buyback by IBJL from PNB of the 25% share or ₱100 million on the additional capital infusion of ₱400 million.

In March 2019, Mizuho Bank Ltd increased its shareholdings in IBJ Leasing Co., Ltd. And as a result, IBJL changed its corporate name to Mizuho Leasing Company, Limited effective October 1, 2019.

On March 3, 2020, the SEC approved the change of name from PNB-IBJL Leasing and Finance Corporation to PNB-Mizuho Leasing and Finance Corporation (PMLFC).

As of December 31, 2023, PNB-Mizuho Leasing and Finance Corporation's unaudited total assets stood at ₱128.31 million while total equity has a deficit of ₱711.16 million. Its unaudited net loss for the year ended December 31, 2023 was ₱178.47 million.

On December 23, 2022, the SEC approved the amendment of the Articles of Incorporation of PMLFC for the shortening of its corporate life up to March 31, 2024.

PNB-Mizuho Equipment Rentals Corporation (formerly PNB-IBJL Equipment Rentals Corporation) (PMERC) is a wholly-owned subsidiary of PNB-Mizuho Leasing and Finance Corporation. It was incorporated in the Philippines on July 3, 2008 as a rental company and started commercial operations on the same date. It is engaged in the business of renting all kinds of real and personal properties.

On March 11, 2015, the SEC approved the change of name from Japan-PNB Equipment Rentals Corporation to PNB-IBJL Equipment Rentals Corporation.

On March 2019, Mizuho Bank Ltd increased its shareholdings in IBJ Leasing Co., Ltd. and as a result, IBJL changed its corporate name to Mizuho Leasing Company, Limited effective October 1, 2019.

On March 4, 2020, the SEC approved the change of name from PNB-IBJL Equipment Rentals Corporation to PNB-Mizuho Equipment Rentals Corporation.

As of December 31, 2023, it had a paid-up capital of ₱40.0 million and a total negative capital of ₱154.62 million. Its unaudited total assets and net loss for the year ended December 31, 2023 were ₱324.19 million and ₱118.83 million, respectively.

On November 22, 2023, the SEC approved the amendment of the Articles of Incorporation of PMERC for the shortening of its corporate life up to December 31, 2024.

PNB Securities, Inc. (PNBSec) was incorporated in January 18, 1991 and is a member of the Philippine Stock Exchange, Inc. (PSE) As a securities dealer, it is engaged in the buying and selling of securities listed in the PSE either for its own account as Dealer or for account of its customers as Broker. It is a wholly-owned subsidiary of PNB and ranked 37th among 125 active members in the PSE with 0.36% market share in terms of value turn-over as of December 31, 2023.

- a. As of December 31, 2023, it has a total paid-up capital of ₱100.0 million with unaudited total assets and total capital of ₱281.7 million and ₱194.0 million, respectively.
- b. PNBSec had no bankruptcy, receivership, or similar proceedings in the past three (3) years.

- c. There are no material reclassification, merger, consolidation, or purchase/sale of a significant asset not in the ordinary course of business.

Relative to its competitors, the company's strength lies in the fact that it is backed up by PNB, a universal bank and considered one of the top commercial banks in the country today.

Inherent to all engaged in the stockbrokerage business, the company is exposed to risks like Operational Risk, Position Risk, Counterparty Risk and Large Exposure Risk. To address, identify, assess and manage the risks involved, the company submits semi-monthly to the SEC and the Capital Markets Integrity Corporation (CMIC) of the PSE the required Risk Based Capital Adequacy (RBCA) Report which essentially measures the broker's net liquid capital considering said risks. Further, PNB's Risk Management Group is overseeing/ monitoring the company's risk management / exposures.

Foreign Subsidiaries:

Allied Banking Corporation (Hong Kong) Limited (ABCHKL) was incorporated in 1978. It is a private limited company and restricted-licensed bank under the Hong Kong Banking Ordinance. ABCHKL became a majority-owned (51%) subsidiary of PNB as a result of the merger of PNB and Allied Banking Corporation (ABC) in 2013. ABCHKL provides a full range of commercial banking services such as deposit taking, lending and trade financing, documentary credits, participation in loan syndications and other risks, money market and foreign exchange operations. ABCHKL has a wholly-owned subsidiary, ACR Nominees Limited, which is a private limited company incorporated in Hong Kong that provides non-banking general services to its customers. It is a Trust or Company Service Provider ("TCSP") licensee in Hong Kong.

Allied Commercial Bank (ACB) is a majority-owned (99.04%) subsidiary of PNB. Originally established in 1993 as Xiamen Commercial Bank, ACB maintains its head office in Xiamen, Fujian, China and has a branch in Chongqing which was established in 2003.

ACB was previously allowed to deal only in foreign currency-denominated products and services, until 2017, when local currency or CNY denominated products and services were allowed except for local residents. In 2020, ACB finally obtained a banking license that allows offering services to all market segments with all traditional banking products, denominated in local or foreign currencies.

ACB is a full-service commercial bank specializing in international trade finance and loans to micro, small and medium-sized industries/ enterprises. Its deposit products are also varied and competitive. In 2020, the Bank launched its enterprise internet banking system which added much sought-after convenience to its corporate depositors. In 2022, the Bank enhanced its system to automate its credit management. It continues to innovate to deliver financial products and services to cater to the evolving needs of the banking public.

PNB Global Remittance and Financial Company (HK) Limited (PNB Global HK), a wholly owned subsidiary of PNB, was established in Hong Kong on July 20, 1976. The company is engaged in providing remittance services bound to the Philippines. It also grants consumer loans to Filipinos and foreign nationals working in Hong Kong who are interested to purchase real estate properties in the Philippines.

PNB Global HK's Main Office is in Wanchai District while its six branches are strategically situated in Shatin, Yuen Long, Tsuen Wan, North Point, and two in Worldwide House in Central District of Hong Kong.

PNB International Investments Corporation (PNB IIC) is a non-bank holding company and the parent company of PNB Remittance Centers, Incorporated (PNB RCI). PNB RCI has a network of twenty branches engaging in money transmission in six states of the United States of America.

PNB RCI owns PNB RCI Holding Company, Ltd., the parent company of PNB Remittance Company Canada (PNB RCC). PNB RCC has five branches and one sub-branch servicing the remittance requirements of Filipinos in Canada.

Philippine National Bank (Europe) PLC (PNBE) is a wholly owned subsidiary of PNB. It started in 1976 as PNB London Branch and it was incorporated in 1994. It was granted a deposit taking license by the Bank of England in 1997.

Following the merger of PNB and ABC in 2013, PNBE merged with Allied Bank Philippines (UK) Plc in 2014, with the former as the surviving entity. PNBE is an authorized institution under the Financial Services Act 2012 and is regulated by the Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA).

Following the conclusion of the Brexit transition period in 2020, PNBE continues to provide services to Filipinos in the region through its UK office as well as its web and phone remittance platforms.

Item 2. Directors and Executive Officers

Please refer to pages 9 to 38 of the Information Statement.

Item 3. Audited Consolidated Financial Statements

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

Item 4. Information on Independent Accountant, Changes in Accounting Principles and Other Related Matters

A. Audit and Other Related Fees

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

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

There are no fees billed and paid for the last three (3) years for tax accounting performed by the Bank’s external auditor.

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

The BACC has primary authority to select, evaluate, appoint, dismiss, replace and reappoint the Bank’s external auditors, subject to the approval of the BOD and ratification of stockholders, based on fair and transparent criteria such as (i) core values, culture and high regard for excellence in audit quality; (ii)

technical competence and expertise of auditing staff; (iii) independence; (iv) effectiveness of the audit process; and (v) reliability and relevance of the external auditor's reports.

B. Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the amendments and improvements to Philippine Financial Reporting Standards (PFRS) which are effective beginning on or after January 1, 2021. The changes in the accounting policies that have or did not have any significant impact on the financial position or performance of the Group are discussed under Note 2 (Summary of Material Accounting Policies) of the audited financial statements of the Group.

C. Disagreements with Accountants

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

Item 5. Management's Discussion and Analysis of Financial Condition and Results of Operations

The financial statements have been prepared in accordance with PFRS.

2023 vs 2022

The Group's consolidated total assets stood at ₱1,210.5 billion as of December 31, 2023, 5.7% or ₱65.4 billion higher compared to ₱1,145.2 billion reported as of December 31, 2022. Major changes (+/-5% variance) in assets were registered in the following accounts:

- **Cash and Cash Equivalents**

<i>(in thousands)</i>	December 31		Increase/ (Decrease)	%
	2023	2022		
Cash and Other Cash Items	₱21,151,391	₱22,217,915	(₱1,066,524)	(4.8)
Due from Bangko Sentral ng Pilipinas	95,410,350	94,701,360	708,990	0.7
Due from Other Banks	21,243,856	26,010,183	(4,766,327)	(18.3)
Interbank Loans Receivable	30,955,766	9,782,452	21,173,314	216.4
Securities Held under Agreements to Resell	69,694,538	64,523,863	5,170,675	8.0
	₱238,455,901	₱217,235,773	₱21,220,128	9.8

Total Cash and Cash Equivalents as of December 31, 2023 increased by ₱21.2 billion or 9.8%. Available liquid funds were either placed in loans to other banks which are booked under Interbank Loans Receivable or deployed to Loans and Receivables.

Please refer to the consolidated statements of cash flows of the audited financial statements of the Group for more information relating to cash and cash equivalents.

- **Trading and Investment Securities**

<i>(in thousands)</i>	December 31		Increase/ (Decrease)	%
	2023	2022		
Financial Assets at Fair Value Through Profit or Loss (FVTPL)	₱10,516,864	₱7,347,201	₱3,169,663	43.1
Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI)	164,531,492	158,183,525	6,347,967	4.0
Investment Securities at Amortized Cost	123,200,427	110,467,960	12,732,467	11.5
	₱298,248,783	₱275,998,686	₱22,250,097	8.1

Trading and Investment Securities, representing 24.6% and 24.1% of the Group's total assets as of December 31, 2023 and 2022, respectively, increased by ₱22.3 billion or 8.1%, mainly due to net

purchases of financial assets at FVTPL, financial assets at FVOCI, and investment securities at amortized cost during the year.

- **Property and Equipment, Investment Properties and Intangible Assets (including Goodwill)**

<i>(in thousands)</i>	December 31		Increase/ (Decrease)	%
	2023	2022		
Property and Equipment	₱10,754,018	₱11,973,547	(₱1,219,529)	(10.2)
Investment Properties	₱14,579,558	₱13,794,986	₱784,572	5.7
Intangible Assets	₱1,301,726	₱1,863,922	(₱562,196)	(30.2)

<i>(in thousands)</i>	December 31		Increase/ (Decrease)	%
	2023	2022		
Goodwill	₱10,184,843	₱11,221,410	(₱1,036,567)	(9.2)

Property and Equipment and Intangible Assets as of December 31, 2023 at ₱10.8 billion and ₱1.3 billion, respectively, decreased by ₱1.2 billion and ₱0.6 billion, respectively, compared to ₱12.0 billion and ₱1.9 billion, respectively, as of December 31, 2022, mainly due to depreciation and amortization during the year.

Investment Properties amounted to ₱14.6 billion as of December 31, 2023, an increase by ₱0.8 billion or 5.7% compared to ₱13.8 billion as of December 31, 2022, due to new foreclosures of real and other properties, offset by disposals during the year.

Goodwill amounted to ₱10.2 billion as of December 31, 2023, a decrease of ₱1.0 billion, or 9.2%, from the previous year as a result of impairment in value.

- **Investment in an Associate**

<i>(in thousands)</i>	December 31		Increase/ (Decrease)	%
	2023	2022		
Investment in an Associate	₱3,199,124	₱2,688,764	₱510,360	19.0

Investment in an Associate increased by ₱0.5 billion or 19.0% from ₱2.7 billion as of December 31, 2022 to ₱3.2 billion as of December 31, 2023, as a result of the equity share in the net comprehensive income of the associate for the year.

- **Deferred Tax Assets**

<i>(in thousands)</i>	December 31		Increase/ (Decrease)	%
	2023	2022		
Deferred Tax Assets	₱6,981,726	₱6,616,902	₱364,824	5.5

Deferred Tax Assets increased by ₱0.4 billion or 5.5%, at ₱7.0 billion as of December 31, 2023 from ₱6.6 billion as of December 31, 2022 mainly due to the recognition of additional deferred tax assets on allowance for credit losses.

- **Other Assets**

<i>(in thousands)</i>	December 31		Increase/ (Decrease)	%
	2023	2022		
Other Assets	₱5,454,301	₱4,155,522	₱1,298,779	31.3

Other Assets as of December 31, 2023, at ₱5.5 billion, grew by ₱1.3 billion or 31.3% from ₱4.2 billion as of December 31, 2022, mainly due to increases in deferred charges, creditable withholding taxes, fund for electronic money products and documentary stamps on hand.

The Group's consolidated total liabilities were at ₱1,019.4 billion as of December 31, 2023, 4.5% or ₱44.1 billion higher from ₱975.3 billion as of December 31, 2022. Major changes (+/-5% variance) in liability accounts were as follows:

- **Deposit Liabilities**

<i>(in thousands)</i>	December 31		Increase/ (Decrease)	%
	2023	2022		
Demand	₱228,405,865	₱220,043,866	₱8,361,999	3.8
Savings	541,009,449	519,940,535	21,068,914	4.1
Time	145,752,061	112,113,308	33,638,753	30.0
Long Term Negotiable Certificates	12,803,543	19,130,012	(6,326,469)	(33.1)
	₱927,970,918	₱871,227,721	₱56,743,197	2.4

Deposit Liabilities at ₱928.0 billion and ₱871.2 billion, which represent 91.0% and 89.3% of the Group's total liabilities as of December 31, 2023 and 2022, respectively, were higher by ₱56.7 billion or 6.5% mainly due to the increase in Time Deposits by ₱33.6 billion or 30.0%, Savings Deposits by ₱21.1 billion or 4.1%, and Demand Deposits by ₱8.4 billion or 3.8%. The increase was offset by maturity of a Long Term Negotiable Certificate of Deposit amounting to ₱6.3 billion.

- **Financial Liabilities at FVTPL**

<i>(in thousands)</i>	December 31		Increase/ (Decrease)	%
	2023	2022		
Financial Liabilities at FVTPL	₱555,811	₱1,039,776	(₱483,965)	(46.5)

Financial Liabilities at FVTPL as at December 31, 2023 was ₱0.5 billion lower than the 2022 year-end balance of ₱1.0 billion mainly from decreases in position and fair values of stand-alone forwards.

- **Bills and Acceptances Payable and Bonds Payable**

<i>(in thousands)</i>	December 31		Increase/ (Decrease)	%
	2023	2022		
Bills and Acceptances Payable	₱20,162,603	₱14,980,373	₱5,182,230	34.6
Bonds Payable	₱41,490,871	₱58,439,097	(₱16,948,226)	(29.0)

Bills and Acceptances Payable increased by ₱5.2 billion or 34.6% from ₱15.0 billion as of December 31, 2022 to ₱20.2 billion as of December 31, 2023, mainly from borrowings from foreign banks.

Bonds Payable decreased by ₱17.0 billion or 29.0% from ₱58.4 billion as of December 31, 2022 to ₱41.5 billion as of December 31, 2023, mainly due to the maturity of the US\$300 million, 4.25% fixed rate bonds in April 2023.

- **Other Liabilities**

<i>(in thousands)</i>	December 31		Increase/ (Decrease)	%
	2023	2022		
Lease Liabilities	₱3,832,884	₱3,636,391	₱196,493	5.4
<i>(in thousands)</i>	December 31		Increase/ (Decrease)	%
	2023	2022		
Accrued Taxes, Interest and Other Expenses	₱10,465,373	₱9,117,393	₱1,347,980	14.8
Income Tax Payable	₱180,364	₱983,051	(₱802,687)	(81.7)
Other Liabilities	₱14,741,922	₱15,827,640	(₱1,085,718)	(6.9)

Lease Liabilities increased by ₱0.2 billion or 5.4% from ₱3.6 billion as of December 31, 2022 to ₱3.8 billion as of December 31, 2023, due to certain lease contract renewals entered into by the Group, partly offset by payments for the year.

Accrued Taxes, Interest and Other Expenses was higher by ₱1.3 billion, from ₱9.1 billion as of December 31, 2022 to ₱10.5 billion as of December 31, 2023, mainly due to the increase in accrued interest from deposits.

Income Tax Payable decreased by ₱0.8 billion or 81.7% from ₱1.0 billion as of December 31, 2022 to ₱0.2 billion as of December 31, 2023 mainly due to application of available creditable withholding taxes against income tax liability during the year.

Other Liabilities at ₱14.7 billion as of December 31, 2023 declined from ₱15.8 billion as of December 31, 2022 mainly due to decreases in accounts payable, manager's checks and demand drafts outstanding and dormant credits.

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

<i>(in thousands)</i>	December 31		Increase/ (Decrease)	%
	2023	2022		
Capital Stock	₱61,030,594	₱61,030,594	₱–	–
Capital Paid in Excess of Par Value	32,116,560	32,116,560	–	–
Surplus Reserves	4,677,930	4,929,242	(251,312)	(5.1)
Surplus	91,979,317	73,748,748	18,230,569	24.7
Net Unrealized Losses on Financial Assets at FVOCI	(1,722,653)	(5,959,275)	4,236,622	71.1
Remeasurement Losses on Retirement Plan	(2,728,542)	(2,222,945)	(505,597)	(22.7)
Accumulated Translation Adjustment	1,999,668	2,314,447	(314,779)	(13.6)
Other Equity Reserves	248,830	248,830	–	–
Share in Aggregate Reserves on Life Insurance Policies	24,246	136,096	(111,850)	(82.2)
Other Equity Adjustment	13,959	13,959	–	–
	187,639,909	166,356,256	21,283,653	12.8
Non-Controlling Interests	3,508,745	3,549,378	(40,633)	1.1
	₱191,148,654	₱169,905,634	₱21,243,020	12.5

Total Equity stood at ₱191.1 billion as of December 31, 2023 from ₱169.9 billion as of December 31, 2022, or an increase of ₱21.2 billion or 12.5% attributed mainly to the ₱18.0 billion consolidated net income reported for the year and ₱4.2 billion decrease in Net Unrealized Losses on Financial Assets at FVOCI.

2022 vs 2021

The Group's consolidated total assets stood at ₱1,145.2 billion as of December 31, 2022, 3.8% or ₱45.6 billion lower compared to ₱1,190.8 billion reported as of December 31, 2021. Major changes (+/-5% variance) in assets were registered in the following accounts:

- **Cash and Cash Equivalents**

<i>(in thousands)</i>	December 31		Increase/ (Decrease)	%
	2022	2021		
Cash and Other Cash Items	₱22,217,915	₱27,552,773	(₱5,334,858)	(19.4)
Due from Bangko Sentral ng Pilipinas	94,701,360	161,001,912	(66,300,552)	(41.2)
Due from Other Banks	26,010,183	27,222,083	(1,211,900)	(4.5)
Interbank Loans Receivable	9,782,452	30,453,378	(20,670,926)	(67.9)
Securities Held under Agreements to Resell	64,523,863	15,796,673	48,727,190	308.5
	₱217,235,773	₱262,026,819	(₱44,791,046)	(17.1)

Total cash and cash equivalents as of December 31, 2022 decreased by ₱44.8 billion or 17.1% compared to December 31, 2021. Available liquid funds were deployed for settlements of interbank borrowings. The Group also reduced its cash in vaults by ₱6.0 billion and placed it in interest-yielding assets.

Please refer to the consolidated statements of cash flows for more information relating to cash and cash equivalents.

- **Trading and Investment Securities**

<i>(in thousands)</i>	December 31		Increase/ (Decrease)	%
	2022	2021		
Financial Assets at FVTPL	₱7,347,201	₱11,167,657	(₱3,820,456)	(34.2)
Financial Assets at FVOCI	158,183,525	167,987,290	(9,803,765)	(5.8)
Investment Securities at Amortized Cost	110,467,960	89,455,843	21,012,117	23.5
	₱275,998,686	₱268,610,790	₱7,387,896	2.8

Trading and investment securities, representing 24.1% and 22.6% of the Group's total assets as of December 31, 2022 and 2021, respectively, were higher by ₱7.4 billion or 2.8%, mainly due to net acquisitions of investment securities at amortized cost, partly offset by the mark-to-market losses and net maturities and/or disposals of financial assets at FVOCI and financial assets at FVTPL during the year.

- **Loans and Receivables**

<i>(in thousands)</i>	December 31		Increase/ (Decrease)	%
	2022	2021		
Loans and Receivables	₱593,099,915	₱606,953,751	(₱13,853,836)	(2.3)

Loans and Receivables, net of allowance for credit losses, represent 51.8% and 51.0% of the Group's total assets as of December 31, 2022, and 2021, respectively. Loans and Receivables decreased by ₱13.9 billion to ₱593.1 billion as of December 31, 2022 from ₱607.0 billion as of December 31, 2021, mainly due to ₱6.7 billion net payments of loans and receivables and additional provision for impairment, credit and other losses of ₱7.2 billion in 2023.

- **Property and Equipment, Investment Properties and Intangible Assets**

<i>(in thousands)</i>	December 31		Increase/ (Decrease)	%
	2022	2021		
Property and Equipment	₱11,973,547	₱13,472,320	(₱1,498,773)	(11.1)
Investment Properties	₱13,794,986	₱10,735,896	₱3,059,090	28.5
Intangible Assets	₱1,863,922	₱2,429,434	(₱565,512)	(23.3)

Property and Equipment and Intangible Assets as of December 31, 2022 at ₱12.0 billion and ₱1.9 billion, respectively, decreased by ₱1.5 billion and ₱0.6 billion, respectively, compared to ₱13.5 billion and ₱2.5 billion, respectively, as of December 31, 2021, mainly due to depreciation and amortization during the year.

Investment Properties as of December 31, 2022 amounted to ₱13.8 billion, an increase by ₱3.1 billion compared to ₱10.7 billion as of December 31, 2021, due to new foreclosures, offset by disposals of real and other properties during the year.

- **Investment in an Associate**

<i>(in thousands)</i>	December 31		Increase/ (Decrease)	%
	2022	2021		
Investment in an Associate	₱2,688,764	₱2,468,107	₱220,657	8.9

Investment in an Associate went up by ₱0.2 billion at ₱2.7 billion as of December 31, 2022, pertaining mostly to additional investment in the associate during the year.

- **Other Assets**

<i>(in thousands)</i>	December 31		Increase/ (Decrease)	%
	2022	2021		
Other Assets	₱4,155,522	₱4,807,920	(₱652,398)	(13.6)

Other Assets as of December 31, 2022, at ₱4.2 billion, declined by ₱0.6 billion from ₱4.8 billion as of December 31, 2021, mainly due to an ₱0.8 billion decrease in creditable withholding taxes, which were applied against the Group's income tax liability.

The Group's consolidated total liabilities were at ₱975.3 billion as of December 31, 2022, 5.3% or ₱54.3 billion lower from ₱1,029.6 billion as of December 31, 2021. Major changes (+/-5% variance) in liability accounts were as follows:

- **Deposit Liabilities**

<i>(in thousands)</i>	December 31		Increase/ (Decrease)	%
	2022	2021		
Demand	₱220,043,866	₱216,367,830	₱3,676,036	1.7
Savings	519,940,535	498,581,535	21,359,000	4.3
Time	112,113,308	151,729,554	(39,616,246)	(26.1)
Long Term Negotiable Certificates	19,130,012	28,245,390	(9,115,378)	(32.3)
	₱871,227,721	₱894,924,309	(₱23,696,588)	(2.6)

Deposit Liabilities at ₱871.2 billion and ₱894.9 billion, which represent 89.3% and 86.9% of the Group's total liabilities as of December 31, 2022 and 2021, respectively, were lower by ₱23.7 billion or 2.6% mainly due to decrease in Time Deposits by ₱39.6 billion or 26.1%, and maturity of a Long Term Negotiable Certificate of Deposit amounting to ₱9.1 billion. The reduction was offset by an increase in Savings Deposits by ₱21.4 billion or 4.3%, and Demand Deposits by ₱3.7 billion or 1.7%.

- **Financial Liabilities at FVTPL**

<i>(in thousands)</i>	December 31		Increase/ (Decrease)	%
	2022	2021		
Financial Liabilities at FVTPL	₱1,039,776	₱891,531	₱148,245	16.6

Financial Liabilities at FVTPL at ₱1.0 billion as of December 31, 2022 was ₱0.1 billion higher than the 2021 year-end balance of ₱891.5 million mainly due to the increase in fair values of stand-alone currency forwards.

- **Bills and Acceptances Payable and Bonds Payable**

<i>(in thousands)</i>	December 31		Increase/ (Decrease)	%
	2022	2021		
Bills and Acceptances Payable	₱14,980,373	₱52,953,797	(₱37,973,424)	(71.7)
Bonds Payable	₱58,439,097	₱53,383,421	₱5,055,676	9.5

Bills and Acceptances Payable was lower by ₱38.0 billion or 71.7% from ₱53.0 billion as of December 31, 2021, to ₱15.0 billion as of December 31, 2022, as a result of net settlements of short-term interbank borrowing and repurchase agreements during the year.

Bonds Payable increased by ₱ 5.0 billion from ₱ 53.4 billion as of December 31, 2021 to ₱58.4 billion as of December 31, 2022, driven by the revaluation of foreign currency-denominated bonds.

- **Other Liabilities**

<i>(in thousands)</i>	December 31		Increase/ (Decrease)	%
	2022	2021		
Accrued Taxes, Interest and Other Expenses	₱9,117,393	₱7,765,650	₱1,351,743	17.4
Income Tax Payable	₱983,051	₱157,735	₱825,316	523.2

Accrued Taxes, Interest and Other Expenses was higher by ₱1.4 billion, from ₱7.8 billion as of December 31, 2021, to ₱9.1 billion as of December 31, 2022, mainly due to the increase in accrued promotional costs and accrued interest payable.

Income Tax Payable increased by ₱825.3 million from ₱157.7 million as of December 31, 2021 to ₱983.0 million as of December 31, 2022 representing tax accrual on higher taxable income of the Group.

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

<i>(in thousands)</i>	December 31		Increase/ (Decrease)	%
	2022	2022		
Capital Stock	₱61,030,594	61,030,594	–	–
Capital Paid in Excess of Par Value	32,116,560	32,116,560	–	–
Surplus Reserves	4,929,242	5,147,440	(218,198)	(4.2)
Surplus	73,748,748	61,998,232	11,750,516	19.0
Net Unrealized Losses on Financial Assets at FVOCI	(5,959,275)	(703,737)	(5,255,538)	(746.8)
Remeasurement Losses on Retirement Plan	(2,222,945)	(2,725,067)	502,122	18.4
Accumulated Translation Adjustment	2,314,447	1,503,396	811,051	53.9
Other Equity Reserves	248,830	248,830	–	–
Share in Aggregate Reserves (Losses) on Life Insurance Policies	136,096	(626,394)	762,490	121.7
Other Equity Adjustment	13,959	13,959	–	–
	166,356,256	158,003,813	8,352,443	5.3
Non-Controlling Interests	3,549,378	3,219,143	330,235	10.3
	₱169,905,634	₱161,222,956	₱8,682,678	5.4

Total Equity stood at ₱169.9 billion as of December 31, 2022 from ₱161.2 billion as of December 31, 2021, or an increase of ₱8.7 billion, attributed mainly to the ₱11.6 billion consolidated net income reported for the year ended December 31, 2022 and ₱2.4 billion increase in other equity accounts. This was reduced by the increase in Net Unrealized Losses on Financial Assets at FVOCI by ₱5.3 billion from ₱0.7 billion as of December 31, 2021 to ₱6.0 billion as of December 31, 2022.

Results of Operations

2023 vs 2022

For the year ended December 31, 2023, the Group recorded a consolidated net income of ₱18.0 billion, growing by 55.1% year-on-year on the back of robust net interest income and lower credit provisions, compared to the ₱11.6 billion net income for the year ended December 31, 2022. The higher net income in 2023 was primarily due to the following:

- **Net Interest Income**

<i>(in thousands)</i>	2023	2022	Increase/ (Decrease)	%
Interest income	59,594,529	45,244,402	14,350,127	31.7
Interest expense	15,001,686	7,916,832	7,084,854	89.5
	₱44,592,843	₱37,327,570	₱7,265,273	19.5

Net Interest Income amounted to ₱44.6 billion, higher by 19.5% or ₱7.3 billion compared to the previous year. Total gross interest income increased by 31.7% or ₱14.4 billion to ₱59.6 billion for the year ended December 31, 2023, mainly due to higher yields on loans, investment securities, deposits with banks and interbank receivables. Total gross interest expense likewise increased by ₱7.1 billion or 89.5% to ₱15.0 billion from ₱7.9 billion in the previous year primarily due to increase in interest cost of deposit liabilities.

- **Net Services Fees and Commission Income**

<i>(in thousands)</i>	2023	2022	Increase/ (Decrease)	%
Services fees and commission income	₱6,591,256	₱6,997,609	(₱406,353)	(5.8)
Services fees and commission expense	1,266,613	1,429,195	(162,582)	(11.4)
	₱5,324,643	₱5,568,414	(₱243,771)	(4.4)

Net service fees and commission income slightly decreased by ₱0.2 billion or 4.4% compared to the previous year to ₱5.3 billion for the year ended December 31, 2023, mainly due to lower underwriting and bancassurance revenues, partly offset by increases in deposit and credit card related, interchange, and trust fees.

- **Other Operating Income**

<i>(in thousands)</i>	2023	2022	Increase/ (Decrease)	%
Net gains on sale or exchange of assets	₱4,541,567	₱7,775,154	(₱3,233,587)	(41.6)
Foreign exchange gains - net	1,367,409	1,608,281	(240,872)	(15.0)
Trading and investment securities gains (losses) - net	394,103	(1,280,783)	1,674,886	130.8
Equity in net earnings (losses) of subsidiaries and an associate	268,093	(56,060)	324,153	578.2
Miscellaneous	871,394	1,136,692	(265,298)	(23.3)
	₱7,442,566	₱9,183,284	(₱1,740,718)	(19.5)

Other operating income decreased by ₱1.7 billion or 19.5% at ₱7.4 billion for the year ended December 31, 2023, compared to ₱9.2 billion in the previous year mainly due to a lower net gain on sale or exchange of assets. The decline in other income was offset by the improvements in net trading and foreign exchange gains by ₱1.4 billion and equity in net earnings of an associate by ₱0.3 billion.

- **Operating Expenses**

<i>(in thousands)</i>	2023	2022	Increase/ (Decrease)	%
Compensation and fringe benefits	₱10,464,071	₱9,762,776	₱701,295	7.2
Taxes and licenses	4,852,190	5,225,595	(373,405)	(7.1)
Depreciation and amortization	3,976,069	4,225,746	(249,677)	(5.9)
Occupancy and equipment-related costs	916,735	1,099,876	(183,141)	(16.7)
Miscellaneous	8,218,171	8,051,942	166,229	2.1
	₱28,427,236	₱28,365,935	₱61,301	0.2

Total operating expenses was flat at ₱28.4 billion for the years ended December 31, 2023 and 2022.

- **Provision for Impairment, Credit and Other Losses and Impairment in Value of Goodwill**

<i>(in thousands)</i>	December 31		Increase/ (Decrease)	%
	2023	2022		
Provision for impairment, credit and other losses	₱5,923,054	₱7,198,117	(₱1,275,063)	(17.7)
Impairment in value of goodwill	₱1,036,567	₱–	₱1,036,567	100.0

Provisions for impairment, credit and other losses was lower at ₱5.9 billion for the year ended December 31, 2023 compared to the ₱7.2 billion provisions booked in the previous year. In 2023, the goodwill impairment test performed by the Group resulted in an impairment in value of goodwill by ₱1.0 billion.

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

<i>(in thousands)</i>	2023	2022	Increase/ (Decrease)	%
Net income	₱17,965,820	₱11,583,988	₱6,381,832	55.1
Other comprehensive income (loss), net of tax	3,280,769	(2,887,965)	6,168,734	(213.6)
	₱21,246,589	₱8,696,023	₱12,550,566	144.3

Total comprehensive income for the year ended December 31, 2023 amounted to ₱21.2 billion, registering an increase of ₱12.6 billion compared to the previous year mainly due to the higher net income during the period by ₱6.4 billion and reduction in unrealized losses on financial assets at FVOCI by ₱2.9 billion from a (₱5.7 billion) net change in 2022.

2022 vs 2021

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

- **Net Interest Income**

<i>(in thousands)</i>	2022	2021	Increase/ (Decrease)	%
Interest income	₱45,244,402	₱42,402,377	₱2,842,025	6.7
Interest expense	7,916,832	7,557,550	359,282	4.8
	₱37,327,570	₱34,844,827	₱2,482,743	7.1

Net interest income amounted to ₱37.3 billion, higher by 7.1% or ₱2.5 billion compared to last year. Total gross interest income increased by 6.7% or ₱2.8 billion to ₱45.2 billion for the year ended December 31, 2022, reflective of the rising interest rate environment in 2022. Total gross interest

expense slightly increased by ₱0.4 billion to ₱7.9 billion in 2022 from ₱7.5 billion in 2021 primarily due to higher interest cost of deposit liabilities as compared to last year.

- **Net Services Fees and Commission Income**

<i>(in thousands)</i>	2022	2021	Increase/ (Decrease)	%
Services fees and commission income	₱6,997,609	₱6,340,326	₱657,283	(5.8)
Services fees and commission expense	1,429,195	1,051,376	377,819	(11.4)
	₱5,568,414	₱5,288,950	₱279,464	5.3

Net service fees and commission income increased by ₱0.3 billion or 5.3% at ₱5.6 billion for the year ended December 31, 2022, mainly due to increases in deposit-related, bancassurance, underwriting, remittance fees and interchange fees, partly offset by decreases in loan and credit card-related and trust fees and increases in banking fees and commission.

- **Other Operating Income**

<i>(in thousands)</i>	2022	2021	Increase/ (Decrease)	%
Net gains on sale or exchange of assets	₱7,775,154	₱981,462	₱6,793,692	692.2
Foreign exchange gains - net	1,608,281	743,549	864,732	116.3
Trading and investment securities gains (losses) - net	(1,280,783)	731,572	(2,012,355)	(275.1)
Equity in net earnings (losses) of subsidiaries and an associate	(56,060)	50,789	(106,849)	(210.4)
Miscellaneous	1,136,692	1,070,047	66,645	6.2
	₱9,183,284	₱3,577,419	₱5,605,865	156.7

Other operating income increased by ₱5.6 billion in 2022 or 156.7%, mainly coming from the sale of major investment properties as part of the Group's strategy to monetize the value of its low-earning assets. This was, however, offset by the increase in trading and investment securities losses of ₱2.0 billion brought about by the continued hike in benchmark interest rates in 2022 affecting both the Bank and its associate.

- **Other Income**

<i>(in thousands)</i>	2022	2021	Increase/ (Decrease)	%
Gain on loss of control of subsidiaries - net	₱-	₱16,807,275	(₱16,807,275)	(100.0)
Gain on remeasurement of retained interest	-	16,477,968	(16,477,968)	(100.0)
	₱-	₱33,285,243	(₱33,285,243)	(100.0)

In 2021, the Group recognized one-off gains: gain on remeasurement of the retained interest in PNB Holdings of ₱16.5 billion; and gain on loss of control over PNB Holdings as a subsidiary of ₱16.8 billion in accordance with PFRS 10, *Consolidated Financial Statements*.

- **Operating Expenses**

<i>(in thousands)</i>	2022	2021	Increase/ (Decrease)	%
Compensation and fringe benefits	₱9,762,776	₱9,985,822	(₱223,046)	(2.2)
Taxes and licenses	5,225,595	3,988,371	1,237,224	31.0
Depreciation and amortization	4,225,746	2,845,717	1,380,029	48.5
Occupancy and equipment-related costs	1,099,876	1,124,166	(24,290)	(2.2)
Miscellaneous	8,051,942	8,202,755	(150,813)	(1.8)
	₱28,365,935	₱26,146,831	₱2,219,104	8.5

Total operating expenses amounted to ₱28.4 billion for the year ended December 31, 2022, ₱2.2 billion or 8.5% higher compared to previous year, mainly due to the increase of ₱1.4 billion in Depreciation and amortization, and ₱1.2 billion in Taxes and licenses, offset by decreases in Compensation and fringe benefits by ₱0.2 billion.

- **Provision for Impairment, Credit and Other Losses and Impairment in Value of Goodwill**

<i>(in thousands)</i>	December 31		Increase/ (Decrease)	%
	2022	2021		
Provision for Impairment, Credit and Other Losses	₱7,198,117	₱10,725,014	(₱3,526,897)	(32.9)
Impairment in Value of Goodwill	₱-	₱2,153,997	(₱2,153,997)	(100.0)

The Group recorded lower provisions for impairment, credit and other losses at ₱7.2 billion for the year ended December 31, 2022 compared to the ₱10.7 billion provisions recorded in 2021 when the Group was still continuing to build its loan loss reserves in anticipation of the rise in nonperforming COVID-impacted accounts of the Group. In 2021, the goodwill impairment test performed by the Group resulted in an impairment in value of goodwill by ₱2.2 billion.

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

<i>(in thousands)</i>	2022	2021	Increase/ (Decrease)	%
Other comprehensive loss, net of tax	(2,887,965)	(2,052,906)	(835,059)	40.7
	₱8,696,023	₱29,637,132	(₱20,941,109)	(70.7)

Total comprehensive income for the year ended December 31, 2022 amounted to ₱8.7 billion, registering a decrease of ₱20.9 billion compared to previous year mainly due to the lower net income during the year brought about by one-off gains totaling ₱33.3 billion recognized in 2021, and increase in net changes in other comprehensive loss by ₱0.8 billion or 40.7%.

2021 vs 2020

For the year ended December 31, 2021, the Group recorded net income of ₱31.7 billion, ₱29.1 billion or 12x higher than the ₱2.6 billion net income in 2020. Movements in net income were primarily due to the following:

- **Net Interest Income**

<i>(in thousands)</i>	2021	2020	Increase/ (Decrease)	%
Interest expense	7,557,550	11,129,986	(3,572,436)	(32.1)
	₱34,844,827	₱35,820,463	(₱975,636)	(2.7)

Net interest income amounted to ₱34.8 billion, lower by 2.7% or ₱1.0 billion compared to 2020. Total gross interest income decreased by 9.7% or ₱4.5 billion to ₱42.4 billion from ₱46.9 billion in 2020 due to lower yields on loans and receivables, trading and investment securities, deposits with banks and interbank receivables. Total gross interest expense likewise decreased by ₱3.6 billion to ₱7.6 billion from ₱11.1 billion in 2020 primarily due to reduction in levels of high-cost deposits as compared to 2020.

- **Net Services Fees and Commission Income**

<i>(in thousands)</i>	2021	2020	Increase/ (Decrease)	%
Services fees and commission income	₱6,340,326	₱4,684,572	₱1,655,754	35.3
Services fees and commission expense	1,051,376	983,186	68,190	6.9
	₱5,288,950	₱3,701,386	₱1,587,564	42.9

Net service fees and commission income increased by ₱1.6 billion or 42.9% at ₱5.3 billion for the year ended December 31, 2021 from ₱3.7 billion for the year ended December 31, 2020 due to higher loan-related and deposit-related fees, as well as significant bancassurance and underwriting fees recognized during 2021. This was supplemented by upward traction on fees from the increasing use of the Bank's digital platform.

- **Other Operating Income**

<i>(in thousands)</i>	2021	2020	Increase/ (Decrease)	%
Net gains on sale or exchange of assets	₱981,462	₱195,842	₱785,620	401.1
Foreign exchange gains – net	743,549	919,555	(176,006)	(19.1)
Trading and investment securities gains (losses) – net	731,572	3,337,589	(2,606,017)	(78.1)
Equity in net earnings (losses) of subsidiaries and an associate	50,789	88,476	(37,687)	(42.6)
Miscellaneous	1,070,047	1,244,699	(174,652)	(14.0)
	₱3,577,419	₱5,786,161	(₱2,208,742)	(38.2)

Other operating income decreased by ₱2.2 billion in 2021 or 38.2%, mainly coming from the decline in Trading and investment securities gains of ₱2.6 billion, partially offset by the ₱0.8 billion increase in Net gain on sale or exchange of assets.

- **Other Income**

<i>(in thousands)</i>	2021	2020	Increase/ (Decrease)	%
Gain on loss of control of subsidiaries - net	₱16,807,275	₱–	₱16,807,275	100.0
Gain on remeasurement of retained interest	16,477,968	–	16,477,968	100.0
	₱33,285,243	₱–	₱33,285,243	100.0

In 2021, the Group recognized one-off gains: gain on remeasurement of the retained interest in PNB Holdings of ₱16.5 billion; and gain on loss of control over PNB Holdings as a subsidiary of ₱16.8 billion in accordance with PFRS 10.

- **Operating Expenses**

<i>(in thousands)</i>	2021	2020	Increase/ (Decrease)	%
Compensation and fringe benefits	₱9,985,822	₱10,167,173	(₱181,351)	(1.8)
Taxes and licenses	3,988,371	4,551,142	(562,771)	(12.4)
Depreciation and amortization	2,845,717	3,154,568	(308,851)	(9.8)
Occupancy and equipment-related costs	1,124,166	990,650	133,516	13.5
Miscellaneous	8,202,755	9,013,439	(810,684)	(9.0)
	₱26,146,831	₱27,876,972	(₱1,730,141)	(6.2)

Total operating expenses amounted to ₱26.1 billion for the year ended December 31, 2021, ₱1.7 billion or 6.2% lower compared to previous year, mainly due to the decrease of ₱0.8 billion in Miscellaneous expenses as the Bank recognized loss on loan modifications in 2020 for certain loans of borrowers

impacted by the COVID-19 pandemic, in compliance with the Bayanihan Act, and ₱0.6 billion in Taxes and licenses.

- **Provision for Impairment, Credit and Other Losses and Impairment in Value of Goodwill**

<i>(in thousands)</i>	December 31		Increase/ (Decrease)	%
	2021	2020		
Provision for Impairment, Credit and Other Losses	₱10,725,014	₱16,882,621	(₱6,157,607)	(36.5)
Impairment in Value of Goodwill	₱2,153,997	₱–	₱2,153,997	100.0

The Group recorded lower provisions for impairment, credit and other losses at ₱10.7 billion for the year ended December 31, 2021 compared to the ₱16.9 billion provisions recognized in the prior year in anticipation of the impact of the COVID-19 pandemic to the Group's loan portfolio. In 2021, the goodwill impairment test performed by the Group resulted in an impairment in value of goodwill by ₱2.2 billion.

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

<i>(in thousands)</i>	2021	2020	Increase/ (Decrease)	%
Other comprehensive loss, net of tax	(2,052,906)	(2,196,731)	143,825	(6.5)
	₱29,637,132	₱428,757	₱29,208,375	6812.3

Total comprehensive income for the year ended December 31, 2021 amounting to ₱29.6 billion registered an improvement of ₱29.2 billion compared to previous year mainly due to the higher Net income during the year.

Key Performance Indicators

- **Capital Adequacy/Capital Management**

The Bank's Capital Management Sub-Committee (CMSC) of the Asset Liability Committee (ALCO) was created to specifically handle policies and procedures pertaining to the capital planning and assessment as well as possible equity investments of the Bank.

The CMSC shall be responsible for the following:

- Determining the appropriate level of capital that will support the attainment of the Bank's strategic objectives, meet the minimum regulatory requirements and cover all material risks that the Bank may encounter in the course of its business;
- Periodically monitoring and assessing the capital ratios of the Bank. Monitoring shall include capital ratios with and without the regulatory stress test prescribed by the regulators, based on both the consolidated and solo financial statements of the Bank;
- Reporting to the ALCO the Bank's capital ratio and position based on the consolidated and solo financial statements on a monthly basis and to the Board ICAAP Steering Committee on a quarterly basis;
- Informing the ALCO/ Board ICAAP Steering Committee on possible breach of ICAAP capital thresholds, particularly during period of stress and activating the Bank's capital contingency plan, if needed,
 - The CMSC will evaluate and endorse to the Board the options to improve the Bank's capital adequacy as provided for in the Capital Contingency Plan;
 - In case of capital sourcing, the CMSC shall endorse to the Board ICAAP Steering Committee / Board the manner, the amount and time period for capital raising;

- Ensuring that the capital ratios resulting from the three-year strategic business plan under the Bank's ICAAP shall meet the minimum regulatory requirement as well as the Bank's internal thresholds,
 - The CMSC shall determine the Bank's internal thresholds and shall endorse the same to the Board ICAAP Steering Committee / Board;
- Undertaking the optimal allocation of the capital to the different business groups in accordance with the portfolio diversification policy and subject to the sustainability of earnings, risk weights of assets, among others.

The Bank and its individual regulatory operations have complied with all externally imposed capital requirements throughout the period.

Regulatory Qualifying Capital

Under existing BSP regulations, the determination of the PNB's compliance with regulatory requirements and ratios is based on the amount of the Bank's "unimpaired capital" (regulatory net worth) reported to the BSP, which is determined on the basis of regulatory policies, which differ from PFRS in some respects.

As required under BSP Circular 781, the risk-based capital ratio of a bank, expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10.00% for both solo basis (head office and branches) and consolidated basis (parent bank and subsidiaries engaged in financial allied undertakings but excluding insurance companies). Other minimum ratios include Common Equity Tier (CET) 1 ratio and Tier 1 capital ratios of 6.0% and 7.5%, respectively. A conservation buffer of 2.5%, comprised of CET 1 capital is likewise imposed.

Banks and their subsidiaries are subject to the following risk-based capital adequacy ratios (CARs):

- a. CET 1 – must be at least 6.0% of risk weighted assets at all time;
- b. Tier 1 capital must be at least 7.5% of risk weighted assets at all times; and
- c. Qualifying capital (Tier 1 Capital plus Tier 2 Capital) must be at least 10.0% of risk weighted assets at all times.

Qualifying capital consists of the sum of the following elements, net of required deductions:

- a. CET 1 capital consists of 1) paid up common stock that meet the eligibility criteria, 2) common stock dividends distributable, additional paid in capital resulting from the issuance of common stock included in CET 1 capital, 3) deposits for common stock subscription, 4) retained earnings, 5) undivided profits, 6) other comprehensive income (net unrealized gains or losses on AFS and cumulative foreign currency translation) and minority interest on subsidiary banks which are less than wholly-owned;
- b. Additional Tier 1 (AT1) capital consists of instruments issued by the bank that are not included in CET 1 capital that meet the criteria for inclusion in additional tier 1 capital, meet the required loss absorbency features for instrument classified as liabilities and loss absorbency feature at point of non-viability as defined in the BSP guidelines;
- c. Tier 2 (T2) capital is composed of 1) instruments issued by the Bank (and are not included in AT1 capital) that meet criteria for inclusion in T2 and meet the required loss absorbency feature at point of non-viability as defined in the guidelines, 2) deposits for subscription of T2 capital, 3) appraisal increment reserves on bank premises as authorized by the Monetary Board, 4) general loan loss provision, limited to a maximum of 1.00% of credit risk weighted asset, and minority interest in subsidiaries which are less than wholly owned as defined in the guidelines.

A capital conservation buffer of 2.5% of risk weighted assets, comprised of CET 1 capital, shall be required. This buffer is meant to promote the conservation of capital and build-up of adequate cushion that can be drawn down to absorb losses during periods of financial and economic stress.

The Group's consolidated CAR for combined credit, market and operational risks computed based on BSP Circular No. 781 (for 2014) and BSP Circular No. 538 (for 2013 and 2012) were 17.70%, 15.38%, and 13.66% as of December 31, 2023, 2022 and 2021, respectively, above the minimum 10% required by BSP. For the detailed calculation and discussion kindly refer to Item 1 (B), No. 10 – Risk Management.

- **Asset Quality**

The Group's non-performing loans (NPL), gross of unearned and other deferred income and allowance for credit losses, decreased to ₱46.8 billion as of December 31, 2023 compared to ₱44.0 billion as of December 31, 2022. The NPL ratios of the Group, net of valuation reserves, was at 2.46% as of December 31, 2023, compared to 2.58% at the end of 2022. Gross NPL ratio was at 6.26% at the end of 2023 compared to 6.34% at the end of 2022.

- **Profitability**

	<u>Years Ended</u>	
	<u>12/31/23</u>	<u>12/31/22</u>
Return on equity (ROE) ^{1/}	9.95%	7.00%
Return on assets (ROA) ^{2/}	1.53%	0.99%
Net interest margin (NIM) ^{3/}	4.23%	3.61%

^{1/}Net income divided by average total equity for the period indicated

^{2/}Net income divided by average total assets for the period indicated

^{3/}Net interest income divided by average interest-earning assets

- **Liquidity**

The ratio of liquid assets to total liquid liabilities as of December 31, 2023 was 36.88% compared to 35.63% as of December 31, 2022. The ratio of current assets to current liabilities was at 70.57% as of December 31, 2023 compared to 64.68% as of December 31, 2022.

- **Cost Efficiency**

The ratio of total operating expenses (excluding provision for impairment, credit and other losses) to total operating income resulted to 49.56% for the year ended December 2023 compared to 54.47% last year.

Known trends, demands, commitments, events, and uncertainties

The Bank presently has more than adequate liquid assets to meet known funding requirements and there are no known trends, demands, commitments, events, or uncertainties that will have a material impact on the Bank's liquidity.

Events that will trigger direct or contingent financial obligation

In the normal course of business, the Group makes various commitments and incurs certain contingent liabilities that are not presented in the financial statements, including several suits and claims which remain unsettled. No specific disclosures on such unsettled assets and claims are made because any such disclosures would prejudice the Group's position with the other parties with whom it is in dispute. Such exemption from disclosures is allowed under PAS 37, Provisions, Contingent Liabilities and Contingent Assets. The Group and its legal counsel believe that any losses arising from these contingencies which are not specifically provided for will not have a material adverse effect on the financial statements.

Material off-balance sheet transactions, arrangement or obligation

The summary of material off-balance sheet transactions, arrangement or obligations (including contingent obligations) is discussed in Note 41 (Report on the Supplementary Information Required Under BSP Circular No. 1074) of the accompanying Audited Financial Statements of the Group.

Capital Expenditures

In line with the Bank's digital transformation initiatives and enhancing customer banking experience strategy, technology upgrades and branch physical infrastructure accounted for the bulk of the Bank's capital expenditures for 2023. Capital expenditures were funded from the proceeds of the sale of acquired assets and funds generated from the Bank's operations.

Significant Elements of Income or Loss

Significant elements of the Bank’s revenues consist mainly of net interest margin, service fees, net trading gains and gains from disposal of reacquired properties while the Bank’s expenses consist mainly of staff cost, depreciation and amortization of assets and provisions for probable losses. Please refer to the discussions on the results of operations for further details.

Seasonal Aspects

There was no seasonal aspect that had a material effect on the Bank’s financial condition or results of operations.

Item 6. Market Price, Holders and Dividends

A. Market Price of and Dividends on Registrant’s Common Equity and Related Stockholders

1. Market Price

PNB’s common shares are listed and traded at the PSE. The high and low sales prices of PNB shares for each quarter for the last two fiscal years are as follows:

	<u>2022</u>		<u>2023</u>	
	High	Low	High	Low
Jan – Mar	21.15	18.74	20.10	18.20
Apr – Jun	19.44	17.54	18.96	18.24
Jul – Sep	18.86	16.72	18.70	18.10
Oct – Dec	20.50	16.72	18.88	18.16

The trading price of each PNB common share as of February 29, 2024 was ₱19.84.

2. Holders

There are 36,066 stockholders as of February 29, 2024, all of whom have the same voting rights. Material information on the voting rights of the stockholders is described in Items 4 and 11 of the Information Statement. As there are 36,066 stockholders, it will be too voluminous to reflect the nationality, number of shares and percentage to total outstanding capital stock of each stockholder. Should any stockholder wish to secure information regarding the nationality, number of shares and percentage of ownership of the stockholders of the Corporation, please advise the Office of the Corporate Secretary and/or the Bank’s stock transfer agent. The requested information will be sent personally to the stockholder at their cost.

For the guidance of any stockholder, hereunder are the top twenty (20) holders of common shares, the number of shares held by the same, the percentage to total shares outstanding which constitutes approximately 75.76% of the total outstanding capital stock, and the voting right held by each stockholder:

Name of Stockholder	Nationality	No. of Shares	Percentage of Ownership	Voting Status
1. PCD Nominee Corporation (Filipino)	Filipino	203,240,684	13.3205771518	*
2. Key Landmark Investments, Ltd.	Filipino	133,277,924	8.7351549618	*
3. True Success Profits Limited	Filipino	82,017,184	5.3754799765	*
Caravan Holdings Corporation	Filipino	82,017,184	5.3754799765	*
Solar Holdings Corporation	Filipino	82,017,184	5.3754799765	*
4. Prima Equities & Investments Corp.	Filipino	71,765,036	4.7035449794	*
5. Leadway Holdings, Inc.	Filipino	65,310,444	4.2805052168	*
6. Infinity Equities, Inc.	Filipino	61,512,888	4.0316099824	*
7. Pioneer Holdings Equities, Inc.	Filipino	34,254,212	2.2450518506	*
8. Multiple Star Holdings Corp.	Filipino	30,798,151	2.0185385055	*
9. Donfar Management Limited	Filipino	30,747,898	2.0152448787	*

10. Uttermost Success, Limited	Filipino	30,233,288	1.9815168766	*
11. Mavelstone International Limited	Filipino	29,575,168	1.9383831001	*
12. Pan Asia Securities Corporation	Filipino	29,510,390	1.9341374918	*
13. Kenrock Holdings Corp.	Filipino	26,018,279	1.7052613973	*
14. Fil-Care Holdings, Inc.	Filipino	25,450,962	1.6680789310	*
15. Fairlink Holdings Corp.	Filipino	25,207,795	1.6521415472	*
16. Purple Crystal Holdings, Inc.	Filipino	24,404,724	1.5995075519	*
17. Kentron Holdings & Equities Corp.	Filipino	24,361,225	1.5966565883	*
18. Fragile Touch Investments, Ltd.	Filipino	22,696,137	1.4875252238	*
19. Ivory Holdings, Inc.	Filipino	20,761,731	1.3607425155	*
20. Allmark Holdings Corp.	Filipino	20,724,567	1.3583067535	*

- * Pursuant to Article IV, Section 4.9 of the Bank's By-Laws, every stockholder shall be entitled to one (1) vote for each share of common stock in his name in the books of the Bank. The right to vote or direct the voting of the Bank's shares held by the foregoing stockholders is lodged in their respective Boards of Directors.

The foregoing information addresses the requirement of Section 49 of the Revised Corporation Code to present to the stockholders the material information on the current stockholders and their voting rights.

3. Dividends

The Bank's ability to pay dividends is contingent on its ability to set aside unrestricted retained earnings for dividend distribution. In addition, the Bank's declaration of dividends, including computation of unrestricted retained earnings, is subject to compliance with certain rules and regulations prescribed by the BSP as provided under the Manual of Regulations for Banks and subject to compliance with such financial regulatory requirements as may be applicable to the Bank at the time of such declaration.

PNB has adopted the following general policy on the declaration of dividends:

"Dividends shall be declared and paid out of the surplus profits of the Bank at such times and in such amounts as the Board of Directors may determine in accordance with the provisions of law and the regulations of the Bangko Sentral ng Pilipinas and the Securities and Exchange Commission, subject to compliance with such financial regulatory requirements as may be applicable to the Bank."

On April 23, 2021, the Board of Directors approved and confirmed the property dividend declaration of up to 239,353,710 Common Shares of PNB Holdings Corporation (PHC), with a par value of ₱100.00 per share, to all stockholders of record as of May 18, 2021 (Record Date), subject to regulatory and other necessary approvals.

The property dividend shall be paid at a ratio of 0.156886919 shares of PHC for every one (1) share of PNB. The ratio for property dividend was determined by dividing the total number of outstanding shares declared as property dividends of PHC, which is 239,353,710 Common Shares, by the total number of outstanding shares of the Bank, which is 1,525,764,850. In case a stockholder is entitled to a fractional PHC share, the Bank shall pay for such fraction in cash based on par value on the payment or settlement date.

On December 27, 2021, the Bank received the Certificate of Filing the Notice of Property Dividend Declaration issued by the Securities and Exchange Commission on December 24, 2021.

The Bank did not declare dividends on its Common Shares for the fiscal years 2022 and 2023.

The foregoing information addresses the requirement of Section 49 of the Revised Corporation Code to present to the stockholders the dividend policy of the Bank.

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

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

5. Computation of Public Ownership

As of December 31, 2023, PNB's public ownership level was 21.22%, which more than complies with the minimum percentage of 12% for listed companies, in compliance with the public ownership requirement of the PSE.

B. Description of PNB's Securities

- As of February 29, 2024, PNB's authorized capital stock amounted to ₱70,000,000,040.00 divided into 1,750,000,001 Common Shares with a par value of ₱40.00 per share.
- The total number of Common Shares outstanding as of February 29, 2024 was 1,525,764,850. This includes the 423,962,500 Common Shares issued relative to the merger of PNB and ABC.
- As of February 29, 2024, a total of 1,509,519,765 Common Shares (or 98.94%) were held by Filipino-Private Stockholders while the remaining 16,245,085 Common Shares (or 1.06%) were held by Foreign-Private Stockholders. PNB has an outstanding capital of ₱61,030,594,000.00.
- The Bank's stockholders have no pre-emptive right to subscribe to any new or additional issuance of shares by the Bank, regardless of the class of shares, whether the same are issued from the Bank's unissued capital stock or in support of an increase in capital (*Article Seven of PNB's Amended Articles of Incorporation*).
- At each meeting of the stockholders, every stockholder entitled to vote shall be entitled to one (1) vote for each share of stock standing in his name in the books of the Bank at the time of the closing of the transfer books for such meeting or on the record date fixed by the Board of Directors (*Section 4.9, Article IV of PNB's Amended By-Laws*).
- Section 23 of the Revised Corporation Code of the Philippines provides that “ *x x x stockholders entitled to vote shall have the right to vote the number of shares of stock standing in their own names in the stock books of the corporation at the time fixed in the bylaws or where the bylaws are silent, at the time of the election. The said stockholder may: (a) vote such number of shares for as many persons as there are directors to be elected; (b) cumulate said shares and give one (1) candidate as many votes as the number of directors to be elected multiplied by the number of the shares owned; or distribute them on the same principle among as many candidates as may be seen fit x x x*”

Item 7. Discussion on Compliance with Leading Practices on Corporate Governance

Please refer to Annex D of the Information Statement.

Item 8. Undertaking

The Bank shall, on written request and without charge, provide stockholders with a copy of the Annual Report on SEC Form 17-A. Such requests should be directed to the Office of the Corporate Secretary, Philippine National Bank, 9/F PNB Financial Center, President Diosdado Macapagal Blvd., Pasay City, Metro Manila, Philippines.



**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

The management of Philippine National Bank (the Bank) is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2023, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative to do so.

The Board of Directors is responsible for overseeing the Bank's financial reporting process.

The Board of Directors reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stockholders.

Sycip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Bank in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.


EDGAR A. CUA
Chairman of the Board


FLORIDO P. CASUELA
President


FRANCIS B. ALBALATE
Executive Vice President and Chief Financial Officer

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

Doc. No. 153
Page No. 37
Book No. X
Series of 2024


Atty. Jamie O. Real
Commission No. 23-13; Roll No. 68794
Notary Public in and for Pasay City until December 31, 2024
9th Floor PNB Financial Center
Pres. Diosdado Macapagal Blvd., Pasay City
PTR No. 8456119/Jan. 03, 2024/Pasay City
BP Lifetime No. 018651/Mar 11 2017/Manila

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

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U	B	S	I	D	I	A	R	I	E	S																			

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

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

Form Type

A	A	F	S
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Department requiring the report

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Secondary License Type, If Applicable

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COMPANY INFORMATION

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

CONTACT PERSON INFORMATION

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

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

NOTE 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.



INDEPENDENT AUDITOR'S REPORT

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

Report on the Consolidated and Parent Company Financial Statements

Opinion

We have audited the consolidated financial statements of Philippine National Bank and its Subsidiaries (the Group) and the parent company financial statements of Philippine National Bank (the Parent Company), which comprise the consolidated and parent company statements of financial position as at December 31, 2023 and 2022, and the consolidated and parent company statements of income, consolidated and parent company statements of comprehensive income, consolidated and parent company statements of changes in equity and consolidated and parent company statements of cash flows for each of the three years in the period ended December 31, 2023, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Group and the Parent Company as at December 31, 2023 and 2022, and their financial performance and its cash flows for each of the three years in the period ended December 31, 2023 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audit in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Parent Company Financial Statements* section of our report. We are independent of the Group and the Parent Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated and Parent Company Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Applicable to the audit of the consolidated and parent company financial statements

Adequacy of Allowance for Credit Losses on Loans and Receivables

The Group and the Parent Company's application of the expected credit losses (ECL) model in calculating the allowance for credit losses on loans and receivables is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include: segmenting the Group's and the Parent Company's credit risk exposures; determining the method to estimate ECL; defining default; identifying exposures with significant deterioration in credit quality; determining assumptions to be used in the ECL model such as the counterparty credit risk rating, the expected life of the financial asset, expected recoveries from defaulted accounts, and impact of any financial support and credit enhancements extended by any party; and incorporating forward-looking information in calculating ECL.

Allowance for credit losses on loans and receivables as of December 31, 2023 amounted to ₱42.6 billion for the Group and the Parent Company. Provision for credit losses in 2023 amounted to ₱5.7 billion and ₱5.5 billion for the Group and the Parent Company, respectively.

The disclosures related to the allowance for credit losses on loans and receivables are included in Note 16 of the financial statements.

Audit response

We obtained an understanding of the board approved methodologies and models used for the Group's and the Parent Company's different credit exposures and assessed whether these considered the requirements of PFRS 9, *Financial Instruments*, to reflect an unbiased and probability-weighted outcome, and to consider time value of money and the best available forward-looking information.

We (a) assessed the Group's and the Parent Company's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) tested the definition of default and significant increase in credit risk criteria against historical analysis of accounts, credit risk management policies and practices in place; (c) tested the Group's and the Parent Company's application of internal credit risk rating system by reviewing the ratings of sample credit exposures; (d) assessed whether expected life is different from the contractual life by testing the maturity dates reflected in the Group's and the Parent Company's records



and considering management's assumptions regarding future collections, advances, extensions, renewals and modifications; (e) tested loss given default by inspecting historical recoveries and related costs, write-offs and collateral valuations, and the effects of any financial support and credit enhancements provided by any party; (f) tested exposure at default considering outstanding commitments and repayment scheme; (g) evaluated the forward-looking information used for overlay through corroboration of publicly available information and our understanding of the Group's and the Parent Company's lending portfolios and broader industry knowledge; and (h) tested the effective interest rate used in discounting the expected loss.

Further, we compared the data used in the ECL models by reconciling data from source system reports to the data warehouse and from the data warehouse to the loss allowance analysis/models and financial reporting systems. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets of debt financial assets with similar risk characteristics, we traced or re-performed the disaggregation from source systems to the loss allowance analysis. We also assessed the assumptions used where there are missing or insufficient data.

We recalculated impairment provisions on a sample basis. We involved our internal specialist in the performance of the above procedures.

We reviewed the completeness of the disclosures made in the financial statements.

Impairment Testing of Goodwill

As of December 31, 2023, the goodwill of the Group and the Parent Company amounted to ₱10.2 billion and ₱10.3 billion, respectively, as a result of the acquisition of Allied Banking Corporation in 2013. Under PFRS, the Group and the Parent Company are required to test the amount of goodwill for impairment annually. Goodwill has been allocated to three cash generating units (CGUs) namely Retail Banking, Corporate Banking, and Treasury. The Group and the Parent Company performed the impairment testing using the value in use calculation. The annual impairment test is significant to our audit because it involves significant judgment and is based on assumptions which are subject to higher level of estimation uncertainty, specifically estimates of loan and deposit growth rates, interest margin, discount rates, and long-term growth rate.

The disclosures related to goodwill impairment are included in Note 14 to the financial statements.

Audit response

We involved our internal specialist in evaluating the methodology and the assumptions used by the Group and the Parent Company. We compared the key assumptions used, such as loan and deposit growth rates, interest margin and long-term growth rate to the historical performance of the CGUs and to economic and industry forecasts. We tested the parameters used in the derivation of the discount rate against market data. We also reviewed the disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amount of goodwill.

Other Information

The other information consists of the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023 are expected to be made available to us after the date of this auditor's report.



Our opinion on the consolidated and parent company financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and parent company financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated and Parent Company Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group and the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and the Parent Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated and Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and the Parent Company to express an opinion on the consolidated and parent company financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Report on the Supplementary Information Required Under Revenue Regulations 15-2010 and Section 174 of the Manual of Regulations for Banks (MORB)

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 40 and with Section 174 of the MORB in Note 41 to the financial statements are presented for purposes of filing with the Bureau of Internal Revenue and Bangko Sentral ng Pilipinas, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of Philippine National Bank. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is
Leslie Anne G. Huang.

SYCIP GORRES VELAYO & CO.



Leslie Anne G. Huang

Partner

CPA Certificate No. 134290

Tax Identification No. 238-044-991

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

BIR Accreditation No. 08-001998-150-2022, November 7, 2022, valid until November 6, 2025

PTR No. 10079947, January 5, 2024, Makati City

February 23, 2024



PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION

(In Thousands)

	Consolidated		Parent Company	
	December 31		December 31	
	2023	2022	2023	2022
ASSETS				
Cash and Other Cash Items	₱21,151,391	₱22,217,915	₱21,052,526	₱22,103,095
Due from Bangko Sentral ng Pilipinas (Notes 7 and 17)	95,410,350	94,701,360	95,410,350	94,701,360
Due from Other Banks (Note 33)	21,243,856	26,010,183	13,626,624	17,599,374
Interbank Loans Receivable (Notes 8 and 33)	35,634,440	16,290,101	33,437,319	14,734,743
Securities Held Under Agreements to Resell (Notes 8 and 35)	69,694,538	64,523,863	69,694,538	64,523,863
Trading and Investment Securities				
Financial Assets at Fair Value Through Profit or Loss (FVTPL) (Note 9)	10,516,864	7,347,201	10,363,259	7,195,685
Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI) (Note 9)	164,531,492	158,183,525	164,136,971	157,205,907
Investment Securities at Amortized Cost (Note 9)	123,200,427	110,467,960	122,730,465	110,328,678
Loans and Receivables (Notes 10 and 33)	616,710,746	593,099,915	602,158,763	577,995,018
Property and Equipment (Note 11)	10,754,018	11,973,547	9,862,219	10,619,033
Investments in Subsidiaries and an Associate (Note 12)	3,199,124	2,688,764	20,567,070	20,384,104
Investment Properties (Note 13)	14,579,558	13,794,986	14,111,607	13,264,820
Deferred Tax Assets (Note 30)	6,981,726	6,616,902	6,929,669	6,574,190
Intangible Assets (Note 14)	1,301,726	1,863,922	1,214,890	1,753,616
Goodwill (Note 14)	10,184,843	11,221,410	10,325,201	11,361,768
Other Assets (Note 15)	5,454,301	4,155,522	4,752,685	3,398,996
TOTAL ASSETS	₱1,210,549,400	₱1,145,157,076	₱1,200,374,156	₱1,133,744,250
LIABILITIES AND EQUITY				
LIABILITIES				
Deposit Liabilities (Notes 17 and 33)				
Demand	₱228,405,865	₱220,043,866	₱228,144,045	₱219,805,641
Savings	541,009,449	519,940,535	540,063,571	518,928,640
Time	145,752,061	112,113,308	141,770,924	108,766,087
Long Term Negotiable Certificates	12,803,543	19,130,012	12,803,543	19,130,012
	927,970,918	871,227,721	922,782,083	866,630,380
Financial Liabilities at FVTPL (Notes 18, 23 and 35)	555,811	1,039,776	555,811	1,039,776
Bills and Acceptances Payable (Notes 19, 33 and 35)	20,162,603	14,980,373	20,162,603	13,888,035
Lease Liabilities (Notes 29 and 33)	3,832,884	3,636,391	3,723,316	3,604,077
Accrued Taxes, Interest and Other Expenses (Note 20)	10,465,373	9,117,393	10,049,650	8,487,700
Bonds Payable (Note 21)	41,490,871	58,439,097	41,490,871	58,439,097
Income Tax Payable	180,364	983,051	103,470	916,235
Other Liabilities (Note 22)	14,741,922	15,827,640	13,553,863	14,093,805
	1,019,400,746	975,251,442	1,012,421,667	967,099,105
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY				
Capital Stock (Note 25)	61,030,594	61,030,594	61,030,594	61,030,594
Capital Paid in Excess of Par Value (Note 25)	32,116,560	32,116,560	32,106,560	32,106,560
Surplus Reserves (Notes 10, 25 and 32)	4,677,930	4,929,242	4,677,930	4,929,242
Surplus (Note 25)	91,979,317	73,748,748	92,174,169	73,919,909
Net Unrealized Losses on Financial Assets at FVOCI (Notes 9 and 33)	(1,722,653)	(5,959,275)	(1,722,653)	(5,959,275)
Remeasurement Losses on Retirement Plan (Note 28)	(2,728,542)	(2,222,945)	(2,728,542)	(2,222,945)
Accumulated Translation Adjustment (Note 25)	1,999,668	2,314,447	1,999,668	2,314,447
Other Equity Reserves (Notes 12 and 25)	248,830	248,830	390,517	390,517
Share in Aggregate Reserves on Life Insurance Policies (Note 12)	24,246	136,096	24,246	136,096
Other Equity Adjustment	13,959	13,959	-	-
	187,639,909	166,356,256	187,952,489	166,645,145
NON-CONTROLLING INTERESTS (Note 12)	3,508,745	3,549,378	-	-
	191,148,654	169,905,634	187,952,489	166,645,145
TOTAL LIABILITIES AND EQUITY	₱1,210,549,400	₱1,145,157,076	₱1,200,374,156	₱1,133,744,250

See accompanying Notes to Financial Statements.



PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

STATEMENTS OF INCOME

(In Thousands, Except Earnings per Share)

	Consolidated			Parent Company		
	Years Ended December 31					
	2023	2022	2021	2023	2022	2021
INTEREST INCOME ON						
Loans and receivables (Notes 10 and 33)	₱40,757,927	₱34,424,531	₱34,157,780	₱40,119,733	₱33,794,036	₱33,449,961
Investment securities at amortized cost and FVOCI (Note 9)	12,608,170	8,154,922	5,963,594	12,560,530	8,143,092	5,962,614
Deposits with banks and others (Notes 7, 12 and 33)	2,607,973	1,417,661	1,248,155	2,252,437	1,330,052	1,219,996
Financial assets at FVTPL (Note 9)	251,894	292,685	632,492	243,483	284,251	565,447
Interbank loans receivable and securities held under agreements to resell (Note 8)	3,368,565	954,603	400,356	3,360,981	896,683	348,153
	59,594,529	45,244,402	42,402,377	58,537,164	44,448,114	41,546,171
INTEREST EXPENSE ON						
Deposit liabilities (Notes 17 and 33)	13,005,646	5,371,667	4,813,766	12,971,817	5,383,153	4,885,785
Bonds payable (Note 21)	1,660,193	2,111,192	2,231,863	1,660,193	2,111,192	2,231,863
Bills payable and other borrowings (Notes 19, 29 and 33)	335,847	433,973	511,921	319,588	363,544	425,080
	15,001,686	7,916,832	7,557,550	14,951,598	7,857,889	7,542,728
NET INTEREST INCOME	44,592,843	37,327,570	34,844,827	43,585,566	36,590,225	34,003,443
Service fees and commission income (Notes 26 and 33)	6,591,256	6,997,609	6,340,326	5,754,883	5,563,369	5,310,729
Service fees and commission expense	1,266,613	1,429,195	1,051,376	1,150,389	935,945	846,165
NET SERVICE FEES AND COMMISSION INCOME	5,324,643	5,568,414	5,288,950	4,604,494	4,627,424	4,464,564
OTHER OPERATING INCOME						
Net gains on sale or exchange of assets (Note 26)	4,541,567	7,775,154	981,462	4,621,894	7,770,001	974,024
Foreign exchange gains - net (Note 23)	1,367,409	1,608,281	743,549	1,149,699	1,149,444	623,493
Trading and investment securities gains (losses) - net (Notes 9 and 33)	394,103	(1,280,783)	731,572	394,755	(1,277,759)	600,580
Equity in net earnings (losses) of subsidiaries and an associate (Note 12)	268,093	(56,060)	50,789	560,393	747,341	(650,134)
Miscellaneous (Note 27)	871,394	1,136,692	1,070,047	624,907	721,433	759,826
TOTAL OTHER OPERATING INCOME	7,442,566	9,183,284	3,577,419	7,351,648	9,110,460	2,307,789
TOTAL OPERATING INCOME	57,360,052	52,079,268	43,711,196	55,541,708	50,328,109	40,775,796
PROVISION FOR IMPAIRMENT, CREDIT AND OTHER LOSSES (Note 16)	5,923,054	7,198,117	10,725,014	5,700,264	7,305,653	10,971,740
IMPAIRMENT IN VALUE OF GOODWILL (Note 14)	1,036,567	–	2,153,997	1,036,567	–	2,153,997
OPERATING EXPENSES						
Compensation and fringe benefits (Notes 25, 28 and 33)	10,464,071	9,762,776	9,985,822	9,709,419	9,012,641	9,274,801
Taxes and licenses (Note 30)	4,852,190	5,225,595	3,988,371	4,778,102	5,120,690	3,903,066
Depreciation and amortization (Note 11)	3,976,069	4,225,746	2,845,717	3,720,234	3,909,420	2,499,071
Occupancy and equipment-related costs (Note 29)	916,735	1,099,876	1,124,166	797,259	952,932	1,002,093
Miscellaneous (Note 27)	8,218,171	8,051,942	8,202,755	7,948,947	7,810,430	7,974,555
TOTAL OPERATING EXPENSES	28,427,236	28,365,935	26,146,831	26,953,961	26,806,113	24,653,586
OTHER INCOME						
Gain on loss of control of subsidiaries - net (Note 12)	–	–	16,807,275	–	–	16,916,842
Gain on remeasurement of retained interest (Note 12)	–	–	16,477,968	–	–	16,383,008
TOTAL OTHER INCOME	–	–	33,285,243	–	–	33,299,850
INCOME BEFORE INCOME TAX	21,973,195	16,515,216	37,970,597	21,850,916	16,216,343	36,296,323
PROVISION FOR INCOME TAX (Note 30)	4,007,375	4,931,228	5,545,194	3,847,968	4,684,025	5,012,561
NET INCOME FROM CONTINUING OPERATIONS	17,965,820	11,583,988	32,425,403	18,002,948	11,532,318	31,283,762
NET LOSS FROM DISCONTINUED OPERATIONS, NET OF TAX (Notes 12 and 36)	–	–	(735,365)	–	–	–
NET INCOME	₱17,965,820	₱11,583,988	₱31,690,038	₱18,002,948	₱11,532,318	₱31,283,762
ATTRIBUTABLE TO:						
Equity Holders of the Parent Company (Note 31)	₱17,979,257	₱11,532,318	₱31,630,626			
Non-controlling Interests	(13,437)	51,670	59,412			
	₱17,965,820	₱11,583,988	₱31,690,038			
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 31)	₱11.78	₱7.56	₱20.73	₱11.80	₱7.56	₱20.50
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company from Continuing Operations (Note 31)	₱11.78	₱7.56	₱21.21	₱11.80	₱7.56	₱20.50

See accompanying Notes to Financial Statements.



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

	Consolidated			Parent Company		
	Years Ended December 31					
	2023	2022	2021	2023	2022	2021
NET INCOME	₱17,965,820	₱11,583,988	₱31,690,038	₱18,002,948	₱11,532,318	₱31,283,762
OTHER COMPREHENSIVE INCOME (LOSS)						
<i>Items that recycle to profit or loss in subsequent periods:</i>						
Net change in unrealized loss on debt securities at FVOCI, net of tax (Note 9)	2,505,660	(4,764,711)	(3,178,301)	2,485,994	(4,754,670)	(3,158,391)
Share in changes in net unrealized losses on financial assets at FVOCI of subsidiaries and an associate (Notes 9 and 12)	362,392	(885,481)	(558,030)	382,058	(902,788)	(663,471)
Accumulated translation adjustment	2,868,052	(5,650,192)	(3,736,331)	2,868,052	(5,657,458)	(3,821,862)
Share in changes in accumulated translation adjustment of subsidiaries and an associate (Note 12)	(341,822)	1,102,022	1,008,640	(109,124)	421,609	(117,264)
	–	–	–	(205,655)	389,442	902,788
	2,526,230	(4,548,170)	(2,727,691)	2,553,273	(4,846,407)	(3,036,338)
<i>Items that do not recycle to profit or loss in subsequent periods:</i>						
Net change in unrealized gain (loss) on equity securities at FVOCI (Note 9)	1,368,570	394,654	(21,809)	1,368,570	401,920	63,722
Remeasurement gains (losses) on retirement plan (Note 28)	(493,906)	495,353	285,632	(512,517)	489,953	500,862
Share in changes in aggregate reserves (losses) on life insurance policies (Note 12)	(111,850)	762,490	412,444	(111,850)	762,490	412,444
Share in changes in remeasurement gains (losses) of subsidiaries and an associate (Note 12)	(8,275)	7,708	(1,482)	6,920	12,169	(216,477)
	754,539	1,660,205	674,785	751,123	1,666,532	760,551
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	3,280,769	(2,887,965)	(2,052,906)	3,304,396	(3,179,875)	(2,275,787)
TOTAL COMPREHENSIVE INCOME	₱21,246,589	₱8,696,023	₱29,637,132	₱21,307,344	₱8,352,443	₱29,007,975
ATTRIBUTABLE TO:						
Equity holders of the Parent Company	₱21,283,653	₱8,352,443	₱29,354,839			
Non-controlling interests	(37,064)	343,580	282,293			
	₱21,246,589	₱8,696,023	₱29,637,132			

See accompanying Notes to Financial Statements.



PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY

(In Thousands)

Consolidated														
Equity Attributable to Equity Holders of the Parent Company														
	Capital Stock (Note 25)	Capital Paid in Excess of Par Value (Note 25)	Surplus Reserves (Notes 10, 25 and 32)	Surplus (Note 25)	Net Unrealized Gains (Losses) on Financial Assets at FVOCI (Notes 9 and 33)	Remeasurement Losses on Retirement Plan (Note 28)	Accumulated Translation Adjustment (Note 25)	Other Equity Reserves (Notes 12 and 25)	Share in Aggregate Reserves (Losses) on Life Insurance Policies (Note 12)	Reserves of a Disposal Group Classified as Held for Sale (Notes 12 and 36)	Other Equity Adjustment	Total	Non- controlling Interests (Note 12)	Total Equity
Balance at January 1, 2023	₱61,030,594	₱32,116,560	₱4,929,242	₱73,748,748	(₱5,959,275)	(₱2,222,945)	₱2,314,447	₱248,830	₱136,096	₱-	₱13,959	₱166,356,256	₱3,549,378	₱169,905,634
Total comprehensive income (loss) for the year	-	-	-	17,979,257	4,236,622	(505,597)	(314,779)	-	(111,850)	-	-	21,283,653	(37,064)	21,246,589
Transfer to surplus reserves (Notes 10, 25 and 32)	-	-	(251,312)	251,312	-	-	-	-	-	-	-	-	-	-
Declaration of dividends by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(3,569)	(3,569)
Balance at December 31, 2023	₱61,030,594	₱32,116,560	₱4,677,930	₱91,979,317	(₱1,722,653)	(₱2,728,542)	₱1,999,668	₱248,830	₱24,246	₱-	₱13,959	₱187,639,909	₱3,508,745	₱191,148,654
Balance at January 1, 2022	₱61,030,594	₱32,116,560	₱5,147,440	₱61,998,232	(₱703,737)	(₱2,725,067)	₱1,503,396	₱248,830	(₱626,394)	₱-	₱13,959	₱158,003,813	₱3,219,143	₱161,222,956
Total comprehensive income (loss) for the year	-	-	-	11,532,318	(5,255,538)	502,122	811,051	-	762,490	-	-	8,352,443	343,580	8,696,023
Transfer to surplus reserves (Notes 10, 25 and 32)	-	-	(218,198)	218,198	-	-	-	-	-	-	-	-	-	-
Declaration of dividends by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(13,345)	(13,345)
Balance at December 31, 2022	₱61,030,594	₱32,116,560	₱4,929,242	₱73,748,748	(₱5,959,275)	(₱2,222,945)	₱2,314,447	₱248,830	₱136,096	₱-	₱13,959	₱166,356,256	₱3,549,378	₱169,905,634
Balance at January 1, 2021	₱61,030,594	₱32,116,560	₱5,032,097	₱54,498,066	₱3,054,403	(₱3,009,452)	₱717,872	₱277,855	(₱1,038,838)	₱88,616	₱13,959	₱152,781,732	₱3,201,276	₱155,983,008
Total comprehensive income (loss) for the year	-	-	-	31,630,626	(3,758,140)	284,385	785,524	-	412,444	-	-	29,354,839	282,293	29,637,132
Declaration of property dividends (Note 12)	-	-	-	(23,935,371)	-	-	-	-	-	-	-	(23,935,371)	-	(23,935,371)
Transfer to surplus reserves (Notes 10, 25 and 32)	-	-	115,343	(115,343)	-	-	-	-	-	-	-	-	-	-
Sale of interest in a subsidiary (Note 12)	-	-	-	(79,746)	-	-	-	-	-	(88,616)	-	(168,362)	(259,721)	(428,083)
Settlement of share-based payments (Note 25)	-	-	-	-	-	-	-	(29,025)	-	-	-	(29,025)	-	(29,025)
Declaration of dividends by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(4,705)	(4,705)
Balance at December 31, 2021	₱61,030,594	₱32,116,560	₱5,147,440	₱61,998,232	(₱703,737)	(₱2,725,067)	₱1,503,396	₱248,830	(₱626,394)	₱-	₱13,959	₱158,003,813	₱3,219,143	₱161,222,956



Parent Company

	Capital Stock (Note 25)	Capital Paid in Excess of Par Value (Note 25)	Surplus Reserves (Notes 10, 25 and 32)	Surplus (Note 25)	Net Unrealized Gains (Losses) on Financial Assets at FVOCI (Notes 9 and 33)	Remeasurement Losses on Retirement Plan (Note 28)	Accumulated Translation Adjustment (Note 25)	Other Equity Reserves (Notes 12 and 25)	Share in Aggregate Reserves (Losses) on Life Insurance Policies (Note 12)	Reserves of a Disposal Group Held for Sale (Notes 12 and 36)	Total Equity
Balance at January 1, 2023	₱61,030,594	₱32,106,560	₱4,929,242	₱73,919,909	(₱5,959,275)	(₱2,222,945)	₱2,314,447	₱390,517	₱136,096	₱-	₱166,645,145
Total comprehensive income (loss) for the year	-	-	-	18,002,948	4,236,622	(505,597)	(314,779)	-	(111,850)	-	21,307,344
Transfer to surplus reserves (Notes 10, 25 and 32)	-	-	(251,312)	251,312	-	-	-	-	-	-	-
Balance at December 31, 2023	₱61,030,594	₱32,106,560	₱4,677,930	₱92,174,169	(₱1,722,653)	(₱2,728,542)	₱1,999,668	₱390,517	₱24,246	₱-	₱187,952,489
Balance at January 1, 2022	₱61,030,594	₱32,106,560	₱5,147,440	₱62,169,393	(₱703,737)	(₱2,725,067)	₱1,503,396	₱390,517	(₱626,394)	₱-	₱158,292,702
Total comprehensive income (loss) for the year	-	-	-	11,532,318	(5,255,538)	502,122	811,051	-	762,490	-	8,352,443
Transfer to surplus reserves (Notes 10, 25 and 32)	-	-	(218,198)	218,198	-	-	-	-	-	-	-
Balance at December 31, 2022	₱61,030,594	₱32,106,560	₱4,929,242	₱73,919,909	(₱5,959,275)	(₱2,222,945)	₱2,314,447	₱390,517	₱136,096	₱-	₱166,645,145
Balance at January 1, 2021	₱61,030,594	₱32,106,560	₱5,032,097	₱54,843,588	₱3,054,403	(₱3,009,452)	₱717,872	₱419,542	(₱1,038,838)	₱88,616	₱153,244,982
Total comprehensive income (loss) for the year	-	-	-	31,283,762	(3,758,140)	284,385	785,524	-	412,444	-	29,007,975
Declaration of property dividends (Note 12)	-	-	-	(23,935,371)	-	-	-	-	-	-	(23,935,371)
Transfer to surplus reserves (Notes 10, 25 and 32)	-	-	115,343	(115,343)	-	-	-	-	-	-	-
Sale of interest in a subsidiary (Note 12)	-	-	-	92,757	-	-	-	-	-	(88,616)	4,141
Settlement of share-based payments (Note 25)	-	-	-	-	-	-	-	(29,025)	-	-	(29,025)
Balance at December 31, 2021	₱61,030,594	₱32,106,560	₱5,147,440	₱62,169,393	(₱703,737)	(₱2,725,067)	₱1,503,396	₱390,517	(₱626,394)	₱-	₱158,292,702

See accompanying Notes to Financial Statements.



PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

(In Thousands)

	Consolidated			Parent Company		
	Years Ended December 31					
	2023	2022	2021	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES						
Income from continuing operations before income tax	₱21,973,195	₱16,515,216	₱37,970,597	₱21,850,916	₱16,216,343	₱36,296,323
Loss from discontinued operations before income tax (Note 36)	–	–	(626,763)	–	–	–
Income before income tax	21,973,195	16,515,216	37,343,834	21,850,916	16,216,343	36,296,323
Adjustments for:						
Provision for impairment, credit and other losses (Note 16)	5,923,054	7,198,117	10,813,155	5,700,264	7,305,653	10,971,740
Net gains on sale or exchange of assets (Note 26)	(4,541,567)	(7,775,154)	(981,462)	(4,621,894)	(7,770,001)	(974,024)
Depreciation and amortization (Note 11)	3,976,069	4,225,746	2,894,759	3,720,234	3,909,420	2,499,071
Amortization of premium (discount) on investment securities	(2,888,201)	(935,770)	294,421	(2,891,341)	(936,131)	296,554
Impairment in value of goodwill (Note 14)	1,036,567	–	2,153,997	1,036,567	–	2,153,997
Unrealized foreign exchange losses (gains) on bonds, bills and acceptances payable	(209,842)	6,502,018	5,334,118	(209,842)	6,491,373	5,328,215
Net losses (gains) on financial assets at FVTPL (Note 9)	(399,339)	211,235	846,625	(400,113)	208,211	977,617
Equity in net losses (earnings) of subsidiaries and an associate (Note 12)	(268,093)	56,060	(50,789)	(560,393)	(747,341)	650,134
Amortization of transaction costs on borrowings (Notes 17 and 21)	90,011	105,480	116,898	90,011	105,480	116,898
Net losses (gains) on financial assets at FVOCI and investment securities at amortized cost (Note 9)	5,236	1,069,548	(1,540,192)	5,358	1,069,548	(1,578,197)
Accretion to interest income of loss on loan modifications	–	(369,152)	(351,502)	–	(369,152)	(351,502)
Gain on loss of control of subsidiaries - net (Note 12)	–	–	(16,807,275)	–	–	(16,916,842)
Gain on remeasurement of retained interest (Note 12)	–	–	(16,477,968)	–	–	(16,383,008)
Changes in operating assets and liabilities:						
Decrease (increase) in amounts of:						
Interbank loan receivable (Note 8)	1,828,975	(4,854,939)	(891,301)	2,407,631	(4,656,651)	(859,213)
Financial assets at FVTPL	(2,770,324)	3,609,221	11,812,813	(2,767,461)	3,606,381	9,959,744
Loans and receivables	(32,170,920)	4,448,687	(13,325,214)	(32,262,933)	4,995,515	(16,184,925)
Other assets	(2,608,270)	(243,158)	1,398,479	(2,505,688)	(1,340,408)	(368,189)
Increase (decrease) in amounts of:						
Financial liabilities at FVTPL	(483,965)	148,245	190,292	(483,965)	148,430	190,544
Deposit liabilities	56,719,665	(23,726,210)	4,603,064	56,128,172	(32,924,438)	5,943,796
Accrued taxes, interest and other expenses	1,435,027	1,518,737	246,627	1,623,234	1,139,793	681,686
Other liabilities	(1,584,110)	616,446	(7,663,779)	(1,053,706)	1,084,236	(1,511,065)
Net cash generated from (used in) operations	45,063,168	8,320,373	19,959,600	44,805,051	(2,463,739)	20,939,354
Income taxes paid	(3,919,287)	(2,050,109)	(2,285,669)	(3,826,112)	(1,802,246)	(1,841,579)
Net cash provided by (used in) operating activities	41,143,881	6,270,264	17,673,931	40,978,939	(4,265,985)	19,097,775
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from:						
Disposal/maturities of financial assets at FVOCI	562,251,372	643,902,197	212,560,360	561,071,652	643,888,779	210,574,683
Maturities/early redemptions of investment securities at amortized cost	64,078,361	141,160,199	39,790,071	61,007,188	141,171,532	39,085,249
Disposal of investment properties	5,113,184	6,844,641	293,738	4,874,843	6,842,374	214,782
Disposal of property and equipment	1,295,493	108,253	201,593	1,022,920	32,546	301,198
Disposal of investment in a subsidiary (Note 12)	–	–	1,001,558	–	–	1,001,558
Cash dividends from a subsidiary (Note 12)	–	–	–	448,900	1,092,000	–
Return of investment (Note 12)	–	–	–	–	7,500,000	–
Acquisitions of:						
Financial assets at FVOCI	(562,081,002)	(638,254,305)	(224,330,405)	(561,446,524)	(637,154,487)	(224,330,405)
Investment securities at amortized cost	(76,625,183)	(162,392,791)	(33,372,543)	(73,223,330)	(162,392,791)	(33,372,543)
Software cost (Note 14)	(598,969)	(881,572)	(655,455)	(597,165)	(848,426)	(612,515)
Property and equipment (Note 11)	(419,859)	(547,083)	(1,120,741)	(407,645)	(535,981)	(675,730)
Additional investments in an associate (Note 12)	–	(392,000)	(245,000)	–	(392,000)	(245,000)
Net cash used in investing activities	(6,986,603)	(10,452,461)	(5,876,824)	(7,249,161)	(796,454)	(8,058,723)

(Forward)



	Consolidated			Parent Company		
	Years Ended December 31					
	2023	2022	2021	2023	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES						
Settlement of bills and acceptances payable	(P136,027,137)	(P277,002,294)	(P273,753,842)	(P134,014,712)	(P274,908,050)	(P272,556,037)
Proceeds from issuances of bills and acceptances payable	140,964,503	237,506,670	237,327,616	140,044,415	236,171,512	236,637,024
Payment of principal portion of lease liabilities (Note 29)	(1,314,516)	(1,113,225)	(1,231,287)	(1,232,928)	(1,068,038)	(1,213,912)
Settlement of bonds payable (Note 21)	(16,560,000)	–	(13,870,000)	(16,560,000)	–	(13,870,000)
Net cash used in financing activities	(12,937,150)	(40,608,849)	(51,527,513)	(11,763,225)	(39,804,576)	(51,002,925)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	21,220,128	(44,791,046)	(39,730,406)	21,966,553	(44,867,015)	(39,963,873)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR						
Cash and other cash items	22,217,915	27,552,773	25,135,724	22,103,095	27,454,459	25,038,434
Due from Bangko Sentral ng Pilipinas	94,701,360	161,001,912	202,129,356	94,701,360	161,001,912	202,129,356
Due from other banks	26,010,183	27,222,083	19,733,300	17,599,374	19,324,000	12,131,726
Interbank loans receivable (Note 8)	9,782,452	30,453,378	38,939,572	8,824,713	29,042,376	37,464,504
Securities held under agreements to resell	64,523,863	15,796,673	15,819,273	64,523,863	15,796,673	15,819,273
	217,235,773	262,026,819	301,757,225	207,752,405	252,619,420	292,583,293
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	21,151,391	22,217,915	27,552,773	21,052,526	22,103,095	27,454,459
Due from Bangko Sentral ng Pilipinas	95,410,350	94,701,360	161,001,912	95,410,350	94,701,360	161,001,912
Due from other banks	21,243,856	26,010,183	27,222,083	13,626,624	17,599,374	19,324,000
Interbank loans receivable (Note 8)	30,955,766	9,782,452	30,453,378	29,934,920	8,824,713	29,042,376
Securities held under agreements to resell	69,694,538	64,523,863	15,796,673	69,694,538	64,523,863	15,796,673
	P238,455,901	P217,235,773	P262,026,819	P229,718,958	P207,752,405	P252,619,420
OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS						
Interest paid	P13,298,198	P7,312,461	P7,690,053	P13,269,068	P7,256,130	P7,670,243
Interest received	55,438,281	43,082,036	42,928,178	54,445,224	42,297,774	42,075,051
Dividends received	–	–	–	448,900	1,092,000	–

See accompanying Notes to Financial Statements.



PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

(Amounts in Thousand Pesos except When Otherwise Indicated)

1. Corporate Information

Philippine National Bank (PNB or the Parent Company) is a universal bank established in the Philippines in 1916. On June 21, 1989, PNB's shares were listed with the Philippine Stock Exchange (PSE). As of December 31, 2023 and 2022, the shares of PNB are held by the following:

	2023	2022
LT Group, Inc. (LTG) (indirect ownership through its various holding companies)	59.83%	59.83%
PCD Nominee Corporation *	14.44%	15.85%
Other stockholders owning less than 10% each	25.73%	24.32%
	100.00%	100.00%

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

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

The Parent Company provides a full range of banking and other financial services, which include deposit-taking, lending, bills discounting, trade finance, foreign exchange dealings, treasury operations, wealth management, fund transfers, remittance and trust services. The Parent Company operates through its 631 and 651 domestic branches as of December 31, 2023 and 2022, respectively, as it continues to streamline its physical branch network through consolidation and expand customer reach via its digital channels. As of the same dates, the Parent Company has 73 and 72 overseas branches, representative offices, remittance centers and subsidiaries, respectively, in 17 locations in Asia, North America and Europe.

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

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

2. Summary of Material Accounting Policies

2.1 Basis of Preparation of the Financial Statements

The Group prepared the accompanying financial statements on a historical cost basis, except for the following accounts which are measured at fair value:

- financial assets and liabilities at fair value through profit or loss (FVTPL); and
- financial assets at fair value through other comprehensive income (FVOCI).

The financial statements of the Parent Company which include its Head Office in Pasay City, Philippines, and all of its domestic and foreign branches, reflect the accounts maintained in its Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU). The functional currency of RBU and FCDU is Philippine pesos (₱ or PHP) and United States Dollar (USD), respectively. The



individual financial statements of these units are combined and any inter-unit accounts and transactions are eliminated. The presentation currency is the PHP.

The Group presents the amounts in the financial statements to the nearest thousand pesos (₱000), unless otherwise stated.

2.2 Statement of Compliance

The Group prepared these financial statements in accordance with Philippine Financial Reporting Standards (PFRS) adopted by the Philippine Securities and Exchange Commission (SEC).

2.3 Presentation of the Financial Statements

The Group presents the statements of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 24.

The Group generally presents financial assets and financial liabilities at their gross amounts in the statement of financial position, unless the offsetting criteria under PFRS are met. The Group does not also set off items of income and expenses, unless offsetting is required or permitted by PFRS, or is specifically disclosed in the Group's accounting policies.

The Group presents its consolidated financial statements and parent company financial statements side-by-side to comply with the requirements of the Bangko Sentral ng Pilipinas (BSP).

2.4 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries. The financial statements of the subsidiaries are prepared on the same reporting period as the Parent Company using consistent accounting policies. In the consolidation, the Group eliminates in full all significant intra-group balances, transactions, and results of intra-group transactions.

The Group consolidates its subsidiaries from the date on which the Group obtains control over the subsidiary (see definition of 'control' in *2.12 Investments in Subsidiaries, Associates and Joint Ventures*). For partially-owned subsidiaries, the Group attributes the subsidiary's income, expenses and components of other comprehensive income (OCI) to the equity holders of the Parent Company and to the non-controlling interests (NCI), even if this results in deficit balances of the NCI. NCI represents the portion of profit or loss and the net assets not held by the Group, which are presented separately in the consolidated financial statements. NCI consists of the amount attributed to such interest from the date of business combination and its share in any changes in equity of the subsidiary.

When the Group's ownership interest in a subsidiary changes but does not result in a loss of control, the Group adjusts the carrying amounts of the controlling interests and the NCI to their new relative interests in the subsidiary. The Group recognizes any difference between the amount by which the NCI is adjusted and the fair value of the consideration paid or received directly in equity as 'Other equity reserves', which is attributed to the owners of the Parent Company.



Consolidation of a subsidiary ceases when the Group loses control over the subsidiary. In such circumstances, the Group derecognizes the assets (including goodwill), liabilities, NCI, and other components of equity of the subsidiary, and recognizes the consideration received and any investment retained at their fair values. The Group records any resulting difference in the statement of income as ‘Gain on loss of control of subsidiaries - net’.

2.5 Foreign Currency Translation

For financial reporting purposes, the Group translates all accounts in the FCDU books and foreign currency-denominated accounts in the RBU books into their equivalents in Philippine pesos. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements are measured using that functional currency.

2.5.1 Transactions and Balances

As at reporting date, the Group translates the following foreign currency-denominated accounts in the RBU in Philippine peso using:

Financial statement accounts in RBU	Exchange rate
Monetary assets and liabilities	Bankers Association of the Philippines (BAP) closing rate at end of year
Income and expenses	Rate prevailing at transaction date
Non-monetary items measured at historical cost in a foreign currency	Rate at the date of initial transaction
Non-monetary items measured at fair value in a foreign currency	Rate at the date when fair value is determined

The Group recognizes in the statement of income any foreign exchange differences arising from revaluation of monetary assets and liabilities. For non-monetary items measured at fair values, the Group recognizes any foreign exchange differences arising from revaluation in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

2.5.2 FCDU and Overseas Branches and Subsidiaries

As at the reporting date, the Group translates the assets and liabilities of the FCDU and overseas branches and subsidiaries in Philippine peso at the BAP closing rate prevailing at the reporting date, and their income and expenses at the average exchange rate for the year. Foreign exchange differences arising on translation are taken directly to OCI under ‘Accumulated translation adjustment’. Upon disposal of a foreign entity or upon actual remittance of FCDU profits to RBU, the deferred cumulative amount recognized in OCI relating to the particular foreign operation is recognized in the statement of income.

2.6 Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new pronouncements effective as at January 1, 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Unless otherwise indicated, adoption of these new standards did not have an impact on the financial statements.



- Amendments to Philippine Accounting Standards (PAS) 1, *Presentation of Financial Statements*, and PFRS Practice Statement 2, *Disclosure Initiative – Accounting Policies*
The amendments provide guidance and examples to help entities apply materiality judgments to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:
 - Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies; and
 - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to the Practice Statement provide non-mandatory guidance. The amendments have had an impact on the Group’s disclosure of accounting policies, but not on the measurement, recognition or presentation of any items in the Group’s financial statements.

- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*
The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amendments also clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.
- Amendments to PAS 12, *Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction*
The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases. The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense). The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented.
- Amendments to PAS 12, *Income Taxes – International Tax Reform – Pillar Two Model Rules*
The amendments have been introduced in response to the Base Erosion and Profit Sharing Pillar Two model rules of the Organization for Economic Cooperation and Development and include:
 - A mandatory temporary exemption to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
 - Disclosure requirements for affected entities to help users of the financial statements better understand an entity’s exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exemption – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after January 1, 2023 but not for any interim periods ending on or before December 31, 2023.

The Group has reviewed its corporate structure in light of the introduction of Pillar Two Model Rules in the various jurisdictions in which it operates. The Group has determined that it is not subject to Pillar Two taxes since its effective tax rate is above 15% in all the jurisdictions in which it operates (except for domestic subsidiaries, which are not material to the Group).



Therefore, as the related Pillar Two disclosures are not required, the amendments have no impact on the Group's consolidated financial statements.

2.7 Business Combinations

The Group accounts for business combinations using the acquisition method. Under this method, the Group measures the acquisition cost as the aggregate of the acquisition-date fair value of the consideration transferred and any amount of NCI in the acquiree. The Group then allocates that cost to the acquired identifiable assets and liabilities based on their respective fair values. Any excess acquisition cost over the fair value of the net assets acquired is allocated to goodwill (see related accounting policy under *2.13.3 Intangible Assets*). If the fair value of the net assets acquired exceeds the acquisition cost, the gain is recognized in the statement of income. The Group recognizes any acquisition-related costs as administrative expenses as they are incurred. The Group also recognizes any contingent consideration to be transferred by the acquirer at its fair value at the acquisition date.

In business combinations involving entities under common control, the Group determines whether or not the business combination has commercial substance. When there is commercial substance, the Group accounts for the transaction using the acquisition method as discussed above. Otherwise, the Group accounts for the transaction similar to a pooling of interests (i.e., the assets and liabilities of the acquired entities and that of the Group are reflected at their carrying values, and any resulting difference with the fair value of the consideration given is accounted for as an equity transaction).

2.8 Non-current Assets and Disposal Group Held for Sale and Discontinued Operations

The Group classifies non-current assets and disposal group as held for sale if their carrying amounts will be recovered principally through a sale transaction. As such, non-current assets and disposal groups are measured at the lower of their carrying amounts and fair value less costs to sell (i.e., the incremental costs directly attributable to the sale, excluding finance costs and income taxes).

The Group regards the criteria for held for sale classification as met only when:

- the Group has initiated an active program to locate a buyer;
- the Group is committed to the plan to sell the asset or disposal group, which should be available for immediate sale in its present condition;
- the sale is highly probable (i.e, expected to happen within one year from the date of the classification); and
- actions required to complete the plan indicate that it is unlikely that the plan will be significantly changed or withdrawn.

The Group presents separately the assets and liabilities of disposal group classified as held for sale in the statement of financial position.

The Group classifies a disposal group as discontinued operation if it is a component of the Group that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

The Group excludes discontinued operations from the results of continuing operations and presents them as a single amount as profit or loss after tax from discontinued operations in the statement of income.



If the above criteria are no longer met, the Group ceases to classify the asset or disposal group as held for sale. In such cases, the Group measures such asset or disposal group at the lower of its:

- carrying amount before it was classified as held for sale, adjusted for any depreciation, amortization or revaluations that would have been recognized had it not been classified as such; and
- recoverable amount at the date of the subsequent decision not to sell.

The Group also amends financial statements for the periods since classification as held for sale if the asset or disposal group that ceases to be classified as held for sale is a subsidiary, joint operation, joint venture, associate, or a portion of an interest in a joint venture or an associate. Accordingly, for all periods presented, the Group reclassifies and includes in income from continuing operations the results of operations of the asset or disposal group previously presented in discontinued operations.

2.9 Fair Value Measurement

Fair value is the price that the Group would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., an exit price). The fair value measurement is based on the presumption that these transactions take place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group. The Group measures the fair value of an asset or a liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. If an asset or a liability measured at fair value has both bid and ask prices, the Group uses the price within the bid-ask spread, which is the most representative of fair value in the circumstances.

For nonfinancial assets, the Group measures their fair value considering a market participant's ability to generate economic benefits by using an asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described in Note 5, based on the lowest level input that is significant to the fair value measurement as a whole.

2.10 Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items (COCI), amounts due from BSP and other banks, interbank loans receivable and securities held under agreements to resell that are convertible to known amounts of cash, with original maturities of three months or less from dates of placements and that are subject to an insignificant risk of changes in fair value. Due from BSP includes statutory reserves required by the BSP, which the Group considers as cash equivalents wherein drawings can be made to meet cash requirements.



2.11 Financial Instruments

2.11.1 Initial Recognition of Financial Instruments

The Group recognizes purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace on settlement date (i.e., the date that an asset is delivered to or by the Group), while derivatives are recognized on trade date (i.e., the date that the Group commits to purchase or sell). The Group recognizes deposits, amounts due to banks and customers and loans when cash is received by the Group or advanced to the borrowers.

All financial instruments are initially recognized at fair value. Except for financial instruments at FVTPL, the initial measurement of financial instruments includes transaction costs.

2.11.2 Classification and Subsequent Measurement of Financial Instruments

The Group classifies and measures financial assets at FVTPL unless these are measured at FVOCI or at amortized cost. The classification of financial assets depends on the contractual terms and the business model for managing those financial assets.

The Group first assesses the contractual terms of financial assets to identify whether they pass the contractual cash flows test ('solely payments of principal and interest' or SPPI test). For the purpose of the SPPI test, principal is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium or discount). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. In contrast, contractual terms that introduce a more than insignificant exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are SPPI. In such cases, the financial asset is required to be measured at FVTPL. Only financial assets that pass the SPPI test are eligible to be measured at FVOCI or at amortized cost.

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

For financial liabilities, the Group classifies them as either financial liabilities at FVTPL or financial liabilities at amortized cost.

Financial assets at FVTPL

Financial assets at FVTPL include the following:

- Financial assets held for trading – those acquired for the purpose of selling or repurchasing in the near term;
- Derivative instruments – contracts entered into by the Group (such as currency forwards, currency swaps, interest rate swaps and warrants) as a service to customers and as a means of reducing or managing their respective financial risk exposures, as well as for trading purposes;



- Financial assets that are not SPPI, irrespective of the business model; or
- Debt financial assets designated upon initial recognition at FVTPL – those assets where the Group applied the fair value option at initial recognition if doing so eliminates or significantly reduces an accounting mismatch

The Group carries financial assets at FVTPL in the statement of financial position at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The Group recognizes any gains or losses arising from changes in fair values of financial assets at FVTPL directly in the statement of income under ‘Trading and investment securities gains (losses) - net’, except for currency forwards and currency swaps, where fair value changes are included under ‘Foreign exchange gains - net’.

Financial assets at FVOCI

Financial assets at FVOCI include debt and equity securities, which are subsequently measured at fair value. The Group recognizes the unrealized gains and losses arising from the fair valuation of financial assets at FVOCI, net of tax, in the statement of comprehensive income as ‘Net change in unrealized gain (loss) on financial assets at FVOCI’.

Debt securities at FVOCI are those that meet both of the following conditions:

- the asset is held within a business model whose objective is to hold the financial asset in order to both collect contractual cash flows and sell the financial asset; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the outstanding principal amount.

The Group reports the effective yield component of debt securities at FVOCI, as well as the impact of restatement on foreign currency-denominated debt securities at FVOCI, in the statement of income. When the debt securities at FVOCI are disposed of, the cumulative gain or loss previously recognized in OCI is recognized as ‘Trading and investment securities gain (loss) - net’ in the statement of income. The Group recognizes the expected credit losses (ECL) arising from impairment of such financial assets in OCI with a corresponding charge to ‘Provision for impairment, credit and other losses’ in the statement of income (see related accounting policy under *2.11.5 Impairment of Financial Assets*).

Equity securities designated at FVOCI are those that the Group made an irrevocable election at initial recognition to present in OCI the subsequent changes in fair value. The Group recognizes the dividends earned on holding the equity securities at FVOCI in the statement of income when the right to payment has been established. Gains and losses on disposal of these equity securities at FVOCI are never recycled to profit or loss, but the cumulative gain or loss previously recognized in the OCI is reclassified to ‘Surplus’ or any other appropriate equity account upon disposal. The Group does not subject equity securities at FVOCI to impairment assessment.

Financial assets at amortized cost

Financial assets at amortized cost are debt financial assets that meet both of the following conditions:

- the asset is held within a business model whose objective is to hold the financial asset in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the outstanding principal amount.

This accounting policy relates to the statement of financial position captions ‘Due from Bangko Sentral ng Pilipinas’, ‘Due from other banks’, ‘Interbank loans receivable’, ‘Securities held under agreements to resell’, ‘Investment securities at amortized cost’, and ‘Loans and receivables’.



The Group subsequently measures financial assets at amortized cost using the effective interest method of amortization, less allowance for credit losses. The Group includes the amortization in 'Interest income', and the ECL arising from impairment of such financial assets in 'Provision for impairment, credit and other losses' in the statement of income (see related accounting policy under *2.11.5 Impairment of Financial Assets*).

Financial liabilities at amortized cost

The Group classifies issued financial instruments or their components which are not designated at FVTPL, as financial liabilities at amortized cost under 'Deposit liabilities', 'Bills and acceptances payable', 'Bonds payable' or other appropriate financial liability accounts. The substance of the contractual arrangement for these instruments results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

The Group capitalizes the costs incurred in connection with the issuance of debt securities (other than those designated at FVTPL) and amortizes over the terms of the instruments using the effective interest method. The Group includes any unamortized debt issuance costs in the carrying value of the related debt instruments in the statement of financial position.

The Group subsequently measures financial liabilities at amortized cost using the effective interest method of amortization.

Repurchase and reverse repurchase agreements

The Group does not derecognize from the statement of financial position securities sold under agreements to repurchase at a specified future date ('repos'). Instead, the Group recognizes the corresponding cash received, including accrued interest, as a loan to the Group, reflecting the economic substance of such transaction.

Conversely, the Group does not recognize securities purchased under agreements to resell at a specified future date ('reverse repos'). The Group is not permitted to sell or repledge the securities in the absence of default by the owner of the collateral. The Group recognizes the corresponding cash paid, including accrued interest, as a loan to the counterparty. The difference between the purchase price and resale price is treated as interest income and is accrued over the life of the agreement using the effective interest method.

2.11.3 Reclassification of Financial Instruments

Subsequent to initial recognition, the Group may reclassify its financial assets only when there is a change in the business models for managing these financial assets. Reclassification of financial liabilities is not allowed.

2.11.4 Derecognition of Financial Instruments

Financial Assets

The Group derecognizes a financial asset (or, where applicable, a part of a financial asset or part of a group of financial assets) when:

- the rights to receive cash flows from the asset have expired;



- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a ‘pass-through’ arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risk and rewards of the asset but has transferred control over the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control over the asset, the Group recognizes the asset only to the extent of its continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing recovery. If a write-off is later recovered, any amounts formerly charged are credited to ‘Recoveries’ under ‘Miscellaneous Income’ in the statements of income.

Financial liabilities

The Group derecognizes a financial liability when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, the Group treats such an exchange or modification as a derecognition of the original liability and recognition of a new liability, and Group recognizes the difference in the respective carrying amounts in the statement of income.

2.11.5 Impairment of Financial Assets

ECL methodology

The Group’s loss impairment method on financial instruments applies a forward-looking ECL approach, which covers all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts. The ECL allowance is based on the credit losses expected to arise on a 12-month duration if there has been no significant increase in credit risk (SICR) of the financial instrument since origination (12-month ECL). Otherwise, if an SICR is observed, then the Group extends its ECL estimation until the end of the life of the financial instrument (Lifetime ECL). Both Lifetime ECLs and 12-month ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

Staging assessment

The Group categorizes financial instruments subject to the ECL methodology into three stages:

- Stage 1 – comprised of all non-impaired financial instruments which have not experienced an SICR since initial recognition. The Group recognizes 12-month ECL for Stage 1 financial instruments.
- Stage 2 – comprised of all non-impaired financial instruments which have experienced an SICR since initial recognition. The Group recognizes Lifetime ECL for Stage 2 financial instruments.
- Stage 3 – comprised of financial instruments which have objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on their estimated future cash flows. The Group recognizes Lifetime ECL for Stage 3 (credit-impaired) financial instruments.



Definition of “default” and “cure”

The Group considers default to have occurred when:

- the obligor is past due for more than 90 days on any material credit obligation to the Group; or
- the obligor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing collateral, as applicable.

The Group no longer considers an instrument to be in default when it no longer meets any of the default criteria and has exhibited satisfactory and acceptable track record for six consecutive payment periods, subject to applicable rules and regulations of the BSP.

Determining SICR

At each reporting date, the Group assesses whether the credit risk on a loan or credit exposure has increased significantly since initial recognition. The Group’s assessment of SICR involves looking at both the qualitative and quantitative elements, as well as if the loan or credit exposure is unpaid for at least 30 days (“backstop”).

The Group assesses SICR on loans or credit exposures having potential credit weaknesses based on current and/or forward-looking information that warrant management’s close attention. Such weaknesses, if left uncorrected, may affect the repayment of these exposures. The loan or credit exposure also exhibits SICR if there are adverse or foreseen adverse economic or market conditions that may affect the counterparty’s ability to meet the scheduled repayments in the future.

The Group looks at the quantitative element through statistical models or credit ratings process or scoring process that captures certain information, which the Group considers as relevant in assessing changes in credit risk. The Group also looks at the number of notches downgrade of credit risk rating (CRR) or certain thresholds for the probabilities of default being generated from statistical models to determine whether SICR has occurred subsequent to initial recognition date.

Transfer between stages

The Group transfers credit exposures from Stage 1 to Stage 2 if there is an SICR from initial recognition date. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer an SICR since initial recognition, then the Group reverts them to Stage 1.

The Group transfers credit exposures from Stage 3 (non-performing) to Stage 1 (performing) when there is sufficient evidence to support their full collection. Such exposures should exhibit both of the following indicators:

- quantitative – characterized by payments made within an observation period; and
- qualitative – pertain to the results of assessment of the borrower’s financial capacity.

Generally, the Group considers that full collection is probable when payments of interest and/or principal are received for at least six months.

Modified or restructured loans and other credit exposures

In certain circumstances, the Group modifies the original terms and conditions of a credit exposure to form a new loan agreement or payment schedule, which may be provided depending on the borrower’s current or expected financial difficulties. Modifications may include, but are not limited to, change in interest rate and terms, principal amount, maturity date and schedule of periodic payments.



If modifications are considered by the Group as substantial based on qualitative factors, the loan is derecognized as discussed under *2.11.4 Derecognition of Financial Instruments*.

If a loan or credit exposure has been renegotiated or modified without resulting in derecognition, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded, based on the change in cash flows discounted at the loan's original effective interest rate (EIR). The Group also assesses whether there has been a SICR by comparing the risk of default at reporting date based on modified terms, and the risk of default at initial recognition date based on original terms. Derecognition decisions and classification between Stages 2 and 3 are determined on a case-by-case basis.

Purchased or originated credit-impaired loans

The Group considers a loan as credit-impaired on purchase or origination if there is evidence of impairment at the time of initial recognition (i.e., acquired/purchased at a deep discounted price). The Group recognizes the cumulative changes in Lifetime ECL since initial recognition as a loss allowance for purchased or originated credit-impaired loan.

Measurement of ECL

ECLs are generally measured based on the risk of default over one of two different time horizons, depending on whether there has been SICR since initial recognition. ECL calculations are based on the following components:

- Probability of default (PD) – an estimate of the likelihood that a borrower will default on its obligations over the next 12 months for Stage 1 or over the remaining life of the credit exposure for Stages 2 and 3.
- Loss-given-default (LGD) – an estimate of the loss arising in case where default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive, including from any collateral.
- Exposure-at-default (EAD) – an estimate of the exposure at a future/default date taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, expected drawdown on committed facilities and accrued interest from missed payments.
- Discount rate – represents the rate to be used to discount an expected loss to present value at the reporting date using the original EIR determined at initial recognition.

In measuring ECL, the Group considers forward-looking information depending on the credit exposure. The Group applies experienced credit judgment, which is essential in assessing the soundness of forward-looking information and in ensuring that these are adequately supported.

Forward-looking macroeconomic information and scenarios consider:

- factors that may affect the general economic or market conditions in which the Group operates, such as gross domestic product growth rates, foreign exchange rates, inflation rate, among others;
- changes in government policies, rules and regulations, such as adjustments to policy rates;
- other factors pertinent to the Group, including the proper identification and mitigation of risks such as incidences of loan defaults or losses.

The Group also measures ECL by evaluating a range of possible outcomes and using reasonable and supportable pieces of information that are available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.



2.11.6 Financial Guarantees and Undrawn Loan Commitments

The Group gives loan commitments and financial guarantees consisting of letters of credit, letters of guarantees, and acceptances.

Financial guarantees are contracts that require the Group as issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. The Group initially recognizes financial guarantees on trade receivables at fair value under 'Bills and acceptances payable' or 'Other liabilities' in the statement of financial position. Subsequent to initial recognition, the Group measures these financial guarantees at the higher of:

- the initial fair value less any cumulative amount of income or amortization recognized in the statement of income; and
- the ECL determined under PFRS 9.

Undrawn loan commitments and letters of credit are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer.

The nominal contractual value of financial guarantees and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the statement of financial position.

The Group estimates the expected portion of the undrawn loan commitments that will be drawn over their expected life. The ECL related to financial guarantees and loan commitments without outstanding drawn amounts is recognized in 'Allowance for credit losses' under 'Loans and receivables'.

2.12 Investments in Subsidiaries, Associates and Joint Ventures

The Group's subsidiaries pertain to investees where the Group demonstrates control. The Group controls an investee if, and only if, the Group has:

- power over the investee (i.e., those existing rights that give the Group the current ability to direct the relevant activities of the investee);
- exposure or rights to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When the Group has less than majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, such as contractual arrangements with other voting shareholders of the investee, rights arising from other contractual arrangements, or any potential voting rights of the Group.

The Group's associate pertains to the investee over which the Group has significant influence, which is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The Group's joint venture pertains to joint arrangements whereby the Group and other parties have joint control of the arrangement and have rights to the net assets of the arrangement.

The Group accounts for its investments in subsidiaries, associates and joint venture under the equity method of accounting. Under this method, the Group carries the investment in the statement of financial position at cost plus post-acquisition changes in the share in the net assets of the investee less accumulated impairment losses, if any (see related accounting policy under 2.13.5 *Impairment of Nonfinancial Assets*). The Group reflects its share in the results of operations of the investee and any



impairment losses in the statement of income. When there has been a change recognized in the investee's OCI, the Group recognizes its share in any changes and discloses this in the statement of comprehensive income. The Group eliminates any profits or losses arising from transactions between the Group and the investee to the extent of the interest of the Group in the investee. Once the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee.

When a change in ownership interest in a subsidiary occurs which results in a loss of control over the subsidiary, the Parent Company:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognizes the related OCI recorded in equity and recycles the same to statement of income or 'Surplus';
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in the statement of income; and
- Reclassifies the Parent Company's share of components' gains (losses) previously recognized in OCI to profit or loss or surplus, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Upon loss of control over a subsidiary or significant influence over an associate, the Group measures and recognizes any retained investment at its fair value. Any resulting difference between the aggregate of the investee's carrying amount upon disposal and the fair value of the retained investment, and proceeds from disposal is recognized in the statement of income.

For transactions where ownership interest in a subsidiary, associate or joint venture that did not result in a loss of control or significant influence, as applicable, the Parent Company recognizes the gain or loss in the profit and loss representing the difference between the proceeds from sale and the carrying value of the investment.

2.13 Other Nonfinancial Assets

2.13.1 Property and Equipment

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use (see related accounting policy under 2.16.5 *Expenditures on Nonfinancial Assets*).

The Group carries its land at cost less any impairment in value, and its depreciable properties such as buildings, right-of-use assets, furniture, fixtures and equipment, long-term leasehold land, and leasehold improvements at cost less accumulated depreciation and amortization and any impairment in value (see related accounting policy under 2.13.5 *Impairment of Nonfinancial Assets*).

For right-of-use assets included under 'Property and equipment', see related accounting policy under 2.18.1 *Group as a Lessee Under Lease Contracts*.



2.13.2 Investment Properties and Chattel Mortgage Properties

The Group initially measures investment properties and chattel mortgage properties initially at cost, including transaction costs (see related accounting policy under 2.16.5 *Expenditures on Nonfinancial Assets*). When the investment property or chattel mortgage property is acquired through an exchange transaction, the Group measures the asset at its fair value, unless the fair value of such an asset cannot be reliably measured in which case the asset acquired is measured at the carrying amount of asset given up. The Group recognizes any gain or loss on exchange in the statement of income under 'Net gains (losses) on sale or exchange of assets'.

Foreclosed properties are classified under 'Investment properties' upon:

- entry of judgment in case of judicial foreclosure;
- execution of the Sheriff's Certificate of Sale in case of extra-judicial foreclosure; or
- notarization of the Deed of Dacion in case of payment in kind (dacion en pago).

Subsequent to initial recognition, the Group carries the investment properties and chattel mortgage properties at cost less accumulated depreciation (for depreciable properties) and any impairment in value (see related accounting policy under 2.13.5 *Impairment of Nonfinancial Assets*).

The Group transfers assets to investment properties when, and only when, there is a change in use evidenced by ending of owner occupation, commencement of an operating lease to another party or ending of construction or development. Conversely, the Group transfers out of investment properties when, and only when, there is a change in use evidenced by commencement of owner occupation or commencement of development with a view to sale.

2.13.3 Intangible Assets

The Group initially measures separately acquired intangible assets at cost, and the intangible assets acquired in a business combination at their fair values at the date of acquisition. The Group does not capitalize internally generated intangibles, excluding capitalized development costs, and reflects in profit or loss the related expenditures in the period in which the expenditure is incurred.

Intangibles with finite lives

The Group capitalizes software costs, included in 'Intangible assets', on the basis of the cost incurred to acquire and bring to use the specific software (see related accounting policy under 2.16.5 *Expenditures on Nonfinancial Assets*).

Customer relationship intangibles (CRI) and core deposits intangibles (CDI) are the intangible assets acquired by the Group through business combination. The Group initially measures these intangible assets at their fair values at the date of acquisition. The fair value of these intangible assets reflects expectations about the probability that the expected future economic benefits embodied in the asset will flow to the Group.

Following initial recognition, intangibles with finite lives are measured at cost less accumulated amortization and any accumulated impairment losses (see related accounting policy under 2.13.5 *Impairment of Nonfinancial Assets*).

Goodwill

The Group initially measures goodwill acquired in a business combination at cost. With respect to investments in an associate, the Group includes goodwill in the carrying amount of the investments. Goodwill is not amortized, but is tested for impairment annually or more frequently if events or changes in circumstances that the carrying value may be impaired (see related accounting policy under 2.13.5 *Impairment of Nonfinancial Assets*).



2.13.4 Derecognition of Nonfinancial Assets

The Group derecognizes a nonfinancial asset when it has either been disposed of or when the asset is permanently withdrawn from use and no future benefit is expected from its disposal. The Group recognizes any gains or losses on the disposal of a nonfinancial asset in the statement of income under 'Net gains (losses) on sale or exchange of assets' in the period the asset is derecognized.

2.13.5 Impairment of Nonfinancial Assets

Property and equipment, investment properties, intangible assets with finite lives, chattel mortgage properties, and investments in subsidiaries and an associate

At each reporting date, the Group assesses whether there is any indication that its property and equipment, investment properties, intangible assets with finite lives, chattel mortgage properties, and investments in subsidiaries and an associate may be impaired. When an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and its value-in-use (VIU) and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash-generating unit (CGU) to which it belongs.

When the carrying amount of an asset exceeds its recoverable amount, the Group considers the asset as impaired and writes the asset down to its recoverable amount. In assessing VIU, the Group discounts the estimated future cash flows to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The Group charges the impairment loss against current operations. At each reporting date, the Group assesses whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the recoverable amount and reverses a previously recognized impairment loss only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal recognized in the statement of income cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. After such reversal, the Group adjusts the depreciation and amortization in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Goodwill

The Group performs its annual impairment test of goodwill every fourth quarter, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

The Group determines impairment for goodwill by assessing the recoverable amount of the CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or group of CGUs) to which goodwill has been allocated (or to the aggregate carrying amount of a group of CGUs to which the goodwill relates but cannot be allocated), the Group recognizes an impairment loss immediately in the statement of income under 'Impairment in value of goodwill'. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods.



2.14 Equity

2.14.1 Capital Stock

The Group measures capital stock at par value for all shares issued and outstanding. When the shares are sold at a premium, the Group credits the difference between the proceeds and the par value to ‘Capital paid in excess of par value’. ‘Surplus’ represents accumulated earnings (losses) of the Group less dividends declared.

2.14.2 Reserves Recorded in Equity

The reserves recorded in equity in the statement of financial position include:

- Remeasurement losses on retirement plan – pertains to the remeasurement comprising actuarial gains or losses on the present value of the defined benefit obligation, net of return on plan assets (see related accounting policy under *2.17.1 Retirement Under Defined Benefit Plan*).
- Accumulated translation adjustment – used to record exchange differences arising from the translation of the FCDU accounts and foreign operations (i.e., overseas branches and subsidiaries) to Philippine peso (see related accounting policy under *2.5.2 FCDU and Overseas Branches and Subsidiaries*).
- Net unrealized gains (losses) on financial assets at FVOCI – comprises changes in fair value of financial assets at FVOCI (see related accounting policy under *2.11.2 Classification and Subsequent Measurement of Financial Instruments*).

2.14.3 Dividends

The Group recognizes dividends on common shares as a liability and deduction against ‘Surplus’ when approved by the Board of Directors (BOD) of the Parent Company. The Group measures the liability to distribute dividends at the carrying amount of the dividends, except for distributions of non-cash assets where the Group measures the liability at the fair value of the assets to be distributed. At the end of each reporting period and at the date of settlement, the Group reviews and adjusts the carrying amount of the non-cash assets declared as dividends, with any changes in the carrying amount of the non-cash dividends recognized in equity as adjustments to the amount of distribution.

For dividends that are approved after the reporting date, the Group discloses them in the financial statements as an event after the reporting date.

2.14.4 Share Issuance Costs

For underwriting, share registration, and other share issuance costs and taxes incurred in connection with the issuance of equity securities, the Group accounts for these costs as reduction of equity against ‘Capital paid in excess of par value’. If the ‘Capital paid in excess of par value’ is not sufficient, the share issuance costs are charged against the ‘Surplus’. For transaction costs that relate jointly to the offering and listing of the shares, the Group allocates the costs to those transactions (i.e., reduction against equity for those allocated to offering of shares, and expensed for those allocated to listing of shares) using a basis of allocation that is rational and consistent with similar transactions.

2.15 Revenue Recognition

Revenue is recognized upon transfer of services to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as



principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements except for brokerage transactions.

2.15.1 Interest Income

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

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

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

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

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

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

2.15.2 Service Fees and Commission Income

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

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

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

Bancassurance fees

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



Fee income from providing transaction services

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

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

2.15.3 Credit Card Fees

Interchange fees and revenue from rewards redeemed

The Group takes up as income the interchange fees under 'Service fees and commission income' upon receipt from member establishments of charges arising from credit availments by the Group's cardholders. These discounts are computed based on certain agreed rates and are deducted from amounts remitted to the member establishments.

The Group operates a loyalty points program which allows customers to accumulate points when they purchase from member establishments using the issued card of the Group. The points can then be redeemed for free products subject to a minimum number of points being redeemed.

The Group allocates a portion of the consideration received from discounts earned and interchange fees from credit cards to the reward points based on the estimated stand-alone selling prices. The Group defers the amount allocated to the loyalty program and recognizes revenue only when the loyalty points are redeemed or the likelihood of the credit cardholder redeeming the loyalty points becomes remote. The Group includes the deferred balance under 'Other liabilities' in the statement of financial position.

Commissions on credit cards

The Group recognizes commissions earned as revenue upon receipt from member establishments of charges arising from credit availments by credit cardholders. These commissions are computed based on certain agreed rates and are deducted from amounts remittable to member establishments.

Commissions on installment credit sales

The Group records the purchases by the credit cardholders, collectible on installment basis, at the cost of the items purchased plus certain percentage of cost. The Group recognizes the excess over cost as 'Unearned and other deferred income', which is shown as a deduction from 'Loans and receivables' in the statement of financial position. The Group amortizes and recognizes as 'Interest income' the unearned and other deferred income over the installment terms using the effective interest method.

2.15.4 Trading and Investment Securities Gains - Net

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



2.15.5 Gain on Sale or Exchange of Assets

The Group recognizes gain on sale or exchange of assets upon completion of the earning process upon transfer of control and when the collectability of the sales price is reasonably assured.

2.15.6 Other Income

Rental income

The Group accounts for rental income arising on leased properties on a straight-line basis over the lease terms, which is recorded in the statement of income under 'Miscellaneous income' (see related accounting policy under 2.18.2 *Group as a Lessor Under Lease Contracts*).

Dividend income

The Group recognizes dividend income when the Group's right to receive payment is established.

Insurance premiums and commissions on reinsurance

Gross insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior periods. The Group recognizes premiums from short-duration insurance contracts and reinsurance commissions as revenue over the period of the contracts using the 24th method, except for marine cargo where the provision for unearned premiums pertain to the premiums for the last two months of the year. The Group recognizes in the statement of income for the period the net changes in provisions for unearned premiums and deferred reinsurance premiums.

2.16 Expenditures

2.16.1 Borrowing Costs

The Group recognizes borrowing costs as 'Interest expense' in the year in which these costs are incurred. Borrowing costs consist of interest expense calculated using the effective interest method that the Group incurs in connection with deposit-taking activities and borrowing of funds.

2.16.2 Operating Expenses

This encompasses those expenses that arise in the course of the ordinary activities of the Group, as well as any losses incurred. These are recognized in the statement of income as they are incurred.

2.16.3 Taxes and Licenses

This includes all other taxes, local and national, including gross receipts taxes, documentary stamp taxes, real estate taxes, licenses and permit fees that are recognized when incurred.



2.16.4 Depreciation and Amortization

The Group computes for depreciation and amortization of depreciable assets using the straight-line method over the estimated useful lives of the respective assets. The estimated useful lives of the depreciable assets follow:

	Years
Property and equipment:	
Buildings	25 - 50
Right-of-use assets	1 - 25 or the lease term, whichever is shorter (provided that lease term is more than one year)
Furniture, fixtures and equipment	5
Long-term leasehold land	46 - 50
Leasehold improvements	10 or the lease term, whichever is shorter
Investment properties	10 - 25
Chattel mortgage properties	5
Intangible assets with finite lives:	
Software costs	5
CDI	10
CRI	3

The Group reviews periodically the useful life and the depreciation and amortization method to ensure that these are consistent with the expected pattern of economic benefits from the depreciable assets. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the depreciation and amortization period or method, as appropriate, and are treated as changes in accounting estimates.

2.16.5 Expenditures on Nonfinancial Assets

The Group charges against current operations the expenditures incurred after the nonfinancial assets (i.e., property and equipment, investment properties, software costs, and chattel mortgage properties) have been put into operation, such as repairs and maintenance. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of these nonfinancial assets beyond their originally assessed standard of performance, the Group capitalizes such expenditures as additional cost.

2.17 Employee Benefits

2.17.1 Retirement Under Defined Benefit Plan

At the end of the reporting period, the Group determines its net defined benefit liability (or asset) as the difference between the present value of the defined benefit obligation and the fair value of plan assets, adjusted for any effect of asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The cost of providing benefits under the defined benefit plan is actuarially determined using the projected unit credit method.



Defined benefit costs recognized in the statement of income consist of the following:

- service costs – include current service costs, past service costs (recognized when plan amendment or curtailment occurs) and gains or losses on non-routine settlements; and
- net interest on the net defined benefit liability or asset – pertains to the change during the period in the net defined benefit liability (or asset) that arises from the passage of time, which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset.

Changes in the net defined benefit liability (or asset) also include remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling, excluding net interest on defined benefit liability (or asset). The Group recognizes these remeasurements immediately in OCI in the period in which they arise. The Group does not reclassify these remeasurements to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies, and are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the Group estimates the fair value of plan assets by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group recognizes its right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation as a separate asset at fair value when and only when reimbursement is virtually certain.

2.17.2 Employee Leave Entitlement

The Group recognizes entitlements of employees to annual leave as a liability when they are accrued to the employees. The Group recognizes the undiscounted liability for leave expected to be settled wholly before 12 months after the end of the reporting period for services rendered by employees up to the end of the reporting period. For leave entitlements expected to be settled for more than 12 months after the reporting date, the Group engages an actuary to estimate the long-term liability, which is reported in 'Accrued taxes, interest and other expenses' in the statement of financial position.

2.18 Leases

The Group determines at contract inception whether a contract is, or contains, a lease by assessing whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

2.18.1 Group as a Lessee Under Lease Contracts

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes right-of-use assets representing the right to use the underlying assets and lease liabilities to make lease payments.

- Right-of-use assets
At the commencement date of the lease (i.e., the date the underlying asset is available for use), the Group recognizes right-of-use assets measured at cost. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made



at or before the commencement date less any lease incentives received. Subsequent to initial recognition, the Group measures the right-of-use assets at cost less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The Group presents the right-of-use assets in 'Property and equipment' and subjects it to impairment in line with the Group's policy on impairment of nonfinancial assets (see related accounting policy under *2.13.5 Impairment of Nonfinancial Assets*).

- Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term discounted using the Group's incremental borrowing rate, which is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The lease payments include fixed payments, any variable lease payments that depend on an index or a rate, and any amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

After the commencement date of the lease, the Group measures the lease liabilities by increasing the carrying amount to reflect interest on the lease liabilities (recorded in 'Interest expense on bills payable and other borrowings'), reducing the carrying amount to reflect the lease payments made, and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

- Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option, and the leases of low-value assets recognition exemption to its leases of ATM offsite locations and other equipment that are considered of low value (i.e., below ₱250,000). Lease payments on short-term leases and leases of low-value assets are recognized as expense under 'Occupancy and equipment-related costs' on a straight-line basis over the lease term.

2.18.2 Group as a Lessor Under Lease Contracts

For finance leases where the Group transfers substantially all the risks and rewards incidental to ownership of the leased item, the Group recognizes a lease receivable in the statement of financial position at an amount equivalent to the net investment (asset cost) in the lease. The Group includes all income resulting from the receivable in 'Interest income on loans and receivables' in the statement of income.

The residual value of leased assets, which approximates the amount of guaranty deposit paid by the lessee at the inception of the lease, is the estimated proceeds from the sale of the leased asset at the end of the lease term. At the end of the lease term, the residual value of the leased asset is generally applied against the guaranty deposit of the lessee when the lessee decides to buy the leased asset.

In operating leases where the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset, the Group recognizes rental income on a straight-line basis over the lease terms. The Group adds back the initial direct costs incurred in negotiating and arranging an operating lease to the carrying amount of the leased asset and recognizes them as rental income over the lease



term on the same basis. The Group recognizes contingent rents as revenue in the period in which they are earned.

2.19 Provisions

The Group recognizes provisions when:

- the Group has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of assets embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the Group recognizes the reimbursement as a separate asset but only when the reimbursement is virtually certain. The Group presents the expense relating to any provision in the statement of income, net of any reimbursement.

If the effect of the time value of money is material, the Group determines provisions by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. When discounting is used, the Group recognizes the increase in the provision due to the passage as 'Interest expense on bills payable and other borrowings'.

2.20 Contingencies

Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of assets embodying economic benefits is remote. Contingent assets are not recognized but are disclosed in the financial statements when an inflow of economic benefits is probable.

2.21 Income Taxes

Income tax on profit and loss for the year comprises current and deferred tax. Income tax is determined in accordance with tax laws and is recognized in the statement of income, except to the extent that it relates to items directly recognized in OCI.

2.21.1 Current Tax

The Group measures current tax assets and liabilities for the current periods at the amount expected to be recovered from or paid to the taxation authorities using the tax rates and tax laws that are enacted or substantively enacted at the reporting date.

2.21.2 Deferred Tax

The Group provides for deferred tax using the balance sheet liability method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.



The Group recognizes deferred tax liabilities for all taxable temporary differences, including asset revaluations. The Group recognizes deferred tax assets for all deductible temporary differences, carryforward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT), and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences and carryforward of unused tax credits from MCIT and unused NOLCO can be utilized.

The Group, however, does not recognize deferred tax on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income. The Group does not also provide deferred tax liabilities on non-taxable temporary differences associated with investments in domestic subsidiaries and an associate. With respect to investments in foreign subsidiaries, the Group does not recognize deferred tax liabilities, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The Group reviews the carrying amount of deferred tax assets at each reporting date and reduces the recognized amount to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred income tax asset to be utilized. The Group reassesses unrecognized deferred tax assets at each reporting date and recognizes amounts to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

The Group measures deferred tax assets and liabilities at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

For current and deferred tax relating to items recognized directly in OCI, the Group recognizes them also in OCI and not in the statement of income.

In the consolidated financial statements, the Group offsets deferred tax assets and liabilities if a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred taxes related to the same taxable entity and the same taxation authority.

When tax treatments involve uncertainty, the Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty. If the Group concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, the Group reflects the effect of the uncertainty for each uncertain tax treatment using the method the Group expects to better predict the resolution of the uncertainty.

2.22 Earnings Per Share

The Group computes for the basic earnings per share (EPS) by dividing net income for the period attributable to common shareholders by the weighted average number of common shares outstanding during the period, after giving retroactive effect to any bonus issue, share split or reverse share split during the period.

The Group computes for the diluted EPS by dividing the aggregate of net income for the period attributable to common shareholders by the weighted average number of common shares outstanding during the period, adjusted for the effects of any dilutive shares.



2.23 Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Group's related parties include:

- key management personnel, close family members of key management personnel and entities which are controlled, significantly influenced by or for which significant voting power is held by key management personnel or their close family members;
- significant investors and their subsidiaries and associates called affiliates;
- subsidiaries, joint ventures and associates and their respective subsidiaries; and
- post-employment benefit plans for the benefit of the Group's employees.

2.24 Events After the Reporting Date

The Group reflects in the financial statements any post-year-end event that provides additional information about the Group's position at the reporting date (adjusting event). The Group discloses post-year-end events that are not adjusting events, if any, when material to the financial statements.

2.25 Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Refer to Note 6 for the detailed disclosure on segment information.

2.26 Fiduciary Activities

The Group excludes from these financial statements the assets and income arising from fiduciary activities, together with related undertakings to return such assets to customers, where the Group acts in a fiduciary capacity such as nominee, trustee or agent.

2.27 Changes in Accounting Standards

Listed below are accounting standards and interpretations issued but not yet effective up to the date of issuance of the Group's financial statements. The Group intends to adopt these standards when they become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards and interpretations to have significant impact on the financial statements.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

The amendments clarify:

- That only covenants with which an entity must comply on or before the reporting date will affect a liability's classification as current or non-current;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.



The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on its current practice and whether existing loan agreements may require renegotiation.

- Amendments to PAS 7, *Statement of Cash Flows*, and PFRS 7, *Financial Instruments: Disclosures – Supplier Finance Arrangements*

The amendments clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Early adoption is permitted, but will need to be disclosed.

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies; and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to the Practice Statement provide non-mandatory guidance. Early adoption of the amendments is permitted as long as this fact is disclosed.

- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right-of-use retained. The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Earlier adoption is permitted and that fact must be disclosed.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

On December 15, 2021, the Philippine Financial and Sustainability Reporting Standards Council (FSRSC) amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two years after its effective date as decided by the International Accounting Standards Board (IASB).

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.



Deferred effectivity

- PFRS 10, *Consolidated Financial Statements*, and PAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments)

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the FSRSC postponed the original effective date of January 1, 2016 of the said amendments until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

3. Significant Accounting Judgments and Estimates

The preparation of the financial statements in compliance with PFRS requires the Group to make judgments and estimates that affect the reported amounts and disclosures. The Group continually evaluates judgments and estimates and uses as basis its historical experience and other factors, including expectations of future events. The Group reflects the effects of any changes in estimates in the financial statements as they become reasonably determinable.

3.1 Judgments

3.1.1 Assessment of Control Over a Subsidiary

The Group demonstrates control over an investee when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Thus, the following elements must all be present to exercise control over an investee:

- Power over the investee
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect the amount of the investor's returns

The Group considers all facts and circumstances when assessing whether it controls an investee.

In making this assessment, the Group considers the following factors:

- The purpose and design of the investee
- What the relevant activities are and how decisions about those activities are made
- Whether the rights of the Group give it the current ability to direct the relevant activities
- Whether the Group is exposed, or has rights, to variable returns from its involvement with the investee
- Whether the Group has the ability to use its power over the investee to affect the amount of the investor's returns

The assessment of the Group on its control over a subsidiary is further discussed in Note 12.



3.1.2 Assessment of Significant Influence Over an Associate

The Group generally accounts for an investment as an associate when the Group holds 20% or more of the voting power of the investee company held directly or indirectly through subsidiaries, unless it can be clearly demonstrated that this is not the case.

In assessing whether the Group exercises significant influence over an investee company, the Group considers the following factors:

- Representation in the BOD or equivalent governing body of the investee company
- Participation in policy-making processes, including participation in decisions about dividends and other distributions
- Material transactions between the Group and the investee company
- Interchange of management personnel
- Provision of essential technical performance

The assessment of the Group on its significant influence over an investee company is further discussed in Note 12.

3.1.3 Classification of Financial Assets

The Group classifies its financial assets depending on the results of the SPPI test and on the business model used for managing those financial assets.

When performing the SPPI test, the Group applies judgment and evaluates relevant factors and characteristics such as the behavior and nature of contractual cash flows, its original currency denomination, the timing and frequency of interest rate repricing, contingent events that would alter the amount and/or timing of cash flows, leverage features, prepayment or extension options and other features that may modify the consideration for the time value of money.

As a second step, the Group performs business model assessment to reflect how financial assets are managed in order to generate net cash inflows based on the following factors:

- business objectives and strategies for holding the financial assets;
- performance measures and benchmarks being used to evaluate the Group's key management personnel accountable to the financial assets;
- risks associated to the financial assets and the tools applied in managing those risks;
- compensation structure of business units, including whether based on fair value changes of the investments managed or on the generated cash flows from transactions; and
- frequency and timing of disposals.

In applying judgment, the Group also considers the circumstances surrounding the transaction as well as the prudential requirements of the BSP.

3.1.4 Fair Valuation of Financial Instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, the Group uses valuation techniques and mathematical models. The Group derives the inputs to these models from observable markets where possible, otherwise, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility for longer-dated derivatives. For the valuation of nonmarketable unquoted equity securities, the Group considers a



discount for lack of marketability, which is applied to the values determined by an independent valuation company (refer to Note 5 for the fair values of financial instruments).

3.1.5 Contingencies

The Group is currently involved in legal proceedings. The estimate of the probable cost for the resolution of claims has been developed in consultation with the aid of the outside legal counsels handling the Group's defense in these matters and is based upon an analysis of potential results. Management does not believe that the outcome of these matters will affect the results of operations. It is probable, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to the proceedings (refer to Note 34).

3.2 Accounting Estimates

3.2.1 Credit Losses on Financial Assets

The Group's ECL calculations are mainly derived from outputs of complex statistical models and expert judgment, with a number of underlying assumptions regarding the choice of variable inputs as well as their independencies. The Group considers the following elements of the ECL models, among others, as significant accounting judgments and estimates:

- segmentation of the portfolio, where the appropriate ECL approach and/or model is used, including whether assessments should be done individually or collectively;
- quantitative and qualitative criteria for determining whether there has been SICR as at a given reporting date and the corresponding transfers between stages;
- determination of expected life of the financial asset and expected recoveries from defaulted accounts;
- development of ECL models, including the various formulas and the choice of inputs;
- determination of correlations and interdependencies between risk factors, macroeconomic scenarios and economic inputs, such as inflation, policy rates and collateral values, and the resulting impact to PDs, LGDs and EADs; and
- selection of forward-looking information and determination of probability-weightings to derive the ECL.

In response to the changing credit environment due to the rising interest rates, inflation, and other 'black swan' events (such as geopolitical tensions and extreme El Niño phenomenon and other climate conditions) which may potentially occur, the Group reviews on a monthly basis its loan portfolio, particularly for accounts that have shown or are beginning to show increases in credit risk. The Group performs comprehensive review of the default profile of its accounts to determine if there are factors or indicators not captured in the risk rating model. If there are noted weaknesses in the model, where possible, the Group recalibrates the parameter estimates to the ECL models to incorporate internal default experience, as well as most recent available external data affecting each segment of the Group's loan portfolio.

The Group revisits the segmentation of its portfolio based on industry vulnerability and resiliency assessment. The Group also reassesses the framework for macroeconomic overlay, incorporating stress scenarios to ensure that changes in economic conditions are captured in the ECL calculations.

Refer to Note 16 for the details of the carrying values of financial assets subject to ECL and for the details of the ECL.



3.2.2 Recognition of Deferred Tax Assets

Deferred tax assets are recognized for all unused tax losses and temporary differences to the extent that it is probable that future taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the availability of future taxable income in reference to financial forecast and tax strategies. The Group takes into consideration the loan portfolio and deposit growth rates in assessing its taxable income forecast.

The Group reassesses its business plan, as well as tax strategies, in the next three to five years, considering various economic scenarios including recovery outlook and effects on specific industries of the rising interest rates, inflation, and other ‘black swan’ events (see further discussion of these events under 3.2.1 *Credit Losses on Financial Assets*).

Refer to Note 30.3 for the carrying amount of recognized and unrecognized deferred tax assets.

3.2.3 Impairment of Goodwill

The Group conducts an annual review for any impairment in the value of goodwill. Goodwill is written down for impairment where the recoverable amount is insufficient to support its carrying value. The recoverable amount of the CGU is determined based on a VIU calculation, which considers the present value of cash flow projections from financial budgets approved by senior management and BOD of the Parent Company covering a three-year period. The assumptions used in the calculation of VIU are sensitive to estimates of future cash flows from business, interest margins, discount rates, projected long-term growth rates (derived based on the forecast local gross domestic product) used to extrapolate cash flows beyond the budget period.

Estimating future earnings involves judgment which takes into account past and actual performance and expected developments in the respective markets and in the overall macro-economic environment. Similar with its considerations discussed under 3.2.2 *Recognition of Deferred Tax Assets*, the Group revisits its business plan and applies judgment to reassess the projections of future cash flows as of December 31, 2023, considering various economic scenarios and recovery outlook.

The carrying values of the Group’s goodwill, accumulated impairment losses, and key assumptions used in determining VIU are disclosed in Note 14.3.

4. Financial Risk Management Objectives and Policies

The Parent Company’s BOD has overall responsibility for the establishment and oversight of the Group’s risk management framework. As delegated by the BOD, the Risk Oversight Committee (ROC) is mandated to set risk appetite, approve frameworks, policies and processes for managing risk, and accept risks beyond the approval discretion provided to management. The ROC advises on the overall current and future risk appetite and strategy and assists in overseeing the implementation of those strategies and business plans by senior management. Details of the Parent Company’s risk framework are discussed under the Risk Management Disclosure Section of the Parent Company’s annual report.

The Group’s activities are principally related to the development, delivery, servicing and use of lending and financial instruments. Risk is inherent in these activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group’s continuing profitability.



The Group defines material risks (at group level) as those risks from any business activity to significantly threaten the Bank's capital position to drop below its desired level; resulting in either an increase in risk-weighted assets or a reduction in earnings and/or qualifying capital which translate into a reduction in CAR by 20 basis points (bps).

On the other hand, risks that will potentially have an impact to the CAR by less than 20 bps will also be considered "material" by the Group if these fall under the following:

- Pillar 1 risks, i.e., Credit, Market, and Operational Risks;
- Other risks under BSP Cir. No. 510, i.e., Interest Rate Risk in the Banking Book (IRRBB), Liquidity Risk, Reputational Risk and Strategic Business Risk;
- Information Technology Risk (BSP Cir. No. 808);
- Information Security / Cyber Security Risk (BSP Cir. No. 982) and
- Further risks identified as "material" by the Board and Management Committee such as Data Privacy Risk and Human Resource Risk.

Resulting from the assessments based on the premise identified above, the Bank agrees on and reviews on a regular basis the material risks that need focus using the three lines model. For the assessment period 2023-2025, these are based on the following eleven (11) material risks which are grouped under Pillar 1 and Pillar 2 risks covered in the Bank's Internal Capital Adequacy Assessment Process (ICAAP) Document submission to BSP, and required for monitoring.

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

Pillar 1 Risks:

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

Pillar 2 Risks:

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

The Risk Management Group (RMG) provides support for the ROC in its role of formulating the risk management strategy, the development and maintenance of the internal risk management framework, and the definition of the governing risk management principles. The RMG provides assistance to the Asset/Liability Committee (ALCO) on capital management and the Board Strategy and Policy Committee on the management of regulatory capital.

The mandate of the RMG involves:

- Implementing the risk management framework of identifying, measuring, controlling and monitoring the various risk-taking activities of the Group, inherent in all financial institutions;
- Providing services to the risk-taking units and personnel in the implementation of risk mitigation strategies; and
- Establishing recommended limits based on the results of its analysis of exposures.



4.2 Credit Risk

Credit risk is the non-recovery of credit exposures (on-and-off balance sheet exposures). Managing credit risk also involves monitoring of migration risk, concentration risk, country risk and settlement risk. The Group manages its credit risk at various levels (i.e., strategic level, portfolio level down to individual transaction).

The credit risk management of the entire loan portfolio is under the direct oversight of the ROC and Executive Committee. Credit risk assessment of individual borrower is performed by the business sector, remedial management group and credit management group. Risk management is embedded in the entire credit process, i.e., from credit origination to remedial management, as applicable.

Among the tools used by the Group in identifying, assessing and managing credit risk include:

- Documented credit policies and procedures: sound credit granting process, risk asset acceptance criteria, target market and approving authorities;
- System for administration and monitoring of exposure;
- Post approval review of implemented loans;
- Work out system for managing problem credits;
- Regular review of the sufficiency of valuation reserves;
- Monitoring of adequacy of capital for credit risk via the Capital Adequacy Ratio (CAR) report;
- Monitoring of breaches in regulatory and internal limits;
- Credit risk management monitoring and reporting;
- Diversification;
- Internal risk rating system for corporate accounts;
- Credit scoring for retail accounts; and
- Active loan portfolio management undertaken to determine the quality of the loan portfolio and identify: portfolio growth, movement of loan portfolio, adequacy of loan loss reserves, trend of nonperforming loans (NPLs), and concentration risk (per classified account, per industry, clean exposure, large exposure, contingent exposure, currency, security, facility, demographic, etc.)

The Group follows the BOD-approved policy on the generic classification of loans based on the type of borrowers and the purpose of the loan. The loan portfolio is grouped based on the underlying risk characteristics that are expected to respond in a similar manner to macroeconomic factors and forward-looking conditions.

4.2.1 Credit-Related Commitments

The exposures represent guarantees, standby letters of credit (LCs) issued by the Parent Company and documentary/commercial LCs which are written undertakings by the Parent Company. To mitigate this risk, the Parent Company requires hard collaterals for standby LC lines while commercial LCs are collateralized by the underlying shipments of goods to which they relate.

4.2.2 Derivative Financial Instruments

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the statement of financial position.

4.2.3 Collateral and Other Credit Enhancements

As a general rule, character is the single most important consideration in granting loans. However, collaterals are requested to mitigate risk. The loan value and type of collateral required depend on the assessment of the credit risk of the borrower or counterparty. The Group follows guidelines on the acceptability of types of collateral and valuation parameters.



The main types of collateral obtained are as follows:

- For corporate accounts - deposit hold-outs, guarantees, securities, physical collaterals (e.g., real estate, chattels, inventory, etc.); generally, commercial, industrial and residential lots are preferred
- For retail lending - mortgages on residential properties and vehicles financed
- For securities lending and reverse repurchase transactions - cash or securities

The disposal of the foreclosed properties is handled by the Acquired Assets Management Group which adheres to the general policy of disposing assets at the highest possible market value.

Management regularly monitors the market value of the collateral and requests additional collateral in accordance with the underlying agreement. The existing market value of the collateral is considered during the review of the adequacy of the allowance for credit losses. Generally, collateral is not held over loans and advances to banks except for reverse repurchase agreements. The Group is not permitted to sell or repledge the collateral held over loans and advances to counterparty banks and BSP in the absence of default by the owner of the collateral.

4.2.4 Maximum Exposure to Credit Risk After Collateral Held or Other Credit Enhancements

An analysis of the maximum exposure to credit risk after taking into account any collateral held or other credit enhancements for the Group and the Parent Company is shown below:

	Consolidated			
	2023			
	Maximum Exposure	Fair Value of Collateral	Net Exposure	Financial Effect of Collateral
Securities held under agreements to resell	₱69,694,538	₱57,785,321	₱11,909,217	₱57,785,321
Loans and receivables:				
Receivables from customers*:				
Corporates	543,916,216	273,902,143	449,262,028	94,654,188
Local government units (LGU)	2,196,034	-	2,196,034	-
Credit Cards	13,917,733	-	13,917,733	-
Retail small and medium enterprises (SME)	4,378,793	2,397,801	2,795,942	1,582,851
Housing Loans	23,772,977	22,519,180	12,306,138	11,466,839
Auto Loans	5,397,484	11,004,455	1,265,709	4,131,775
Others	10,660,220	5,751,145	6,683,514	3,976,706
Other receivables	12,465,631	-	12,465,631	-
	₱686,399,626	₱373,360,045	₱512,801,946	₱173,597,680

*Receivables from customers exclude residual value of the leased asset (Note 10).

	Consolidated			
	2022			
	Maximum Exposure	Fair Value of Collateral	Net Exposure	Financial Effect of Collateral
Securities held under agreements to resell	₱64,523,863	₱64,334,349	₱189,514	₱64,334,349
Loans and receivables:				
Receivables from customers*:				
Corporates	516,315,998	289,977,781	425,412,218	90,903,780
Local government units (LGU)	2,770,555	-	2,770,555	-
Credit Cards	13,094,453	-	13,094,453	-
Retail small and medium enterprises (SME)	4,735,190	3,594,278	2,821,798	1,913,392
Housing Loans	24,241,178	37,042,606	7,118,628	17,122,550
Auto Loans	5,570,015	11,420,518	1,765,068	3,804,947
Others	11,392,943	4,991,456	8,436,551	2,956,392
Other receivables	14,979,583	-	14,979,583	-
	₱657,623,778	₱411,360,988	₱476,588,368	₱181,035,410

*Receivables from customers exclude residual value of the leased asset (Note 10).



Parent Company				
2023				
	Maximum Exposure	Fair Value of Collateral	Net Exposure	Financial Effect of Collateral
Securities held under agreements to resell	₱69,694,538	₱57,785,321	₱11,909,217	₱57,785,321
Loans and receivables:				
Receivables from customers:				
Corporates	530,880,927	253,218,981	448,830,738	82,050,189
LGU	2,196,034	-	2,196,034	-
Credit Cards	13,917,733	-	13,917,733	-
Retail SME	4,379,081	2,395,958	2,795,941	1,583,140
Housing Loans	23,013,792	21,089,659	12,306,138	10,707,654
Auto Loans	5,397,484	11,004,455	1,265,709	4,131,775
Others	10,572,322	5,535,712	6,683,515	3,888,807
Other receivables	11,801,390	-	11,801,390	-
	₱671,853,301	₱351,030,086	₱511,706,415	₱160,146,886

Parent Company				
2022				
	Maximum Exposure	Fair Value of Collateral	Net Exposure	Financial Effect of Collateral
Securities held under agreements to resell	₱64,523,863	₱64,334,349	₱189,514	₱64,334,349
Loans and receivables:				
Receivables from customers:				
Corporates	504,070,752	268,623,811	424,982,412	79,088,340
LGU	2,770,555	-	2,770,555	-
Credit Cards	13,094,453	-	13,094,453	-
Retail SME	3,936,250	2,483,707	2,672,892	1,263,358
Housing Loans	23,326,606	35,629,579	7,118,628	16,207,978
Auto Loans	5,570,015	11,420,518	1,765,068	3,804,947
Others	11,300,587	4,802,742	8,436,552	2,864,035
Other receivables	13,925,800	-	13,925,800	-
	₱642,518,881	₱387,294,706	₱474,955,874	₱167,563,007

The maximum credit risk, without taking into account the fair value of any collateral and netting agreements, is limited to the amounts on the statement of financial position plus commitments to customers such as unused commercial letters of credit, outstanding guarantees and others.

4.2.5 Credit Risk Concentrations

Credit risk concentrations can arise whenever a significant number of borrowers have similar characteristics. The Group analyzes the credit risk concentration to an individual borrower, related group of accounts, industry, geographic, internal rating buckets, currency, term and security. For risk concentration monitoring purposes, the financial assets are broadly categorized into (1) loans and receivables and (2) trading and investment securities. To mitigate risk concentration, the Group constantly checks for breaches in regulatory and internal limits. Clear escalation process and override procedures are in place, whereby any excess in limits are covered by appropriate approving authority to regularize and monitor breaches in limits.

Limit per client or counterparty

For each CRR, the Parent Company sets limits per client or counterparty based on the regulatory Single Borrowers Limit. For trading and investment securities, the Group limits investments to government issues and securities issued by entities with high-quality investment ratings.



Geographic concentration

The table below shows the credit risk exposures, before taking into account any collateral held or other credit enhancements, categorized by geographic location:

Consolidated 2023					
	Loans and receivables*		Trading and investment securities	Other financial assets**	Total
	Amount	%			
Philippines	P591,914,148	95.98	P265,175,918	P126,073,582	P983,163,648
Asia (excluding the Philippines)	15,018,425	2.44	17,836,070	88,779,062	121,633,557
USA and Canada	6,846,096	1.11	2,869,744	6,479,262	16,195,102
Other European Union Countries	1,937,498	0.31	7,155,246	11,070	9,103,814
Middle East	58,267	0.01	3,877,003	3,132	3,938,402
United Kingdom	447,750	0.07	1,334,802	1,036,563	2,819,115
Oceania	482,904	0.08	-	2,770	485,674
	P616,705,088	100.00	P298,248,783	P222,385,441	P1,137,339,312

*Loans and receivables exclude residual value of the leased asset (Note 10)

** Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15)

Consolidated 2022					
	Loans and receivables*		Trading and investment securities	Other financial assets**	Total
	Amount	%			
Philippines	P552,755,901	93.23	P237,143,001	P120,952,612	P910,851,514
Asia (excluding the Philippines)	26,641,314	4.49	21,914,099	36,745,688	85,301,101
United Kingdom	2,096,234	0.35	6,708,736	22,039,442	30,844,412
USA and Canada	8,707,036	1.47	8,378,067	13,190,193	30,275,296
Other European Union Countries	2,079,196	0.35	-	8,654,970	10,734,166
Middle East	66,026	0.01	1,854,783	10,145	1,930,954
Oceania	523,802	0.09	-	2,788	526,590
	P592,869,509	100.00	P275,998,686	P201,595,838	P1,070,464,033

*Loans and receivables exclude residual value of the leased asset. (Note 10)

** Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15)

Parent Company 2023					
	Loans and receivables		Trading and investment securities	Other financial assets*	Total
	Amount	%			
Philippines	P591,118,755	98.17	P264,793,162	P127,884,433	P983,796,350
Asia (excluding the Philippines)	1,411,033	0.23	17,831,085	80,102,024	99,344,142
USA and Canada	6,804,220	1.13	2,399,782	4,563,214	13,767,216
Other European Union Countries	1,887,267	0.31	7,155,246	-	9,042,513
Middle East	58,267	0.01	3,877,003	2,478	3,937,748
United Kingdom	396,318	0.07	1,174,417	29	1,570,764
Oceania	482,903	0.08	-	-	482,903
	P602,158,763	100.00	P297,230,695	P212,552,178	P1,111,941,636

*Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15)



	Parent Company				
	2022				
	Loans and receivables		Trading and investment securities	Other financial assets*	Total
	Amount	%			
Philippines	₱550,597,430	95.26	₱236,170,294	₱122,538,534	₱909,306,258
Asia (excluding the Philippines)	14,013,140	2.42	21,911,976	28,306,396	64,231,512
United Kingdom	2,091,414	0.36	6,554,432	21,273,903	29,919,749
USA and Canada	8,624,015	1.49	8,238,785	12,349,620	29,212,420
Other European Union Countries	2,079,196	0.36	–	7,132,780	9,211,976
Middle East	66,026	0.01	1,854,783	9,567	1,930,376
Oceania	523,797	0.09	–	–	523,797
	₱577,995,018	100.00	₱274,730,270	₱191,610,800	₱1,044,336,088

*Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15)

Concentration by industry

The tables below show the industry sector analysis of financial assets at amounts before taking into account the fair value of the loan collateral held or other credit enhancements.

	Consolidated				
	2023				
	Loans and receivables*		Trading and investment securities	Other financial assets***	Total
	Amount	%			
Primary target industry:					
Financial intermediaries	₱91,681,525	14.87	₱10,488,016	₱123,166,842	₱225,336,383
Wholesale and retail	115,293,880	18.70	–	–	115,293,880
Electricity, gas and water	83,771,939	13.58	16,561,739	–	100,333,678
Manufacturing	58,057,181	9.41	1,831	–	58,059,012
Transport, storage and communication	44,878,471	7.28	–	56	44,878,527
Agriculture, hunting and forestry	5,016,667	0.81	–	–	5,016,667
Public administration and defense	1,532,772	0.25	–	–	1,532,772
Secondary target industry:					
Government	2,182,895	0.35	229,288,990	99,168,727	330,640,612
Real estate, renting and business activities	106,896,515	17.33	9,226,998	13,866	116,137,379
Construction	31,039,992	5.03	–	–	31,039,992
Others**	76,353,251	12.38	32,681,209	35,950	109,070,410
	₱616,705,088	100.00	₱298,248,783	₱222,385,441	₱1,137,339,312

*Loans and receivables exclude residual value of the leased asset (Note 10)

**Others include the following sectors - Other community, social and personal services, private household, hotel and restaurant, education, mining and quarrying, and health and social work.

***Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15)



Consolidated					
2022					
	Loans and receivables*		Trading and investment securities	Other financial assets***	Total
	Amount	%			
Primary target industry:					
Financial intermediaries	₱119,769,773	20.20	₱19,521,101	₱73,230,975	₱212,521,849
Wholesale and retail	87,945,351	14.83	-	-	87,945,351
Electricity, gas and water	77,714,165	13.11	9,306,111	-	87,020,276
Manufacturing	59,847,311	10.09	166,728	-	60,014,039
Transport, storage and communication	40,563,305	6.84	-	50	40,563,355
Agriculture, hunting and forestry	5,192,944	0.88	-	-	5,192,944
Public administration and defense	1,626,592	0.27	-	-	1,626,592
Secondary target industry:					
Government	2,794,558	0.47	196,640,202	127,597,960	327,032,720
Real estate, renting and business activities	92,957,909	15.68	14,283,283	13,884	107,255,076
Construction	27,005,540	4.56	-	-	27,005,540
Others**	77,452,061	13.06	36,081,261	752,969	114,286,291
	₱592,869,509	100.00	₱275,998,686	₱201,595,838	₱1,070,464,033

*Loans and receivables exclude residual value of the leased asset (Note 10)

**Others include the following sectors - Other community, social and personal services, private household, hotel and restaurant, education, mining and quarrying, and health and social work.

***Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15)

Parent Company					
2023					
	Loans and receivables		Trading and investment securities	Other financial assets**	Total
	Amount	%			
Primary target industry:					
Financial intermediaries	₱91,212,592	15.15	₱10,482,090	₱113,347,506	₱215,042,188
Wholesale and retail	109,258,099	18.14	-	-	109,258,099
Electricity, gas and water	83,771,939	13.91	16,561,739	-	100,333,678
Manufacturing	56,032,844	9.31	-	-	56,032,844
Transport, storage and communication	44,465,431	7.38	-	-	44,465,431
Agriculture, hunting and forestry	4,863,360	0.81	-	-	4,863,360
Public administration and defense	1,532,772	0.25	-	-	1,532,772
Secondary target industry:					
Government	2,182,895	0.36	228,528,393	99,168,727	329,880,015
Real estate, renting and business activities	103,358,190	17.16	8,977,434	-	112,335,624
Construction	30,981,430	5.15	-	-	30,981,430
Others*	74,499,211	12.37	32,681,039	35,945	107,216,195
	₱602,158,763	100.00	₱297,230,695	₱212,552,178	₱1,111,941,636

*Others include the following sectors - Other community, social and personal services, private household, hotel and restaurant, education, mining and quarrying, and health and social work.

**Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15).



	Parent Company				
	2022				
	Loans and receivables		Trading and investment securities	Other financial assets**	Total
	Amount	%			
Primary target industry:					
Financial intermediaries	₱119,250,013	20.63	₱19,518,028	₱63,259,871	₱202,027,912
Wholesale and retail	82,372,415	14.25	–	–	82,372,415
Electricity, gas and water	77,715,031	13.45	9,306,111	–	87,021,142
Manufacturing	57,490,538	9.95	164,780	–	57,655,318
Transport, storage and communication	39,696,751	6.87	–	–	39,696,751
Agriculture, hunting and forestry	5,031,731	0.87	–	–	5,031,731
Public administration and defense	1,626,592	0.28	–	–	1,626,592
Secondary target industry:					
Government	2,770,555	0.48	196,519,177	127,597,960	326,887,692
Real estate, renting and business activities	89,266,907	15.44	13,141,082	–	102,407,989
Construction	26,938,899	4.66	–	–	26,938,899
Others*	75,835,586	13.12	36,081,092	752,969	112,669,647
	₱577,995,018	100.00	₱274,730,270	₱191,610,800	₱1,044,336,088

*Others include the following sectors - Other community, social and personal services, private household, hotel and restaurant, education, mining and quarrying, and health and social work.

**Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15).

The internal limit of the Parent Company based on the Philippine Standard Industry Classification sub-industry is 12.00% for priority industry, 8.00% for regular industry, 30.00% for power industry and 25.00% for activities of holding companies versus total loan portfolio.

4.2.6 Credit Quality Per Class of Financial Assets

Loans and receivables

The segmentation of the Group's loan portfolio is based on the underlying risk characteristics that are expected to respond in a similar manner to macroeconomic factors and forward-looking conditions.

Generally, the Group's exposures can be categorized as either of the following:

- Non-Retail Portfolio – consists of debt obligations of sovereigns, financial institutions, corporations, partnerships, or proprietorships. In particular, the Group's Non-Retail Portfolio segments are as follows: Sovereigns, Financial Institutions, Specialized Lending (e.g., Project Finance), Large Corporates, Middle Market and Commercial SME, government-owned and controlled corporations and LGUs.
- Retail Portfolio – consists of exposures to individual person/s or to a small business, and are not usually managed on an individual basis but as groups of exposures with similar credit risk characteristics. This includes Credit Cards, Consumer Loans and Retail SME, among others.

The credit quality of the Non-Retail Portfolio is evaluated and monitored using external ratings and internal credit risk rating system. The Parent Company maintains a two-dimensional risk rating structure: that is, there is a borrower risk rating (BRR) and a facility risk rating (FRR).

The Group developed specific borrower rating models to capture specific and unique risk characteristics of each of the Non-Retail Portfolio segments. The BRR is measured based on financial condition of the borrower combined with an assessment of non-financial factors such as management, industry outlook and market competition. The BRR models captures overlays and early warning signals as well. The Group uses a single scale with 26 risk grades for all its BRR models.



The 26-risk grade internal default masterscale is a representation of a common measure of relative default risk associated with the obligors/counterparties. The internal default masterscale is mapped to a global rating scale.

FRR, on the other hand, assesses potential loss of the Group in case of default, which considers collateral type and level of collateralization of the facility. The FRR has 9 grades, i.e. FRR A to FRR I.

The CRR or final credit risk rating shall be expressed in alphanumeric terms, e.g. CRR 1A which is a combination of the general creditworthiness of the borrower (BRR 1) and the potential loss of the Group in the event of the borrower's default (FRR A).

The credit quality and corresponding BRRs of the Group's receivables from customers are defined below:

Credit quality	26-Grade BRR system
<p>High</p> <p>S&P Equivalent Global Rating: AAA to BBB-</p>	<p><i>BRR 1 Excellent</i> Borrower has an exceptionally strong capacity to meet its financial commitments. No existing disruptions or future disruptions are highly unlikely. Probability of going into default in the coming year is very minimal/low.</p> <p><i>BRR 2 Very Strong</i> Borrower has a very strong capacity to meet its financial commitments. No existing disruptions or future disruptions are unlikely. It differs from BRR 1 borrowers only to a small degree. Probability of going into default in the coming year is very minimal/low.</p> <p><i>BRR 3 Strong</i> Borrower has a strong capacity to meet its financial commitments. No existing disruptions or future disruptions are unlikely. However, adverse economic conditions or changing circumstances could lead to somewhat lesser capacity to meet financial obligations than in higher-rated borrowers. Probability of going into default in the coming year is very minimal/low.</p> <p><i>BRR 4-6 Good</i> Borrower has an adequate capacity to meet its financial commitments in the normal course of its business. With identified disruptions from external factors but company has or will likely overcome. Default possibility is minimal/low.</p> <p><i>BRR 7-9 Satisfactory</i> Borrower under this rating scale basically possesses the characteristics of borrowers rated as BRR 4 to BRR 6 with slightly lesser quality. Default possibility is minimal/low.</p> <p><i>BRR 10-12 Adequate</i> Borrower has an adequate capacity to meet its financial commitments under the normal course of business. However, adverse economic conditions and changing circumstances are more likely to weaken the borrower's capacity to meet its financial commitments. Default possibility is minimal/low.</p>
<p>Standard</p> <p>S&P Equivalent Global Rating: BB+ to BB-</p>	<p><i>BRR 13-15 Average</i> Borrower still has the capacity to meet its financial commitments and withstand normal business cycles, however, any prolonged unfavorable economic and/or market conditions would create an immediate deterioration beyond acceptable levels. With identified disruptions from external forces, impact on the borrower is uncertain. Default is a possibility.</p> <p><i>BRR 16-18 Acceptable</i> Borrower under this rating scale basically possesses the characteristics of borrowers rated as BRR 13 to BRR 15 with slightly lesser quality. Default is a possibility.</p> <p><i>BRR 19-20 Vulnerable</i> Borrower is less vulnerable in the near term than other low-rated borrowers. However, it faces major ongoing uncertainties and exposure to adverse business, financial or economic conditions that could lead to the borrower's inadequate capacity to meet its financial commitment. Default is a possibility</p>



Credit quality	26-Grade BRR system
Substandard S&P Equivalent Global Rating: B+ to CCC-	<p><i>BRR 21-22 Weak</i> Borrower is more vulnerable than the borrowers rated BRR 19 and BRR 20 but the borrower currently has the capacity to meet its financial commitments. Adverse business, financial, or economic conditions will likely impair the borrower's capacity or willingness to meet its financial commitments. Default is more than a possibility.</p> <p><i>BRR 23-25 Watchlist</i> Borrower is currently vulnerable and is dependent upon favorable business, financial, and economic conditions to meet its financial commitments. Borrower may already be experiencing losses and impaired capital in the case of BRR 25.</p>
Impaired S&P Equivalent Global Rating: D	<p><i>BRR 26 Default</i> Default will be a general default. Borrower will fail to pay all or substantially all of its obligations as they come due.</p>

For the Retail Portfolio, such as Retail SME, Credit Cards, Housing and Auto Loans, credit scoring is being used in evaluating the creditworthiness of the borrower.

The table below shows the credit quality of the Group's and the Parent Company's receivables from customers, gross of allowance for credit losses and unearned and other deferred income, but net of residual values of leased assets, as of December 31, 2023 and 2022:

	Consolidated			
	2023			
	Stage 1	Stage 2	Stage 3	Total
Subject to CRR				
Non-Retail – Corporate				
High	₱220,424,136	₱7,449	₱–	₱220,431,585
Standard	240,184,925	6,625,961	–	246,810,886
Substandard	46,358,670	20,816,814	–	67,175,484
Impaired	–	–	32,477,009	32,477,009
	506,967,731	27,450,224	32,477,009	566,894,964
Subject to Scoring and Unrated				
Non-Retail	7,232,740	39,071	561,123	7,832,934
Corporate	5,049,454	10,066	497,906	5,557,426
LGU	2,183,286	29,005	63,217	2,275,508
Retail	43,676,730	863,802	10,876,864	55,417,396
Auto Loans	5,215,073	22,973	1,263,450	6,501,496
Housing Loans	20,089,818	248,682	7,962,437	28,300,937
Retail SME	4,163,286	151,785	1,067,047	5,382,118
Credit Card	14,208,553	440,362	583,930	15,232,845
Others	8,572,845	2,087,517	1,667,140	12,327,502
	59,482,315	2,990,390	13,105,127	75,577,832
	₱566,450,046	₱30,440,614	₱45,582,136	₱642,472,796

	Consolidated			
	2022			
	Stage 1	Stage 2	Stage 3	Total
Subject to CRR				
Non-Retail – Corporate				
High	₱210,563,413	₱–	₱–	₱210,563,413
Standard	198,909,684	30,731,562	–	229,641,246
Substandard	29,953,399	31,163,671	–	61,117,070
Impaired	–	–	26,950,431	26,950,431
	439,426,496	61,895,233	26,950,431	528,272,160

(Forward)



	Consolidated			
	2022			
	Stage 1	Stage 2	Stage 3	Total
Subject to Scoring and Unrated				
Non-Retail	2,849,194	11,760,556	1,183,962	15,793,712
Corporate	95,980	11,723,793	1,118,268	12,938,041
LGU	2,753,214	36,763	65,694	2,855,671
Retail	41,072,586	1,411,135	13,920,882	56,404,603
Auto Loans	4,955,770	102,179	1,970,279	7,028,228
Housing Loans	18,930,297	643,627	9,015,408	28,589,332
Retail SME	4,029,128	349,415	2,025,819	6,404,362
Credit Card	13,157,391	315,914	909,376	14,382,681
Others	9,376,862	1,546,960	1,987,431	12,911,253
	53,298,642	14,718,651	17,092,275	85,109,568
	₱492,725,138	₱76,613,884	₱44,042,706	₱613,381,728

	Parent Company			
	2023			
	Stage 1	Stage 2	Stage 3	Total
Subject to CRR				
Non-Retail - Corporate				
High	₱212,827,838	₱-	₱-	₱212,827,838
Standard	235,059,187	6,625,961	-	241,685,148
Substandard	46,331,524	20,816,814	-	67,148,338
Impaired	-	-	32,450,434	32,450,434
	494,218,549	27,442,775	32,450,434	554,111,758
Subject to Scoring and Unrated				
Non-Retail	7,255,065	39,071	561,123	7,855,259
Corporate	5,071,779	10,066	497,906	5,579,751
LGU	2,183,286	29,005	63,217	2,275,508
Retail	42,940,643	863,802	10,830,680	54,635,125
Auto Loans	5,215,073	22,973	1,263,450	6,501,496
Housing Loans	19,353,830	248,682	7,921,406	27,523,918
Retail SME	4,163,187	151,785	1,061,894	5,376,866
Credit Card	14,208,553	440,362	583,930	15,232,845
Others	8,484,938	2,087,517	1,667,139	12,239,594
	58,680,646	2,990,390	13,058,942	74,729,978
	₱552,899,195	₱30,433,165	₱45,509,376	₱628,841,736

	Parent Company			
	2022			
	Stage 1	Stage 2	Stage 3	Total
Subject to CRR				
Non-Retail - Corporate				
High	₱208,384,303	₱-	₱-	₱208,384,303
Standard	189,504,524	30,731,541	-	220,236,065
Substandard	29,953,399	31,143,373	-	61,096,772
Impaired	-	-	27,951,509	27,951,509
	427,842,226	61,874,914	27,951,509	517,668,649
Subject to Scoring and Unrated				
Non-Retail	2,759,254	11,758,770	1,099,592	15,617,616
Corporate	6,040	11,722,007	1,033,898	12,761,945
LGU	2,753,214	36,763	65,694	2,855,671
Retail	39,685,909	1,376,404	12,960,913	54,023,226
Auto Loans	4,955,770	102,179	1,970,279	7,028,228
Housing Loans	18,020,708	640,238	9,002,446	27,663,392
Retail SME	3,552,040	318,073	1,078,812	4,948,925
Credit Card	13,157,391	315,914	909,376	14,382,681
Others	9,284,464	1,546,960	1,987,432	12,818,856
	51,729,627	14,682,134	16,047,937	82,459,698
	₱479,571,853	₱76,557,048	₱43,999,446	₱600,128,347



The analysis of past due status of receivables from customers that are subject to scoring and unrated follows:

Consolidated					
2023					
	Less than 30 days	31 to 90 days	91 to 180 days	More than 180 days	Total
Housing Loans	₱165,082	₱198,072	₱229,491	₱7,628,653	₱8,221,298
Auto Loans	15,179	19,465	15,345	1,236,458	1,286,447
Retail SME	33,596	15,968	12,582	1,627,173	1,689,319
Credit Card	635,084	367,041	309,380	552,928	1,864,433
LGU	12,696	-	-	50,521	63,217
Others	27,096	35,749	203,642	1,599,257	1,865,744
Total	₱888,733	₱636,295	₱770,440	₱12,694,990	₱14,990,458

Consolidated					
2022					
	Less than 30 days	31 to 90 days	91 to 180 days	More than 180 days	Total
Housing Loans	₱297,214	₱599,308	₱595,871	₱8,202,270	₱9,694,663
Auto Loans	60,850	74,690	65,801	1,869,429	2,070,770
Retail SME	61,162	21,090	47,949	1,814,702	1,944,903
Credit Card	1,455	102,596	233,163	630,629	967,843
LGU	7,650	-	-	58,044	65,694
Others	719,429	108,294	49,980	1,254,343	2,132,046
Total	₱1,147,760	₱905,978	₱992,764	₱13,829,417	₱16,875,919

Parent Company					
2023					
	Less than 30 days	31 to 90 days	91 to 180 days	More than 180 days	Total
Housing Loans	₱164,017	₱197,248	₱229,491	₱7,576,116	₱8,166,872
Auto Loans	15,179	19,465	15,345	1,236,458	1,286,447
Retail SME	33,596	4,985	12,287	1,042,248	1,093,116
Credit Card	635,084	367,041	309,380	552,928	1,864,433
LGU	12,696	-	-	50,521	63,217
Others	24,945	34,264	107,904	1,508,203	1,675,316
Total	₱885,517	₱623,003	₱674,407	₱11,966,474	₱14,149,401

Parent Company					
2022					
	Less than 30 days	31 to 90 days	91 to 180 days	More than 180 days	Total
Housing Loans	₱296,922	₱594,491	₱566,398	₱8,176,282	₱9,634,093
Auto Loans	60,850	74,690	65,801	1,869,429	2,070,770
Retail SME	61,162	15,774	37,869	968,460	1,083,265
Credit Card	1,455	102,596	233,163	630,629	967,843
LGU	7,650	-	-	58,044	65,694
Others	712,413	107,503	38,672	1,163,289	2,021,877
Total	₱1,140,452	₱895,054	₱941,903	₱12,866,133	₱15,843,542

Trading and investment securities and other financial assets

In ensuring quality investment portfolio, the Group uses the credit risk rating based on the external ratings of eligible external credit rating institutions (i.e. Moody's Investors Service) as follows:

- Aaa to Aa3 - fixed income are judged to be of high quality and are subject to very low credit risk, but their susceptibility to long-term risks appears somewhat greater.



- A1 to A3 - fixed income obligations are considered upper-medium grade and are subject to low credit risk, but have elements present that suggest a susceptibility to impairment over the long term.
- Baa1 and below - represents those investments which fall under any of the following grade:
 - Baa1, Baa2, Baa3 - fixed income obligations are subject to moderate credit risk. They are considered medium grade and as such protective elements may be lacking or may be characteristically unreliable.
 - Ba1, Ba2, Ba3 - obligations are judged to have speculative elements and are subject to substantial credit risk.
 - B1, B2, B3 - obligations are considered speculative and are subject to high credit risk.
 - Caa1, Caa2, Caa3 - are judged to be of poor standing and are subject to very high credit risk.
 - Ca - are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.
 - C - are the lowest rated class of bonds and are typically in default, with little prospect for recovery of principal or interest.

Below are the financial assets of the Group and the Parent Company, gross of allowance for credit losses, excluding receivables from customers, which are monitored using external ratings.

	Consolidated					
	2023					
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated	Total
	₱-	₱-	₱-	₱-	₱-	₱-
Due from BSP ^{1/}					₱95,410,350	₱95,410,350
Due from other banks	3,421,092	13,010,926	4,012,095	20,444,113	809,641	21,253,754
Interbank loans receivables	8,816,134	22,454,811	-	31,270,945	4,371,540	35,642,485
Securities held under agreements to resell	21,931,098	22,580,867	25,196,725	69,708,690	-	69,708,690
Financial assets at FVOCI						
Government securities	1,526,582	3,542,452	119,142,990	124,212,024	160,386	124,372,410
Private debt securities	-	3,633,167	10,547,385	14,180,552	-	14,180,552
Quoted equity securities	-	-	170	170	1,049,025	1,049,195
Unquoted equity securities	-	-	-	-	24,929,335	24,929,335
Investment securities at amortized cost						
Government securities	476,340	7,029,234	96,971,058	104,476,632	56,750	104,533,382
Private debt securities	-	12,300,109	6,522,771	18,822,880	-	18,822,880
Financial assets at amortized cost						
Loans and receivables - Others ^{2/}	-	-	-	-	17,485,597	17,485,597

^{1/} 'Due from BSP' is composed of interest-earning short-term placements with the BSP and a demand deposit account to support the regular operations of the Parent Company.

^{2/} Loans and receivables - Others is composed of Accrued interest receivable, Accounts receivable, Sales contracts receivable and other miscellaneous receivables (Note 10).

	Consolidated					
	2022					
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated	Total
	₱-	₱-	₱-	₱-	₱-	₱-
Due from BSP ^{1/}					₱94,701,360	₱94,701,360
Due from other banks	3,256,692	18,388,027	3,259,226	24,903,945	1,116,136	26,020,081
Interbank loans receivables	1,570,626	2,684,871	-	4,255,497	12,035,973	16,291,470
Securities held under agreements to resell	-	21,206,949	17,234,682	38,441,631	26,084,420	64,526,051
Financial assets at FVOCI						
Government securities	3,309,749	553,668	114,076,366	117,939,783	-	117,939,783
Private debt securities	590,542	251,592	159,681	1,001,815	14,429,055	15,430,870
Quoted equity securities	-	-	58,170	58,170	734,046	792,216
Unquoted equity securities	-	-	388,884	388,884	23,631,772	24,020,656
Investment securities at amortized cost						
Government securities	145,147	7,950,608	69,892,792	77,988,547	208,886	78,197,433
Private debt securities	-	8,876,965	1,158,512	10,035,477	26,082,900	36,118,377
Financial assets at amortized cost						
Loans and receivables - Others ^{2/}	-	-	-	-	19,188,611	19,188,611

^{1/} 'Due from BSP' is composed of interest-earning short-term placements with the BSP and a demand deposit account to support the regular operations of the Parent Company.

^{2/} Loans and receivables - Others is composed of Accrued interest receivable, Accounts receivable, Sales contracts receivable and other miscellaneous receivables (Note 10).



Parent Company						
2023						
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated	Total
Due from BSP ^{1/}	₱-	₱-	₱-	₱-	₱95,410,350	₱95,410,350
Due from other banks	1,228,363	10,349,227	1,268,254	12,845,844	790,653	13,636,497
Interbank loans receivables	6,619,013	22,454,811	-	29,073,824	4,371,540	33,445,364
Securities held under agreements to resell	21,931,098	22,580,867	25,196,725	69,708,690	-	69,708,690
Financial assets at FVOCI						
Government securities	1,223,772	3,542,452	119,315,550	124,081,774	-	124,081,774
Private debt securities	-	3,604,452	10,547,385	14,151,837	-	14,151,837
Quoted equity securities	-	-	-	-	974,025	974,025
Unquoted equity securities	-	-	-	-	24,929,335	24,929,335
Investment securities at amortized cost						
Government securities	6,379	7,029,234	96,971,058	104,006,671	56,749	104,063,420
Private securities	-	12,300,109	6,522,771	18,822,880	-	18,822,880
Financial assets at amortized cost						
Loans and receivables - Others ^{2/}	-	-	-	-	16,547,558	16,547,558

^{1/} Due from BSP^{1/} is composed of interest-earning short-term placements with the BSP and a demand deposit account to support the regular operations of the Parent Company.

^{2/} Loans and receivables - Others is composed of Accrued interest receivable, Accounts receivable, Sales contracts receivable and other miscellaneous receivables (Note 10).

Parent Company						
2022						
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated	Total
Due from BSP ^{1/}	₱-	₱-	₱-	₱-	₱94,701,360	₱94,701,360
Due from other banks	961,707	15,816,731	154,079	16,932,517	676,730	17,609,247
Interbank loans receivables	-	2,684,871	0	2,684,871	12,051,241	14,736,112
Securities held under agreements to resell	-	21,206,949	17,234,682	38,441,631	26,084,420	64,526,051
Financial assets at FVOCI						
Government securities	2,938,253	553,668	114,168,823	117,660,744	-	117,660,744
Private debt securities	590,542	68	159,681	750,291	14,429,054	15,179,345
Quoted equity securities	-	-	-	-	734,046	734,046
Unquoted equity securities	-	-	-	-	23,631,772	23,631,772
Investment securities at amortized cost						
Government securities	5,865	7,950,608	69,892,792	77,849,265	208,886	78,058,151
Private securities	-	8,876,965	1,158,512	10,035,477	26,082,900	36,118,377
Financial assets at amortized cost						
Loans and receivables - Others ^{2/}	-	-	-	-	17,925,091	17,925,091

^{1/} Due from BSP^{1/} is composed of interest-earning short-term placements with the BSP and a demand deposit account to support the regular operations of the Parent Company.

^{2/} Loans and receivables - Others is composed of Accrued interest receivable, Accounts receivable, Sales contracts receivable and other miscellaneous receivables (Note 10).

4.3 Liquidity Risk and Funding Management

Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from the Group's inability to meet its obligations when they come due without incurring unacceptable losses or costs.

The Group's liquidity management involves maintaining funding capacity to accommodate fluctuations in asset and liability levels due to changes in the Group's business operations or unanticipated events created by customer behavior or capital market conditions. The Parent Company seeks to ensure liquidity through a combination of active management of liabilities, a liquid asset portfolio composed substantially of deposits in primary and secondary reserves, and the securing of money market lines and the maintenance of repurchase facilities to address any unexpected liquidity situations.

Liquidity risk is monitored and controlled primarily by a gap analysis of maturities of relevant assets and liabilities reflected in the maximum cumulative outflow (MCO) report, as well as an analysis of available liquid assets. The MCO focuses on a 12-month period wherein the 12-month cumulative outflow is compared to the acceptable MCO limit set by the BOD. Furthermore, an internal liquidity ratio has been set to determine sufficiency of liquid assets over deposit liabilities.



Liquidity is monitored by the Parent Company on a daily basis through the Global Markets Group. Likewise, the RMG monitors the static liquidity via the MCO under normal and stressed scenarios.

The table below shows the liquidity information of financial assets and financial liabilities which includes coupon cash flows categorized based on the expected date on which the asset will be realized and the liability will be settled. For other assets, the analysis into maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date or if earlier, the expected date the assets will be realized.

	Consolidated					Total
	2023					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	
Financial Assets						
COCI	₱21,151,391	₱-	₱-	₱-	₱-	₱21,151,391
Due from BSP and other banks	120,467,205	-	-	-	-	120,467,205
Interbank loans receivable	28,531,370	5,489,107	967,360	1,023,160	-	36,010,997
Securities held under agreements to resell	69,812,071	-	-	-	-	69,812,071
Financial assets at FVTPL:						
Government securities	4,293,988	534,211	39,479	91,568	3,586,581	8,545,827
Private debt securities	-	29,925	18,982	994,562	662,057	1,705,526
Equity securities	2,771	-	-	-	-	2,771
Derivative assets:						
Gross contractual receivable	87,949,838	17,614,366	2,099,656	445,073	30,329	108,139,262
Gross contractual payable	(87,391,376)	(17,458,363)	(2,070,466)	(441,124)	(29,191)	(107,390,520)
Financial assets at FVOCI:						
Government securities	33,489,750	46,204,757	1,285,139	2,180,240	47,001,705	130,161,591
Private debt securities	938,132	1,112,484	1,987,338	2,370,435	9,479,822	15,888,211
Equity securities	1,411,318	-	-	-	24,567,213	25,978,531
Investment securities at amortized cost						
Government securities	6,209,327	4,081,976	5,719,142	4,000,317	124,961,338	144,972,100
Private debt securities	1,347,263	3,824,893	1,334,269	1,704,803	27,484,727	35,695,955
Financial assets at amortized cost:						
Receivables from customers	149,406,393	61,186,611	28,126,108	23,386,574	510,204,415	772,310,101
Other receivables	14,812,784	665,550	387,899	242,420	1,376,947	17,485,600
Other assets	383,478	-	-	-	18,779	402,257
Total financial assets	₱452,815,703	₱123,285,517	₱39,894,906	₱35,998,028	₱749,344,722	₱1,401,338,876
Financial Liabilities						
Deposit liabilities:						
Demand	₱229,771,379	₱-	₱-	₱-	₱-	₱229,771,379
Savings *	367,397,521	-	-	-	-	367,397,521
Time and LTNCDS *	190,633,688	98,114,877	16,667,382	19,935,772	14,354,806	339,706,525
Financial liabilities at FVTPL:						
Derivative liabilities:						
Gross contractual payable	53,574,196	7,507,070	3,406,282	673,361	-	65,160,909
Gross contractual receivable	(53,334,823)	(7,274,163)	(3,340,990)	(657,783)	-	(64,607,759)
Bills and acceptances payable	6,019,964	10,282,130	2,290,375	503,601	1,139,259	20,235,329
Bonds payable	-	15,134	-	42,762,166	-	42,777,300
Accrued interest payable and accrued other expenses payable						
other expenses payable	4,683,312	54,751	217,492	113,428	479,288	5,548,271
Other liabilities	8,054,665	2,755	-	76,930	1,215,351	9,349,701
Total financial liabilities	₱806,799,902	₱108,702,554	₱19,240,541	₱63,407,475	₱17,188,704	₱1,015,339,176

* High-yield savings accounts are included under time deposits

	Consolidated					Total
	2022					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	
Financial Assets						
COCI	₱22,217,915	₱-	₱-	₱-	₱-	₱22,217,915
Due from BSP and other banks	125,113,662	-	-	-	-	125,113,662
Interbank loans receivable	8,876,452	1,313,106	2,441,537	4,108,738	-	16,739,833
Securities held under agreements to resell	60,878,039	3,784,201	-	-	-	64,662,240
Financial assets at FVTPL:						
Government securities	199,530	1,080,139	296,110	1,053,949	6,650,083	9,279,811
Private debt securities	12,016	20,983	18,250	51,248	3,224,192	3,326,689
Equity securities	2,898	-	-	-	-	2,898

(Forward)



Consolidated						
2022						
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Derivative assets:						
Gross contractual receivable	₱40,036,455	₱7,664,954	₱10,332,430	₱3,259,807	₱15,337	₱61,308,983
Gross contractual payable	(39,050,764)	(7,542,887)	(10,098,003)	(3,240,344)	–	(59,931,998)
Financial assets at FVOCI:						
Government securities	87,743,403	3,614,649	9,339,616	9,486,786	141,544,530	251,728,984
Private debt securities	3,417,893	1,165,367	283,912	2,883,129	42,342,083	50,092,384
Equity securities	1,614,229	–	–	–	23,198,643	24,812,872
Investment securities at amortized cost						
Government securities	6,043,708	10,034,076	6,717,704	2,835,413	149,213,141	174,844,042
Private debt securities	1,243,241	6,416,993	11,655,875	10,450,844	37,189,899	66,956,852
Financial assets at amortized cost:						
Receivables from customers	95,928,952	75,907,926	32,255,624	14,027,383	528,529,464	746,649,349
Other receivables	7,226,808	903,926	1,587,116	786,924	8,683,837	19,188,611
Other assets	50,539	–	–	792	19,000	70,331
Total financial assets	₱421,554,976	₱104,363,433	₱64,830,171	₱45,704,669	₱940,610,209	₱1,577,063,458
Financial Liabilities						
Deposit liabilities:						
Demand	₱222,499,667	₱–	₱–	₱–	₱–	₱222,499,667
Savings *	359,730,732	–	–	–	–	359,730,732
Time and LTNCDs *	138,445,541	96,585,595	26,246,991	16,416,245	21,787,715	299,482,087
Financial liabilities at FVTPL:						
Derivative liabilities:						
Gross contractual payable	27,156,350	38,707,232	17,167,707	557,813	–	83,589,102
Gross contractual receivable	(26,737,134)	(38,304,103)	(16,951,759)	(556,330)	–	(82,549,326)
Bills and acceptances payable	8,334,542	3,571,275	30,000	43,936	3,145,035	15,124,788
Bonds payable	–	–	17,771,674	685,787	42,883,029	61,340,490
Accrued interest payable and accrued other expenses payable						
	2,996,291	146,218	167,140	59,077	480,280	3,849,006
Other liabilities	6,529,727	481,672	443,923	982,544	1,784,517	10,222,383
Total financial liabilities	₱738,955,716	₱101,187,889	₱44,875,676	₱18,189,072	₱70,080,576	₱973,288,929

* High-yield savings accounts are included under time deposits

Parent Company						
2023						
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial Assets						
COCI	₱21,052,526	₱–	₱–	₱–	₱–	₱21,052,526
Due from BSP and other banks	109,049,601	–	–	–	–	109,049,601
Interbank loans receivable	27,292,838	4,711,253	733,840	1,023,160	–	33,761,091
Securities held under agreements to resell	69,812,071	–	–	–	–	69,812,071
Financial assets at FVTPL:						
Government securities	4,293,988	534,211	39,479	91,568	3,586,581	8,545,827
Private debt securities	–	28,463	17,295	991,188	509,839	1,546,785
Equity securities	–	–	–	–	–	–
Derivative assets:						
Gross contractual receivable	87,949,731	17,611,825	2,097,320	445,073	30,329	108,134,278
Gross contractual payable	(87,391,376)	(17,458,363)	(2,070,466)	(441,124)	(29,191)	(107,390,520)
Financial assets at FVOCI:						
Government securities	33,489,750	46,204,757	1,195,094	2,094,355	46,631,505	129,615,461
Private debt securities	938,132	1,112,051	1,986,905	2,369,485	9,443,984	15,850,557
Equity securities	1,336,148	–	–	–	24,567,213	25,903,361
Investment securities at amortized cost:						
Government securities	6,172,842	4,010,826	5,708,076	3,972,550	124,620,081	144,484,375
Private debt securities	1,347,262	3,824,893	1,334,269	1,704,803	27,484,727	35,695,954
Financial assets at amortized cost:						
Receivables from customers	145,196,835	57,624,975	27,195,621	21,636,212	506,344,765	757,998,408
Other receivables	14,282,566	649,818	2,968	240,464	1,371,742	16,547,558
Other assets	382,847	–	–	–	500	383,347
Total financial assets	₱435,205,761	₱118,854,709	₱38,240,401	₱34,127,734	₱744,562,075	₱1,370,990,680
Financial Liabilities						
Deposit liabilities:						
Demand	₱229,138,969	₱–	₱–	₱–	₱–	₱229,138,969
Savings *	366,321,763	–	–	–	–	366,321,763
Time and LTNCDs *	190,347,584	94,660,837	13,823,464	19,360,573	14,335,168	332,527,626

(Forward)



Parent Company						
2023						
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial liabilities at FVTPL:						
Derivative liabilities:						
Gross contractual receivable	₱53,574,196	₱7,507,070	₱3,406,282	₱673,361	₱-	₱65,160,909
Gross contractual payable	(53,334,823)	(7,274,163)	(3,340,990)	(657,765)	-	(64,607,741)
Bills and acceptances payable	6,019,964	10,282,130	2,290,375	503,601	1,139,258	20,235,328
Bonds payable	-	15,134	-	42,762,166	-	42,777,300
Accrued interest payable and accrued other expenses payable	4,689,505	21,230	46,193	44,728	478,314	5,279,970
Other liabilities	7,366,066	2,756	-	76,930	1,215,351	8,661,103
Total financial liabilities	₱804,123,224	₱105,214,994	₱16,225,324	₱62,763,594	₱17,168,091	₱1,005,495,227

* High-yield savings accounts are included under time deposits

Parent Company						
2022						
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial Assets						
COCI	₱22,103,095	₱-	₱-	₱-	₱-	₱22,103,095
Due from BSP and other banks	111,505,536	-	-	-	-	111,505,536
Interbank loans receivable	8,343,252	515,186	2,202,032	4,108,738	-	15,169,208
Securities held under agreements to resell	60,878,039	3,784,201	-	-	-	64,662,240
Financial assets at FVTPL:						
Government securities	199,530	1,080,139	296,110	1,053,949	6,650,083	9,279,811
Private debt securities	12,015	19,521	16,338	47,874	3,066,295	3,162,043
Equity securities	-	-	-	-	-	-
Derivative assets:						
Gross contractual receivable	40,036,392	7,664,843	10,330,480	3,259,807	15,337	61,306,859
Gross contractual payable	(39,050,764)	(7,542,887)	(10,098,003)	(3,240,344)	-	(59,931,998)
Financial assets at FVOCI:						
Government securities	87,589,100	3,614,649	9,331,816	9,478,986	141,160,507	251,175,058
Private debt securities	3,417,893	1,161,551	279,351	805,777	42,009,216	47,673,788
Equity securities	1,167,175	-	-	-	23,198,643	24,365,818
Investment securities at amortized cost:						
Government securities	6,043,708	10,034,076	6,717,704	2,834,979	149,073,174	174,703,641
Private debt securities	1,243,240	6,416,993	11,655,875	10,450,844	37,189,899	66,956,851
Financial assets at amortized cost:						
Receivables from customers	91,699,945	72,873,522	30,410,181	12,306,340	524,244,914	731,534,902
Other receivables	6,061,538	884,433	1,524,007	780,377	8,674,736	17,925,091
Other assets	49,981	-	-	-	1,479	51,460
Total financial assets	₱401,299,675	₱100,506,227	₱62,665,891	₱41,887,327	₱935,284,283	₱1,541,643,403

Financial Liabilities						
Deposit liabilities:						
Demand	₱221,728,550	₱-	₱-	₱-	₱-	₱221,728,550
Savings *	358,566,639	-	-	-	-	358,566,639
Time and LTNCDS *	136,408,742	94,156,313	23,621,363	16,100,141	21,651,079	291,937,638
Financial liabilities at FVTPL:						
Derivative liabilities:						
Gross contractual receivable	₱27,156,350	₱38,707,232	₱17,167,707	₱557,813	₱-	₱83,589,102
Gross contractual payable	(26,737,134)	(38,304,103)	(16,951,759)	(556,312)	-	(82,549,308)
Bills and acceptances payable	7,298,446	3,565,575	23,537	43,936	3,100,957	14,032,451
Bonds payable	-	-	17,771,674	685,787	42,883,029	61,340,490
Accrued interest payable and accrued other expenses payable	3,017,246	136,048	161,180	1,283	478,314	3,794,071
Other liabilities	6,054,793	462,927	192,156	956,649	1,753,787	9,420,312
Total financial liabilities	₱733,493,632	₱98,723,992	₱41,985,858	₱17,789,297	₱69,867,166	₱961,859,945

* High-yield savings accounts are included under time deposits



4.3.1 BSP Reporting for Liquidity Positions and Leverage

To promote short-term resilience of banks' liquidity risk profile, BSP requires banks and other regulated entities to maintain:

- over a 30-calendar day horizon, an adequate level of unencumbered high-quality liquid assets (HQLA) that consist of cash or assets that can be converted into cash to offset the net cash outflows they could encounter under a liquidity stress scenario; and
- a stable funding profile in relation to the composition of their assets and off-balance sheet activities.

To monitor the liquidity levels, the Group computes for its Liquidity Coverage Ratio (LCR), which is the ratio of HQLA to the total net cash outflows. As of December 31, 2023 and 2022, LCR reported to the BSP with certain adjustments is shown in the table below:

	Consolidated		Parent Company	
	2023	2022	2023	2022
LCR	271.54%	246.25%	295.74%	240.35%

The Group also computes for its Net Stable Funding Ratio (NSFR), which is the ratio of the available stable funding to the required stable funding. Both LCR and NSFR should be maintained no lower than 100.00% on a daily basis under normal situations. As of December 31, 2023 and 2022, NSFR reported to the BSP with certain adjustments is shown in the table below (amounts, except ratios, are expressed in millions):

	Consolidated		Parent Company	
	2023	2022	2023	2022
Available stable funding	₱894,199	₱852,706	₱884,747	₱843,395
Required stable funding	595,019	621,402	597,380	621,765
NSFR	150.28%	137.22%	148.10%	135.65%

4.4 Market Risk

Market risk is the risk to earnings or capital arising from adverse movements in factors that affect the market value of instruments, products, and transactions in an institutions' overall portfolio. Market risk arises from market making, dealing, and position taking in interest rate, foreign exchange and equity markets. The succeeding sections provide discussion on the impact of market risk on the Parent Company's trading and structural portfolios.

4.4.1 Trading Market Risk

Trading market risk exists in the Parent Company as the values of its trading positions are sensitive to changes in market rates such as interest rates, foreign exchange rates and equity prices. The Parent Company is exposed to trading market risk in the course of market making as well as from taking advantage of market opportunities. For internal monitoring of the risks in the trading portfolio, the Parent Company uses the Value at Risk (VaR) as a primary risk measurement tool. It adopts both the Parametric VaR methodology and Historical Simulation Methodology (with 99.00% confidence level) to measure the Parent Company's trading market risk. Both the Parametric models and Historical Simulation models were validated. Volatilities used in the parametric are updated on a daily basis and are based on historical data for a rolling 400-day period while yields and prices in the historical VaR approach are also updated daily. The RMG reports the VaR utilization and breaches to limits to the risk taking personnel on a daily basis and to the ALCO and ROC on a monthly basis. All risk reports discussed in the ROC meeting are noted by the BOD. The VaR figures are back tested to



validate the robustness of the VaR model. Results of backtesting on a rolling one year period are reported also to the ROC.

The parametric VaR models are designed to measure market risk in a normal market environment. The models assume that any changes occurring in the risk factors affecting the normal market environment will follow a normal distribution. The use of VaR has limitations because it is based on historical volatilities in market prices and assumes that future price movements will follow a statistical distribution. Due to the fact that VaR relies heavily on historical data to provide information and may not clearly predict the future changes and modifications of the risk factors, the probability of large market movements may be under-estimated if changes in risk factors fail to align with historical movements. VaR may also be under- or over- estimated due to the assumptions placed on risk factors and the relationship between such factors for specific instruments. Even though positions may change throughout the day, the VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99.00% confidence level.

VaR estimates the potential loss on the current portfolio assuming a specified time horizon and level of confidence at 99.00%. The use of a 99.00% confidence level means that, within a one day horizon, losses exceeding the VaR figure should occur, on average, not more than once every one hundred days.

The validity of the assumptions underlying the Parent Company's VaR models can only be checked by appropriate backtesting procedures. Backtesting is a formal statistical framework that consists of verifying that actual losses are within the projected VaR approximations. The Parent Company adopts both the clean backtesting and dirty backtesting approaches approach in backtesting. Clean backtesting, consists of comparing the VaR estimates with some hypothetical profit or loss (P&L) values of the portfolio, having kept its composition unchanged. In this case, the same portfolio is repriced or marked-to-market at the end of the time interval and the hypothetical P&L is then compared with the VaR. The other method, called dirty backtesting, consists of comparing the VaR estimates with the actual P&L values at the end of the time horizon. This method, however, may pose a problem if the portfolio has changed drastically because of trading activities between the beginning and the end of the time horizon since VaR models assume that the portfolio is "frozen" over the horizon. The Parent Company uses the regulatory 3-zone (green, yellow and red) boundaries in evaluating the backtesting results.

The VaR models undergo close monitoring and regular review of the model's parameters and assumptions to determine model quality.

To complement the VaR approximations, the Parent Company conducts stress testing on a quarterly basis, the results of which are being reported to the BOD. Scenarios used in the conduct of stress test are event driven and represent the worst one-off event of a specific risk factor. Results of stress testing are analyzed in terms of the impact to earnings and capital.

Since VaR is an integral part of the Parent Company's market risk management, VaR limits have been established annually for all financial trading activities and exposures. Calculated VaR compared against the VaR limits are monitored. Limits are based on the tolerable risk appetite of the Parent Company.



The tables below show the trading VaR (in millions):

Trading Portfolio	Foreign Exchange*	Interest Rate	Equities Price	Total VaR**
December 29, 2023	₱3.99	₱86.63	₱0.00	₱90.62
Average Daily	9.26	133.08	0.00	142.34
Highest	33.27	313.88	0.00	320.92
Lowest	1.78	62.67	0.00	67.76

* *FX VaR is the bankwide foreign exchange risk*

** *The high and low for the total portfolio may not equal the sum of the individual components as the highs and lows of the individual trading portfolios may have occurred on different trading days*

Trading Portfolio	Foreign Exchange*	Interest Rate	Equities Price	Total VaR**
December 29, 2022	₱1.98	₱130.50	₱0.00	₱132.48
Average Daily	6.77	161.09	0.00	167.09
Highest	25.45	889.57	0.00	895.51
Lowest	0.87	118.10	0.00	131.61

* *FX VaR is the bankwide foreign exchange risk*

** *The high and low for the total portfolio may not equal the sum of the individual components as the highs and lows of the individual trading portfolios may have occurred on different trading days*

4.4.2 Non-Trading Market Risk

Interest rate risk

The Group seeks to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. Interest margins may increase as a result of such changes but may be reduced or may create losses in the event that unexpected movements arise.

Repricing mismatches will expose the Group to interest rate risk. The Group measures the sensitivity of its assets and liabilities to interest rate fluctuations by way of a “repricing gap” analysis using the repricing characteristics of its financial instrument positions tempered with approved assumptions. To evaluate earnings exposure, interest rate sensitive liabilities in each time band are subtracted from the corresponding interest rate assets to produce a “repricing gap” for that time band. The difference in the amount of assets and liabilities maturing or being repriced over a one year period would then give the Group an indication of the extent to which it is exposed to the risk of potential changes in net interest income. A negative gap occurs when the amount of interest rate sensitive liabilities exceeds the amount of interest rate sensitive assets. Vice versa, positive gap occurs when the amount of interest rate sensitive assets exceeds the amount of interest rate sensitive liabilities.

During a period of rising interest rates, a company with a positive gap is better positioned because the company’s assets are refinanced at increasingly higher interest rates increasing the net interest margin of the company over time. During a period of falling interest rates, a company with a positive gap would show assets repricing at a faster rate than one with a negative gap, which may restrain the growth of its net income or result in a decline in net interest income.

For risk management purposes, the loan accounts are assessed based on next repricing date, thus as an example, if a loan account is scheduled to reprice three years from year-end report date, slotting of the account will be based on the date of interest repricing. Deposits with no specific maturity dates are excluded in the one-year repricing gap except for the portion of volatile regular savings deposits which are assumed to be withdrawn during the one year period and assumed to be replaced by a higher deposit rate.



The Group uses the Earnings at Risk (EaR) methodology to measure the likely interest margin compression in case of adverse change in interest rates given the Group's repricing gap. The repricing gap covering the one-year period is multiplied by an assumed change in interest rates to yield an approximation of the change in net interest income that would result from such an interest rate movement. The Parent Company's BOD sets a limit on the level of EaR exposure tolerable to the Group. EaR exposure and compliance to the EaR limit is monitored monthly by the RMG and subject to a quarterly stress test.

The following table sets forth the repricing gap position of the Group and the Parent Company:

	Consolidated					Total
	2023					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	
Financial Assets*						
Due from BSP and other banks	₱58,150,792	₱9,072,894	₱3,369,531	₱8,901,479	₱37,159,510	₱116,654,206
Interbank loans receivable and securities held under agreements to resell	98,092,798	5,439,375	733,899	1,062,906	-	105,328,978
Receivables from customers and other receivables - gross**	161,955,806	49,845,326	28,901,960	39,616,354	104,403,594	384,723,040
Total financial assets	₱318,199,396	₱64,357,595	₱33,005,390	₱49,580,739	₱141,563,104	₱606,706,224
Financial Liabilities*						
Deposit liabilities:						
Savings	₱158,675,307	₱56,242,019	₱27,795,826	₱49,149,862	₱249,146,435	₱541,009,449
Time***	81,037,001	40,011,529	6,280,461	5,894,523	12,528,547	145,752,061
Bonds payable	-	-	-	41,490,871	-	41,490,871
Bills and acceptances payable	10,303,062	5,296,850	1,746,803	185,016	2,630,872	20,162,603
Total financial liabilities	₱250,015,370	₱101,550,398	₱35,823,090	₱96,720,272	₱264,305,854	₱748,414,984
Repricing gap	₱68,184,026	(₱37,192,803)	(₱2,817,700)	(₱47,139,533)	(₱122,742,750)	(₱141,708,760)
Cumulative gap	68,184,026	30,991,223	28,173,523	(18,966,010)	(141,708,760)	

* Financial instruments that are not subject to repricing/rollforward were excluded

** Receivables from customers excludes residual value of leased assets (Note 10)

***Excludes LTNCD

	Consolidated					Total
	2022					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	
Financial Assets*						
Due from BSP and other banks	₱57,044,759	₱12,537,877	₱3,792,192	₱7,078,521	₱40,258,194	₱120,711,543
Interbank loans receivable and securities held under agreements to resell	69,845,933	4,825,901	2,118,690	4,023,440	-	80,813,964
Receivables from customers and other receivables - gross**	38,027,100	45,572,755	34,155,255	35,259,733	188,411,533	341,426,376
Total financial assets	₱164,917,792	₱62,936,533	₱40,066,137	₱46,361,694	₱228,669,727	₱542,951,883
Financial Liabilities*						
Deposit liabilities:						
Savings	₱114,430,938	₱82,873,557	₱27,876,786	₱50,253,238	₱244,506,016	₱519,940,535
Time***	57,117,230	30,218,746	11,043,959	9,460,545	4,272,828	112,113,308
Bonds payable	-	-	16,696,885	-	41,742,212	58,439,097
Bills and acceptances payable	9,382,521	3,640,490	17,418	369,964	1,569,980	14,980,373
Total financial liabilities	₱180,930,689	₱116,732,793	₱55,635,048	₱60,083,747	₱292,091,036	₱705,473,313
Repricing gap	(₱16,012,897)	(₱53,796,260)	(₱15,568,911)	(₱13,722,053)	(₱63,421,309)	(₱162,521,430)
Cumulative gap	(16,012,897)	(69,809,157)	(85,378,068)	(99,100,121)	(162,521,430)	

* Financial instruments that are not subject to repricing/rollforward were excluded

** Receivables from customers excludes residual value of leased assets (Note 10)

***Excludes LTNCD



Parent Company						
2023						
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial Assets*						
Due from BSP and other banks	₱53,163,321	₱8,466,394	₱3,186,263	₱7,166,464	₱37,054,532	₱109,036,974
Interbank loans receivable and securities held under repurchase agreement	96,853,751	4,713,657	733,899	830,550	–	103,131,857
Receivable from customers and other receivables - gross**	161,955,806	49,845,326	28,901,960	39,616,354	104,403,594	384,723,040
Total financial assets	₱311,972,878	₱63,025,377	₱32,822,122	₱47,613,368	₱141,458,126	₱596,891,871
Financial Liabilities*						
Deposit liabilities:						
Savings	₱158,566,530	₱56,141,908	₱27,695,715	₱48,995,714	₱248,663,704	₱540,063,571
Time***	85,305,839	39,796,870	6,226,047	5,871,308	4,570,860	141,770,924
Bonds payable	–	–	–	41,490,871	–	41,490,871
Bills and acceptances payable	10,109,071	5,266,998	1,738,607	–	3,047,927	20,162,603
Total financial liabilities	₱253,981,440	₱101,205,776	₱35,660,369	₱96,357,893	₱256,282,491	₱743,487,969
Repricing gap	₱57,991,438	(₱38,180,399)	(₱2,838,247)	(₱48,744,525)	(₱114,824,365)	(₱146,596,098)
Cumulative gap	57,991,438	19,811,039	16,972,792	(31,771,733)	(146,596,098)	

* Financial instruments that are not subject to repricing/rollforward were excluded.

** Receivable from customers excludes residual value of leased assets (Note 10).

***Excludes LTNCD.

Parent Company						
2022						
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial Assets*						
Due from BSP and other banks	₱53,592,812	₱10,577,151	₱3,520,771	₱6,789,024	₱37,820,976	₱112,300,734
Interbank loans receivable and securities held under repurchase agreement	69,014,896	4,333,680	2,118,690	3,791,340	–	79,258,606
Receivable from customers and other receivables - gross**	38,027,100	45,572,755	34,155,255	35,259,733	188,411,533	341,426,376
Total financial assets	₱160,634,808	₱60,483,586	₱39,794,716	₱45,840,097	₱226,232,509	₱532,985,716
Financial Liabilities*						
Deposit liabilities:						
Savings	₱113,443,295	₱82,873,557	₱27,876,786	₱50,253,238	₱244,481,764	₱518,928,640
Time***	59,700,130	28,124,706	8,370,715	8,430,094	4,140,440	108,766,085
Bonds payable	–	–	16,696,885	–	41,742,212	58,439,097
Bills and acceptances payable	9,231,579	3,540,473	–	–	1,115,983	13,888,035
Total financial liabilities	₱182,375,004	₱114,538,736	₱52,944,386	₱58,683,332	₱291,480,399	₱700,021,857
Repricing gap	(₱21,740,196)	(₱54,055,150)	(₱13,149,670)	(₱12,843,235)	(₱65,247,890)	(₱167,036,141)
Cumulative gap	(21,740,196)	(75,795,346)	(88,945,016)	(101,788,251)	(167,036,141)	

* Financial instruments that are not subject to repricing/rollforward were excluded.

** Receivables from customers excludes residual value of leased assets (Note 10)

***Excludes LTNCD

The following table sets forth, for the year indicated, the impact of changes in interest rates on the Group's and the Parent Company's repricing gap for the years ended December 31, 2023 and 2022:

Consolidated				
	2023		2022	
	Statement of Income	Equity	Statement of Income	Equity
+50bps	₱119,977	₱119,977	(₱352,749)	(₱352,749)
-50bps	(119,977)	(119,977)	352,749	352,749
+100bps	239,954	239,954	(705,498)	(705,498)
-100bps	(239,954)	(239,954)	705,498	705,498



	Parent Company			
	2023		2022	
	Statement of Income	Equity	Statement of Income	Equity
+50bps	₱66,058	₱66,058	(₱372,994)	(₱372,994)
-50bps	(66,058)	(66,058)	372,994	372,994
+100bps	132,116	132,116	(745,988)	(745,988)
-100bps	(132,116)	(132,116)	745,988	745,988

In addition to EaR, the Parent Company also employs economic value-based measures that assess the present value of the expected net cash flows of assets and liabilities, particularly those that are interest-bearing, discounted to reflect market rates. At the same time that fluctuations in interest rates will affect the Parent Company's earnings, these will also have an impact on its net worth or capital position. In coming up with present values, the relevant risk-free rate shall be used to formulate discount factors. Resulting weighted net positions across tenors are aggregated to determine the Economic Value of Equity (EVE) per book and per major currency under different shock scenarios.

Delta EVE is the difference between the total net present value of expected asset and liability cash flows when discounted at prevailing market rates and when discounted against shocked interest rates. Delta EVE is computed based on several interest rate shock scenarios (e.g. parallel up, parallel down, short rates up, short rates down, steepening rates, flattening rates). The scenario with the most negative Delta EVE, pertaining to the highest decline in net present value, is compared to the medium to long-term Delta EVE trigger, which corresponds to a percentage of the Parent Company's Common Equity Tier 1 (CET1) capital.

As of December 31, 2023, the maximum negative Delta EVE is at ₱6.2 billion or 5.43% of CET1 capital coming from the steepening rates scenario.

Foreign currency risk

Foreign exchange is the risk to earnings or capital arising from changes in foreign exchange rates. The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financials and cash flows.

Foreign currency liabilities generally consist of foreign currency deposits in the Parent Company's FCDU books, accounts made in the Philippines or which are generated from remittances to the Philippines by Filipino expatriates and overseas Filipino workers who retain for their own benefit or for the benefit of a third party, foreign currency deposit accounts with the Parent Company and foreign currency-denominated borrowings appearing in the regular books of the Parent Company.

Foreign currency deposits are generally used to fund the Parent Company's foreign currency-denominated loan and investment portfolio in the FCDU. Banks are required by the BSP to match the foreign currency liabilities with the foreign currency assets held through FCDUs. In addition, the BSP requires a 30.00% liquidity reserve on all foreign currency liabilities held through FCDUs. Outside the FCDU, the Parent Company has additional foreign currency assets and liabilities in its foreign branch network.

The Group's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines. The Group believes that its profile of foreign currency exposure on its assets and liabilities is within conservative limits for a financial institution engaged in the type of business in which the Group is involved.



The table below summarizes the exposure to foreign exchange rate risk excluding those under the FCDU, categorized by currency (amounts in Philippine peso equivalent).

	Consolidated					
	2023			2022		
	USD	Others*	Total	USD	Others*	Total
Assets						
COCI and due from BSP	₱119,469	₱425,096	₱544,565	₱84,087	₱220,965	₱305,052
Due from other banks	11,638,822	3,863,354	15,502,176	15,808,462	6,252,360	22,060,822
Interbank loans receivable and securities held under agreements to resell	15,134,491	4,827,144	19,961,635	1,055,631	1,963,052	3,018,683
Loans and receivables	26,835,528	11,551,544	38,387,072	27,845,651	9,647,963	37,493,614
Financial assets at FVTPL	5,029	–	5,029	631	1,708	2,339
Financial assets at FVOCI	866,362	732,743	1,599,105	836,677	1,359,428	2,196,105
Investment securities at amortized cost	476,337	624,203	1,100,540	145,145	512,077	657,222
Other assets	11,779,548	1,030,816	12,810,364	123,263	1,119,773	1,243,036
Total assets	66,855,586	23,054,900	89,910,486	45,899,547	21,077,326	66,976,873
Liabilities						
Deposit liabilities	₱8,849,451	₱8,963,600	₱17,813,051	₱8,239,094	₱7,994,078	₱16,233,172
Derivative liabilities	1	–	1	–	–	–
Bills and acceptances payable	10,510,491	–	10,510,491	11,984,358	16,950	12,001,308
Accrued interest payable	86,808	21,671	108,479	93,140	82,035	175,175
Other liabilities	9,378,454	2,494,000	11,872,454	26,256,370	2,199,950	28,456,320
Total liabilities	28,825,205	11,479,271	40,304,476	46,572,962	10,293,013	56,865,975
Net Exposure	₱38,030,381	₱11,575,629	₱49,606,010	(₱673,415)	₱10,784,313	₱10,110,898

* Other currencies pertain to third currencies

	Parent Company					
	2023			2022		
	USD	Others*	Total	USD	Others*	Total
Assets						
COCI and due from BSP	₱51,226	₱167,776	₱219,002	₱67,296	₱212,487	₱279,783
Due from other banks	6,136,432	1,144,815	7,281,247	10,753,272	1,465,566	12,218,838
Interbank loans receivable and securities held under agreements to resell	14,362,997	3,348,733	17,711,730	722,689	725,368	1,448,057
Loans and receivables	24,700,030	24,636	24,724,666	24,638,723	38,217	24,676,940
Financial assets at FVTPL	44	–	44	216	–	216
Financial assets at FVOCI	866,362	572,357	1,438,719	836,677	1,205,124	2,041,801
Investment securities at amortized cost	6,376	624,203	630,579	5,863	512,077	517,940
Other assets	11,745,510	–	11,745,510	11,811,574	–	11,811,574
Total assets	57,868,977	5,882,520	63,751,497	48,836,310	4,158,839	52,995,149
Liabilities						
Deposit liabilities	2,275,877	5,538,066	7,813,943	2,280,526	4,472,986	6,753,512
Derivative liabilities	1	–	1	–	–	–
Bills and acceptances payable	10,510,491	–	10,510,491	11,927,528	–	11,927,528
Accrued interest payable	54,986	1,499	56,485	86,968	408	87,376
Other liabilities	9,036,932	1,996,722	11,033,654	25,952,250	1,841,698	27,793,948
Total liabilities	21,878,287	7,536,287	29,414,574	40,247,272	6,315,092	46,562,364
Net Exposure	₱35,990,690	(₱1,653,767)	₱34,336,923	₱8,589,038	(₱2,156,253)	₱6,432,785

* Other currencies pertain to third currencies

The exchange rates used to convert the Group and the Parent Company's US dollar-denominated assets and liabilities into Philippine peso were ₱55.37 to USD1.00 as of December 31, 2023 and ₱55.76 to USD1.00 as of December 31, 2022. The following tables set forth the impact of the range of reasonably possible changes in the USD:PHP exchange rate on the Group and the Parent Company's income before income tax and equity (due to the revaluation of monetary assets and liabilities) for the years ended December 31, 2023 and 2022:

	2023			
	Consolidated		Parent Company	
	Statement of Income	Equity	Statement of Income	Equity
+1.00%	₱371,640	(₱380,304)	₱351,243	(₱359,907)
-1.00%	(371,640)	380,304	(351,243)	359,907
	2022			
	Consolidated		Parent Company	
	Statement of Income	Equity	Statement of Income	Equity
+1.00%	(₱15,101)	₱6,734	₱77,524	(₱85,890)
-1.00%	15,101	(6,734)	(77,524)	85,890



The Group and the Parent Company do not expect the impact of the volatility on other currencies to be material.

5. Fair Value Measurement

The Group uses the following methods and assumptions in estimating the fair value of its assets and liabilities:

Assets and Liabilities	Fair value methodologies
Cash equivalents	At carrying amounts due to their relatively short-term maturity
Derivatives	Based on either: <ul style="list-style-type: none"> • quoted market prices; • prices provided by independent parties; or • prices derived using acceptable valuation models
Debt securities	For quoted securities – based on market prices from debt exchanges For unquoted securities ¹ – estimated using either: <ul style="list-style-type: none"> • quoted market prices of comparable investments; or • discounted cash flow methodology
Equity securities	For quoted securities – based on market prices from stock exchanges For unquoted securities – estimated using either: <ul style="list-style-type: none"> • quoted market prices of comparable investments²; or • adjusted net asset value method³ 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 approach⁶; or • replacement cost approach⁷
Short-term financial liabilities	At carrying amounts due to their relatively short-term maturity
Long-term financial liabilities	For quoted debt issuances – based on market prices from debt exchanges For unquoted debt issuances – estimated using the discounted cash flow methodology ⁸

Notes:

¹ using interpolated PHP BVAL rates provided by the Philippine Dealing and Exchange Corporation (for government securities) and PHP BVAL rates plus additional credit spread (for corporate/private securities)

² using the most relevant multiples (e.g., earnings, book value)

³ measures the company's value by adjusting the carrying value of its assets to their fair values, and then subtracting the fair value of its liabilities

⁴ using the current incremental lending rates for similar loans

⁵ considering other factors such as size, shape and location of the properties, price per square meter, reproduction costs new, time element, discount, among others

⁶ using recent sales of similar properties within the same vicinity and considering the economic conditions prevailing at the time of the valuations and comparability of similar properties sold

⁷ estimating the investment required to duplicate the property in its present condition

⁸ using the current incremental borrowing rates for similar borrowings



Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of assets and liabilities:

- Level 1 - Quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level of input that is significant to their fair value measurement is unobservable

The Group and the Parent Company held the following assets and liabilities measured at fair value, and at cost but for which fair values are disclosed:

	Consolidated				Total
	Carrying Value	Level 1	Level 2	Level 3	
Measured at fair value:					
Financial Assets					
Financial assets at FVTPL:					
Government securities	P8,174,405	P2,633,602	P5,540,803	P-	P8,174,405
Private debt securities	1,590,489	914,210	676,279	-	1,590,489
Derivative assets	749,199	-	749,199	-	749,199
Equity securities	2,771	2,771	-	-	2,771
Financial assets at FVOCI:					
Government securities	124,372,410	46,682,566	77,689,844	-	124,372,410
Equity securities	25,978,530	200,709	1,014,081	24,763,740	25,978,530
Private debt securities	14,180,552	6,944,140	7,236,412	-	14,180,552
	P175,048,356	P57,377,998	P92,906,618	P24,763,740	P175,048,356
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	P555,811	P-	P555,811	P-	P555,811
Fair values are disclosed:					
Financial Assets					
Financial assets at amortized cost:					
Investment securities at amortized cost*	P123,200,427	P24,840,676	P98,730,596	P-	P123,571,272
Receivables from customers**	604,188,788	-	-	623,817,129	623,817,129
	P727,389,215	P24,840,676	P98,730,596	P623,817,129	P747,388,401
Nonfinancial Assets					
Investment property:					
Land***	P12,359,795	P-	P-	P26,228,453	P26,228,453
Buildings and improvements***	2,219,763	-	-	7,975,404	7,975,404
	P14,579,558	P-	P-	P34,203,857	P34,203,857
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	P145,752,061	P-	P-	P145,538,240	P145,538,240
LTNCDs	12,803,543	-	12,586,489	-	12,586,489
Bonds payable	41,490,871	-	40,625,938	-	40,625,938
Bills payable	10,607,626	-	-	10,559,411	10,559,411
	P210,654,101	P-	P53,212,427	P156,097,651	P209,310,078

* Net of expected credit losses (Note 9)

** Net of expected credit losses and unearned and other deferred income (Note 10)

*** Net of impairment losses (Note 13)



Consolidated					
2022					
	Carrying Value	Level 1	Level 2	Level 3	Total
Measured at fair value:					
Financial Assets					
Financial assets at FVTPL:					
Government securities	P4,371,671	P27,009	P4,344,662	P-	P4,371,671
Private debt securities	1,610,681	146,495	1,464,186	-	1,610,681
Derivative assets	1,361,951	-	1,361,951	-	1,361,951
Equity securities	2,898	2,898	-	-	2,898
Financial assets at FVOCI:					
Government securities	117,939,783	55,867,413	62,072,370	-	117,939,783
Equity securities	24,812,872	233,298	1,128,254	23,451,320	24,812,872
Private debt securities	15,430,870	244,224	15,186,646	-	15,430,870
	P165,530,726	P56,521,337	P85,558,069	P23,451,320	P165,530,726
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	P1,039,776	P-	P1,039,776	P-	P1,039,776
Fair values are disclosed:					
Financial Assets					
Financial assets at amortized cost:					
Investment securities at amortized cost*	P110,467,960	P14,695,749	P96,707,252	P-	P111,403,001
Receivables from customers**	578,120,332	-	-	610,493,878	610,493,878
	P688,588,292	P14,695,749	P96,707,252	P610,493,878	P721,896,879
Nonfinancial Assets					
Investment property:					
Land***	P12,508,051	P-	P-	P29,868,859	P29,868,859
Buildings and improvements***	1,286,935	-	-	3,510,670	3,510,670
	P13,794,986	P-	P-	P33,379,529	P33,379,529
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	P112,113,308	P-	P-	P112,113,308	P112,113,308
LTNCDs	19,130,012	-	18,922,562	-	18,922,562
Bonds payable	58,439,097	39,955,398	16,878,070	-	56,833,468
Bills payable	7,702,325	-	-	7,625,229	7,625,229
	P197,384,742	P39,955,398	P35,800,632	P119,738,537	P195,494,567

* Net of expected credit losses (Note 9)

** Net of expected credit losses and unearned and other deferred income (Note 10)

*** Net of impairment losses (Note 13)

Parent Company					
2023					
	Carrying Value	Level 1	Level 2	Level 3	Total
Measured at fair value:					
Financial Assets					
Financial assets at FVTPL:					
Government securities	P8,174,405	P2,633,602	P5,540,803	P-	P8,174,405
Private debt securities	1,444,641	768,361	676,280	-	1,444,641
Derivative assets	744,213	-	744,213	-	744,213
Financial assets at FVOCI:					
Government securities	124,081,774	46,219,370	77,862,404	-	124,081,774
Equity securities	25,903,360	200,539	939,081	24,763,740	25,903,360
Private debt securities	14,151,837	6,915,425	7,236,412	-	14,151,837
	P174,500,230	P56,737,297	P92,999,193	P24,763,740	P174,500,230
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	P555,811	P-	P555,811	P-	P555,811

(Forward)



Parent Company					
2023					
	Carrying Value	Level 1	Level 2	Level 3	Total
Fair values are disclosed:					
Financial Assets					
Financial assets at amortized cost					
Investment securities at amortized cost*	P122,730,465	P24,370,714	P98,730,596	P-	P123,101,310
Receivables from customers**	590,301,047	-	-	609,930,601	609,930,601
	P713,031,512	P24,370,714	P98,730,596	P609,930,601	P733,031,911
Nonfinancial Assets					
Investment property:					
Land***	P11,807,630	P-	P-	P25,628,608	P25,628,608
Buildings and improvements***	2,303,976	-	-	7,806,117	7,806,117
	P14,111,606	P-	P-	P33,434,725	P33,434,725
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	P141,770,924	P-	P-	P141,557,103	P141,557,103
LTNCDs	12,803,543	-	12,586,489	-	12,586,489
Bonds payable	41,490,871	-	40,625,938	-	40,625,938
Bills payable	10,607,626	-	-	10,559,411	10,559,411
	P206,672,964	P-	P53,212,427	P152,116,514	P205,328,941

* Net of expected credit losses (Note 9)

** Net of expected credit losses and unearned and other deferred income (Note 10)

*** Net of impairment losses (Note 13)

Parent Company					
2022					
	Carrying Value	Level 1	Level 2	Level 3	Total
Measured at fair value:					
Financial Assets					
Financial assets at FVTPL:					
Government securities	P4,371,671	P27,008	P4,344,663	P-	P4,371,671
Private debt securities	1,464,186	-	1,464,186	-	1,464,186
Derivative assets	1,359,828	-	1,359,828	-	1,359,828
Financial assets at FVOCI:					
Government securities	117,660,744	55,415,814	62,244,930	-	117,660,744
Equity securities	24,365,818	233,128	681,370	23,451,320	24,365,818
Private debt securities	15,179,345	244,224	14,935,121	-	15,179,345
	P164,401,592	P55,920,174	P85,030,098	P23,451,320	P164,401,592
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	P1,039,776	P-	P1,039,776	P-	P1,039,776
Fair values are disclosed:					
Financial Assets					
Financial assets at amortized cost					
Investment securities at amortized cost*	P110,328,678	P14,556,467	P96,707,252	P-	P111,263,719
Receivables from customers**	564,069,218	-	-	596,443,214	596,443,214
	674,397,896	14,556,467	96,707,252	596,443,214	707,706,933
Nonfinancial Assets					
Investment property:					
Land***	P11,953,099	P-	P-	P29,264,637	P29,264,637
Buildings and improvements***	1,311,721	-	-	3,316,776	3,316,776
	P13,264,820	P-	P-	P32,581,413	P32,581,413
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	P108,766,087	P-	P-	P108,766,087	P108,766,087
LTNCDs	19,130,012	-	18,922,562	-	18,922,562
Bonds payable	58,439,097	39,955,398	16,878,070	-	56,833,468
Bills payable	6,609,988	-	-	6,532,891	6,532,891
	P192,945,184	P39,955,398	P35,800,632	P115,298,978	P191,055,008

* Net of expected credit losses (Note 9)

** Net of expected credit losses and unearned and other deferred income (Note 10)

*** Net of impairment losses (Note 13)



As of December 31, 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value measurements.

The following table summarizes the significant unobservable inputs used to calculate the fair value of Level 3 financial assets at FVOCI of the Group and the Parent Company as of December 31, 2023 and 2022 and the range of values indicating the highest and lowest level input used in the valuation techniques.

	Significant Unobservable Input	2023		2022	
		-2%	+2%	-2%	+2%
Equity securities	Discount for lack of marketability	₱588,436	(₱588,436)	₱555,656	(₱555,656)

For certain unquoted equity securities, the Group imputes a discount for lack of marketability which is a valuation consideration often based on observed data and empirical evidence. Certain valuation studies suggest that private companies typically sell at lower transaction pricing multiples than similar public companies.

6. Segment Information

6.1 Business Segments

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

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

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

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

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



activities of a segment and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

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

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

Business segment information of the Group follows:

2023						
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Net interest margin						
Third party	(P717,463)	P28,943,234	P16,370,415	P91,085	(P94,428)	P44,592,843
Inter-segment	28,959,163	(16,642,135)	(12,317,028)	–	–	–
Net interest margin after inter-segment transactions	28,241,700	12,301,099	4,053,387	91,085	(94,428)	44,592,843
Other income	5,053,691	6,180,122	1,433,814	1,580,429	(214,234)	14,033,822
Segment revenue	33,295,391	18,481,221	5,487,201	1,671,514	(308,662)	58,626,665
Other expenses	13,242,125	9,270,074	1,133,976	1,844,253	(308,662)	25,181,766
Segment result	P20,053,266	P9,211,147	P4,353,225	(P172,739)	P–	33,444,899
Unallocated expenses						11,471,704
Income before income tax						21,973,195
Income tax						4,007,375
Net income						17,965,820
Non-controlling interests						(13,437)
Net income for the year attributable to equity holders of the Parent Company						P17,979,257
Other segment information:						
Capital expenditures	P348,679	P147,739	P5,350	P141,085	P–	P642,853
Unallocated capital expenditures						375,975
Total capital expenditures						P1,018,828
Depreciation and amortization	P1,182,493	P424,316	P19,483	P293,714	P–	P1,920,006
Unallocated depreciation and amortization						2,056,063
Total depreciation and amortization						P3,976,069
Provision for (reversal of) impairment, credit and other losses	P160,141	P5,804,991	(P69,600)	P27,522	P–	P5,923,054

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

2022						
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Net interest margin						
Third party	P1,067,003	P27,860,354	P8,535,524	P20,517	(P155,828)	P37,327,570
Inter-segment	20,436,564	(13,698,864)	(6,737,700)	–	–	–
Net interest margin after inter-segment transactions	21,503,567	14,161,490	1,797,824	20,517	(155,828)	37,327,570
Other income	5,008,794	8,159,543	(128,555)	3,629,778	(488,667)	16,180,893
Segment revenue	26,512,361	22,321,033	1,669,269	3,650,295	(644,495)	53,508,463
Other expenses	13,047,668	9,261,629	628,690	2,069,057	(644,495)	24,362,549
Segment result	P13,464,693	P13,059,404	P1,040,579	P1,581,238	P–	29,145,914
Unallocated expenses						12,630,698
Income before income tax						16,515,216

(Forward)



2022						
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Income tax						₱4,931,228
Net income						11,583,988
Non-controlling interests						51,670
Net income for the year attributable to equity holders of the Parent Company						₱11,532,318
Other segment information:						
Capital expenditures	₱166,520	₱26,621	₱19,998	₱9,628	₱-	₱222,767
Unallocated capital expenditures						1,205,888
Total capital expenditures						₱1,428,655
Depreciation and amortization	₱1,308,317	₱399,629	₱45,770	₱351,829	₱-	₱2,105,545
Unallocated depreciation and amortization						2,120,201
Total depreciation and amortization						₱4,225,746
Provision for (reversal of) impairment, credit and other losses	₱840,755	₱5,281,808	(₱8,104)	₱1,083,658	₱-	₱7,198,117
2021						
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Net interest margin						
Third party	₱471,810	₱28,638,348	₱5,631,755	₱128,036	(₱25,122)	₱34,844,827
Inter-segment	17,316,847	(15,099,161)	(2,217,686)	-	-	-
Net interest margin after inter-segment transactions	17,788,657	13,539,187	3,414,069	128,036	(25,122)	34,844,827
Other income	4,774,488	325,327	1,071,713	36,632,015	399,445	43,202,988
Segment revenue	22,563,145	13,864,514	4,485,782	36,760,051	374,323	78,047,815
Other expenses	15,835,760	11,135,265	28,780	1,872,452	374,323	29,246,580
Segment result	₱6,727,385	₱2,729,249	₱4,457,002	₱34,887,599	₱-	48,801,235
Unallocated expenses						10,830,638
Income before income tax						37,970,597
Income tax						5,545,194
Net income from continuing operations						32,425,403
Net income from discontinued operations						(735,365)
Net income						31,690,038
Non-controlling interests						59,412
Net income for the year attributable to equity holders of the Parent Company						₱31,630,626
Other segment information:						
Capital expenditures	₱253,520	₱22,288	₱47,096	₱436,928	₱-	₱759,832
Unallocated capital expenditures						1,016,364
Total capital expenditure						₱1,776,196
Depreciation and amortization	₱810,644	₱341,467	₱21,707	₱452,128	₱-	₱1,625,946
Unallocated depreciation and amortization						1,219,771
Total depreciation and amortization						₱2,845,717
Provision for impairment, credit and other losses	₱4,355,124	₱8,171,174	(₱600,974)	₱953,687	₱-	₱12,879,011

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



As of December 31, 2023						
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Segment assets	₱681,077,435	₱296,973,331	₱162,833,376	₱91,208,829	(₱21,543,571)	₱1,210,549,400
Segment liabilities	₱655,716,486	₱277,504,592	₱73,979,402	₱34,548,168	(₱22,347,902)	₱1,019,400,746

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

As of December 31, 2022						
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Segment assets	₱699,718,901	₱318,631,627	₱102,166,641	₱69,835,932	(₱45,196,025)	₱1,145,157,076
Segment liabilities	₱680,567,910	₱227,645,082	₱21,889,505	₱93,262,996	(₱48,114,051)	₱975,251,442

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

6.2 Geographical Segments

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

	Non-current Assets*		Liabilities		Credit Commitments	
	2023	2022	2023	2022	2023	2022
Philippines	₱483,441,271	₱536,693,910	₱981,819,485	₱930,350,192	₱46,642,445	₱43,941,525
Asia (excluding Philippines)	15,782,479	18,796,243	31,573,388	33,199,104	-	-
USA and Canada	2,486,207	2,079,055	5,895,426	11,598,988	-	-
United Kingdom	328	797	112,447	103,158	-	-
	₱501,710,285	₱557,570,005	₱1,019,400,746	₱975,251,442	₱46,642,445	₱43,941,525

* Gross of allowance for impairment and credit losses (Note 16) and unearned and other deferred income (Note 10)

	Capital Expenditures			Revenues		
	2023	2022	2021	2023	2022	2021
Philippines	₱1,015,634	₱1,394,685	₱1,728,280	₱69,828,059	₱59,259,052	₱83,243,604
Asia (excluding Philippines)	2,173	33,178	45,649	2,639,017	1,221,488	1,561,499
USA and Canada	1,021	792	2,267	1,042,962	839,476	694,003
United Kingdom	-	-	-	118,313	105,279	106,259
	₱1,018,828	₱1,428,655	₱1,776,196	₱73,628,351	₱61,425,295	₱85,605,365

The Philippines is the home country of the Parent Company, which is also the main operating company. The Group offers a wide range of financial services as discussed in Note 1. Additionally, most of the remittance services are managed and conducted in Asia, Canada, USA and United Kingdom. The areas of operations include all the primary business segments.

7. Due from Bangko Sentral ng Pilipinas

This account consists of:

	Consolidated		Parent Company	
	2023	2022	2023	2022
Demand deposit (Note 17)	₱78,372,794	₱74,701,360	₱78,372,794	₱74,701,360
Overnight deposit facility (ODF)	15,000,000	5,000,000	15,000,000	5,000,000
Term deposit facility (TDF)	2,037,556	15,000,000	2,037,556	15,000,000
	₱95,410,350	₱94,701,360	₱95,410,350	₱94,701,360



In 2023, 2022 and 2021, interest income on amounts due from BSP of the Group and the Parent Company amounted to ₱1.8 bilion, ₱1.2 billion and ₱1.2 billion, respectively, with interest rates ranging from:

	2023	2022	2021
ODF	5.00% - 6.00%	1.50% - 5.00%	1.50% - 2.00%
TDF	6.28% - 6.75%	1.66% - 6.43%	1.60% - 2.02%

8. Interbank Loans Receivable and Securities Held Under Agreements to Resell

8.1 Interbank Loans Receivables

Interbank loans receivables of the Group and the Parent Company bear interest ranging from:

	2023	2022	2021
Peso-denominated	5.5% - 6.4%	1.5% - 6.4%	1.0% - 2.0%
Foreign currency-denominated	0.9% - 6.1%	0.4% - 5.3%	0.0% - 1.5%

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

	Consolidated		Parent Company	
	2023	2022	2023	2022
Interbank loans receivable	₱35,642,485	₱16,291,470	₱33,445,364	₱14,736,112
Less: Allowance for credit losses (Note 16)	8,045	1,369	8,045	1,369
	35,634,440	16,290,101	33,437,319	14,734,743
Less: Interbank loans receivable not considered as cash and cash equivalents	4,678,674	6,507,649	3,502,399	5,910,030
	₱30,955,766	₱9,782,452	₱29,934,920	₱8,824,713

8.2 Securities Held Under Agreements to Resell

Securities held under agreements to resell bear interest ranging from 4.20% to 7.00% in 2023, from 2.00% to 5.50% in 2022, and from 1.50% to 2.50% in 2021. As of December 31, 2023 and 2022, allowance for credit losses on securities held under agreements to resell amounted to ₱14.2 million and ₱2.2 million, respectively (refer to Note 16.2).

The fair value of the treasury bills pledged under these agreements as of December 31, 2023 and 2022 amounted to ₱57.8 billion and ₱64.3 billion, for the Group and the Parent Company (refer to Note 35).

8.3 Interest Income on Interbank Loans Receivable and Securities Held Under Agreements to Resell

In 2023, 2022 and 2021, interest income on interbank loans receivable and securities held under agreements to resell amounted to ₱3.4 billion, ₱954.6 million, and ₱400.4 million, respectively, for the Group and ₱3.4 billion, ₱896.7 million, and ₱348.2 million, respectively, for the Parent Company.



9. Trading and Investment Securities

This account consists of:

	Consolidated		Parent Company	
	2023	2022	2023	2022
Financial assets at FVTPL	₱10,516,864	₱7,347,201	₱10,363,259	₱7,195,685
Financial assets at FVOCI	164,531,492	158,183,525	164,136,971	157,205,907
Investment securities at amortized cost	123,200,427	110,467,960	122,730,465	110,328,678
	₱298,248,783	₱275,998,686	₱297,230,695	₱274,730,270

9.1 Financial Assets at FVTPL

This account consists of:

	Consolidated		Parent Company	
	2023	2022	2023	2022
Government securities	₱8,174,405	₱4,371,671	₱8,174,405	₱4,371,671
Private debt securities	1,590,489	1,610,681	1,444,641	1,464,186
Derivative assets (Notes 23 and 35)	749,199	1,361,951	744,213	1,359,828
Equity securities	2,771	2,898	–	–
	₱10,516,864	₱7,347,201	₱10,363,259	₱7,195,685

The nominal interest rates of debt securities at FVTPL of the Group and the Parent Company range from:

	2023	2022	2021
Government securities	1.4% - 8.6%	1.4% - 8.0%	1.4% - 9.5%
Private debt securities	2.8% - 8.8%	4.9% - 6.9%	4.9% - 6.9%

9.2 Financial Assets at FVOCI

This account consists of:

	Consolidated		Parent Company	
	2023	2022	2023	2022
Government securities (Note 19)	₱124,372,410	₱117,939,783	₱124,081,774	₱117,660,744
Private debt securities (Note 19)	14,180,552	15,430,870	14,151,837	15,179,345
Equity securities				
Quoted	1,049,195	792,216	974,025	734,046
Unquoted (Note 33)	24,929,335	24,020,656	24,929,335	23,631,772
	₱164,531,492	₱158,183,525	₱164,136,971	₱157,205,907

Unquoted equity securities include the Parent Company's retained 49.00% interest in PNB Holdings Corporation (PNB Holdings) amounting to ₱24.6 billion and ₱23.2 billion as of December 31, 2023 and 2022, respectively (refer to Note 12.4). The fair value was determined using the adjusted net asset value method as discussed in Note 5. Further, the Parent Company applied 16.50% discount, being a non-listed company, by referring to a number of recent initial public offerings of comparative entities.



The effective interest rates of debt securities at FVOCI of the Group and the Parent Company range from:

	2023	2022	2021
Government securities	0.2% - 19.1%	0.2% - 26.2%	0.1% - 18.3%
Private debt securities	0.5% - 6.4%	0.5% - 6.4%	0.4% - 6.9%

As of December 31, 2023 and 2022, the fair value of financial assets at FVOCI in the form of government bonds pledged to fulfill its collateral requirements with securities sold under repurchase agreement transactions amounted to ₱6.5 billion and ₱2.5 billion, respectively (refer to Note 19.1). The counterparties have an obligation to return the securities to the Parent Company once the obligations have been settled. In case of default, the counterparties have the right to hold the securities and sell them as settlement of the repurchase agreement.

The movements in 'Net unrealized gains (losses) on financial assets at FVOCI' of the Group and the Parent Company are as follows:

	Consolidated		Parent Company	
	2023	2022	2023	2022
Balance at the beginning of the year	(₱5,959,275)	(₱703,737)	(₱5,959,275)	(₱703,737)
Changes in fair values:				
Debt securities	2,581,505	(5,808,581)	2,558,481	(5,799,196)
Equity securities	1,368,570	394,654	1,368,570	401,920
Reversals of credit losses (Note 16)	(75,912)	(12,566)	(72,676)	(12,069)
Realized losses (gains)	(122)	1,058,318	-	1,058,318
Share in net unrealized gains (losses) of subsidiaries and an associate (Note 12)	362,392	(885,481)	382,058	(902,788)
	(1,722,842)	(5,957,393)	(1,722,842)	(5,957,552)
Income tax effect (Note 30)	189	(1,882)	189	(1,723)
	(₱1,722,653)	(₱5,959,275)	(₱1,722,653)	(₱5,959,275)

As of December 31, 2023 and 2022, the allowance for credit losses on debt securities at FVOCI (included in 'Net unrealized losses on financial assets at FVOCI') amounted to ₱109.0 million and ₱121.6 million, respectively, for the Group, and ₱46.8 million and ₱119.5 million, respectively, for the Parent Company (refer to Note 16.2). Movements in ECL on debt securities at FVOCI are mostly driven by movements in the corresponding gross figures.

9.3 Investment Securities at Amortized Cost

This account consists of:

	Consolidated		Parent Company	
	2023	2022	2023	2022
Government securities (Notes 19 and 32)	₱104,533,382	₱78,197,433	₱104,063,420	₱78,058,151
Private debt securities	18,822,880	36,118,377	18,822,880	36,118,377
	123,356,262	114,315,810	122,886,300	114,176,528
Less allowance for credit losses (Note 16)	155,835	3,847,850	155,835	3,847,850
	₱123,200,427	₱110,467,960	₱122,730,465	₱110,328,678



The effective interest rates of investment securities at amortized cost of the Group and the Parent Company range from:

	2023	2022	2021
Government securities	0.8% - 7.5%	0.8% - 7.5%	0.1% - 7.4%
Private debt securities	1.0% - 8.3%	0.8% - 8.3%	0.4% - 6.9%

In 2023 and 2022, movements in allowance for expected credit losses on investment securities at amortized cost are mostly driven by newly originated assets which mostly remained in Stage 1.

As of December 31, 2023 and 2022, the fair value of investment securities at amortized cost in the form of government bonds pledged to fulfill its collateral requirements with securities sold under repurchase agreements transactions amounted to ₱5.5 billion with corresponding carrying value of the same amount (refer to Note 19.1). As of December 31, 2023 and 2022, government securities with carrying values of ₱1.8 billion and ₱1.6 billion, respectively, are deposited with the BSP in compliance with trust regulations (refer to Note 32).

As of December 31, 2023, the Group set aside government securities booked under 'Investment securities at amortized cost' with total carrying value of ₱363.3 million as liquidity cover for 50.0% of the outstanding balances of electronic money (e-money) products in compliance with BSP Circular 1166, *Amendments to the Regulations on Electronic Money and the Operations of Electronic Money Issuers in the Philippines*. This is on top of the fund held in trust to cover for the other 50.0% of the outstanding e-money balances (refer to Note 15).

9.4 Interest Income on Investment Securities at Amortized Cost and FVOCI

This account consists of:

	Consolidated			Parent Company		
	2023	2022	2021	2023	2022	2021
Continuing operations:						
Financial assets at FVOCI	₱5,509,001	₱4,442,846	₱2,698,223	₱5,468,097	₱4,432,605	₱2,698,419
Investment securities at amortized cost	7,099,169	3,712,076	3,265,371	7,092,433	3,710,487	3,264,195
	12,608,170	8,154,922	5,963,594	12,560,530	8,143,092	5,962,614
Discontinued operations (Note 36):						
Financial assets at FVOCI	-	-	11,135	-	-	-
Investment securities at amortized cost	-	-	8,695	-	-	-
	-	-	19,830	-	-	-
	₱12,608,170	₱8,154,922	₱5,983,424	₱12,560,530	₱8,143,092	₱5,962,614

9.5 Trading and Investment Securities Gains (Losses) - net

This account consists of:

	Consolidated			Parent Company		
	2023	2022	2021	2023	2022	2021
Financial assets at FVTPL						
Government securities	₱411,828	(₱146,580)	₱-	₱411,828	(₱146,580)	₱-
Private debt securities	(12,928)	(64,458)	(825,476)	(12,280)	(61,631)	(954,145)
Equity securities	(170)	(197)	2,323	(44)	-	-
Derivatives (Note 23)	609	-	(23,472)	609	-	(23,472)
Financial assets at FVOCI						
Private debt securities	122	(1,058,318)	30,057	-	(1,058,318)	30,057
Government securities	-	-	1,510,133	-	-	1,510,133
Equity securities	-	-	2	-	-	2
Investment securities at amortized cost	(5,358)	(11,230)	38,005	(5,358)	(11,230)	38,005
	₱394,103	(₱1,280,783)	₱731,572	₱394,755	(₱1,277,759)	₱600,580



Trading gains (losses) on investment securities at amortized cost pertain to investments which were redeemed by the respective issuers prior to their contractual maturity.

10. Loans and Receivables

10.1 Breakdown of Loans and Receivables

This account consists of:

	Consolidated		Parent Company	
	2023	2022	2023	2022
Receivables from customers:				
Loans and discounts	₱607,065,797	₱579,484,209	₱593,955,389	₱567,288,274
Credit card receivables	15,232,845	14,382,681	15,232,845	14,382,681
Customers' liabilities on acceptances (Note 19)	9,533,137	7,272,876	9,533,137	7,272,876
Customers' liabilities on letters of credit and trust receipts	8,688,649	10,378,461	8,559,900	10,248,556
Bills purchased (Note 22)	1,949,627	1,220,029	1,560,465	935,960
Lease contracts receivable (Note 29)	8,399	873,878	–	–
	642,478,454	613,612,134	628,841,736	600,128,347
Other receivables:				
Accrued interest receivable	8,179,147	6,911,100	8,007,891	6,807,292
Accounts receivable	5,180,198	5,478,103	4,468,991	4,380,640
Sales contract receivables	3,760,162	6,240,309	3,722,879	6,198,127
Miscellaneous	366,090	559,099	347,797	539,032
	17,485,597	19,188,611	16,547,558	17,925,091
	659,964,051	632,800,745	645,389,294	618,053,438
Less: Unearned and other deferred income	681,399	756,049	663,303	612,582
Allowance for credit losses (Note 16)	42,571,906	38,944,781	42,567,228	39,445,838
	₱616,710,746	₱593,099,915	₱602,158,763	₱577,995,018

Included in 'Surplus reserves' is the amount of ₱3.9 billion and ₱4.2 billion as of December 31, 2023 and 2022, respectively, which pertains to the excess of 1.00% general loan loss provisions over the computed ECL for Stage 1 accounts as prescribed by BSP Circular 1011, *Guidelines on the Adoption of PFRS 9* (refer to Note 25.3).

Below is the reconciliation of loans and receivables as to classes:

	Consolidated								Total
	2023								
	Corporate Loans	LGU	Credit Cards	Retail SMEs	Housing Loans	Auto Loans	Other Loans	Other Receivables	
Receivables from customers:									
Loans and discounts	₱553,835,945	₱2,275,508	₱–	₱5,313,357	₱28,300,937	₱6,501,496	₱10,838,554	₱–	₱607,065,797
Credit card receivables	–	–	15,232,845	–	–	–	–	–	15,232,845
Customers' liabilities on acceptances (Note 19)	9,533,137	–	–	–	–	–	–	–	9,533,137
Customers' liabilities on letters of credit and trust receipts	8,531,369	–	–	63,517	–	–	93,763	–	8,688,649
Bills purchased (Note 22)	551,939	–	–	2,503	–	–	1,395,185	–	1,949,627
Lease contracts receivable (Note 29)	–	–	–	8,399	–	–	–	–	8,399
	572,452,390	2,275,508	15,232,845	5,387,776	28,300,937	6,501,496	12,327,502	–	642,478,454
Other receivables:									
Accrued interest receivable	–	–	–	–	–	–	–	8,179,147	8,179,147
Accounts receivable	–	–	–	–	–	–	–	5,180,198	5,180,198
Sales contract receivables (Note 33)	–	–	–	–	–	–	–	3,760,162	3,760,162
Miscellaneous	–	–	–	–	–	–	–	366,090	366,090
	572,452,390	2,275,508	15,232,845	5,387,776	28,300,937	6,501,496	12,327,502	17,485,597	659,964,051
Less: Unearned and other deferred income	254,664	9,183	–	15,728	(354)	(1,287)	402,252	1,213	681,399
Allowance for credit losses (Note 16)	28,281,510	70,291	1,315,112	987,597	4,528,314	1,105,299	1,265,030	5,018,753	42,571,906
	₱543,916,216	₱2,196,034	₱13,917,733	₱4,384,451	₱23,772,977	₱5,397,484	₱10,660,220	₱12,465,631	₱616,710,746



	Consolidated								
	2022								
	Corporate Loans	LGU	Credit Cards	Retail SMEs	Housing Loans	Auto Loans	Other Loans	Other Receivables	Total
Receivables from customers:									
Loans and discounts	₱523,188,581	₱2,855,671	₱-	₱5,688,129	₱28,589,332	₱7,028,228	₱12,134,268	₱-	₱579,484,209
Credit card receivables	-	-	14,382,681	-	-	-	-	-	14,382,681
Customers' liabilities on letters of credit and trust receipts	9,756,981	-	-	74,244	-	-	547,236	-	10,378,461
Customers' liabilities on acceptances (Note 19)	7,254,333	-	-	10,482	-	-	8,061	-	7,272,876
Lease contracts receivable (Note 29)	251,200	-	-	622,678	-	-	-	-	873,878
Bills purchased (Note 22)	989,512	-	-	8,829	-	-	221,688	-	1,220,029
	541,440,607	2,855,671	14,382,681	6,404,362	28,589,332	7,028,228	12,911,253	-	613,612,134
Other receivables:									
Accrued interest receivable	-	-	-	-	-	-	-	6,911,100	6,911,100
Sales contract receivables (Note 33)	-	-	-	-	-	-	-	6,240,309	6,240,309
Accounts receivable	-	-	-	-	-	-	-	5,478,103	5,478,103
Miscellaneous	-	-	-	-	-	-	-	559,099	559,099
	541,440,607	2,855,671	14,382,681	6,404,362	28,589,332	7,028,228	12,911,253	19,188,611	632,800,745
Less: Unearned and other deferred income	444,999	10,479	-	104,108	309	(62,106)	256,303	1,957	756,049
Allowance for credit losses (Note 16)	24,679,610	74,637	1,288,228	1,565,064	4,347,845	1,520,319	1,262,007	4,207,071	38,944,781
	₱516,315,998	₱2,770,555	₱13,094,453	₱4,735,190	₱24,241,178	₱5,570,015	₱11,392,943	₱14,979,583	₱593,099,915

	Parent Company								
	2023								
	Corporate Loans	LGU	Credit Cards	Retail SMEs	Housing Loans	Auto Loans	Other Loans	Other Receivables	Total
Receivables from customers:									
Loans and discounts	₱541,592,975	₱2,275,508	₱-	₱5,310,846	₱27,523,918	₱6,501,496	₱10,750,646	₱-	₱593,955,389
Credit card receivables	-	-	15,232,845	-	-	-	-	-	15,232,845
Customers' liabilities on acceptances (Note 19)	9,533,137	-	-	-	-	-	-	-	9,533,137
Customers' liabilities on letters of credit and trust receipts	8,402,620	-	-	63,517	-	-	93,763	-	8,559,900
Bills purchased (Note 22)	162,777	-	-	2,503	-	-	1,395,185	-	1,560,465
	559,691,509	2,275,508	15,232,845	5,376,866	27,523,918	6,501,496	12,239,594	-	628,841,736
Other receivables:									
Accrued interest receivable	-	-	-	-	-	-	-	8,007,891	8,007,891
Accounts receivable	-	-	-	-	-	-	-	4,468,991	4,468,991
Sales contract receivables	-	-	-	-	-	-	-	3,722,879	3,722,879
Miscellaneous	-	-	-	-	-	-	-	347,797	347,797
	559,691,509	2,275,508	15,232,845	5,376,866	27,523,918	6,501,496	12,239,594	16,547,558	645,389,294
Less: Unearned and other deferred income	237,284	9,183	-	15,019	(361)	(1,287)	402,252	1,213	663,303
Allowance for credit losses (Note 16)	28,573,298	70,291	1,315,112	982,766	4,510,487	1,105,299	1,265,020	4,744,955	42,567,228
	₱530,880,927	₱2,196,034	₱13,917,733	₱4,379,081	₱23,013,792	₱5,397,484	₱10,572,322	₱11,801,390	₱602,158,763

	Parent Company								
	2022								
	Corporate Loans	LGU	Credit Cards	Retail SMEs	Housing Loans	Auto Loans	Other Loans	Other Receivables	Total
Receivables from customers:									
Loans and discounts	₱512,843,742	₱2,855,671	₱-	₱4,855,370	₱27,663,392	₱7,028,228	₱12,041,871	₱-	₱567,288,274
Credit card receivables	-	-	14,382,681	-	-	-	-	-	14,382,681
Customers' liabilities on letters of credit and trust receipts	9,627,076	-	-	74,244	-	-	547,236	-	10,248,556
Customers' liabilities on acceptances (Note 19)	7,254,333	-	-	10,482	-	-	8,061	-	7,272,876
Bills purchased (Note 22)	705,443	-	-	8,829	-	-	221,688	-	935,960
	530,430,594	2,855,671	14,382,681	4,948,925	27,663,392	7,028,228	12,818,856	-	600,128,347
Other receivables:									
Accrued interest receivable	-	-	-	-	-	-	-	6,807,292	6,807,292
Sales contract receivables	-	-	-	-	-	-	-	6,198,127	6,198,127
Accounts receivable	-	-	-	-	-	-	-	4,380,640	4,380,640
Miscellaneous	-	-	-	-	-	-	-	539,032	539,032
	530,430,594	2,855,671	14,382,681	4,948,925	27,663,392	7,028,228	12,818,856	17,925,091	618,053,438
Less: Unearned and other deferred income	397,855	10,479	-	8,545	-	(62,106)	256,303	1,506	612,582
Allowance for credit losses (Note 16)	25,961,987	74,637	1,288,228	1,004,130	4,336,786	1,520,319	1,261,966	3,997,785	39,445,838
	₱504,070,752	₱2,770,555	₱13,094,453	₱3,936,250	₱23,326,606	₱5,570,015	₱11,300,587	₱13,925,800	₱577,995,018



10.2 Lease Contract Receivables

An analysis of the Group's lease contract receivables follows:

	Consolidated	
	2023	2022
Minimum lease payments		
Due within one year	₱7	₱446,485
Due beyond one year but not over five years	2,734	196,987
	2,741	643,472
Residual value of leased equipment		
Due within one year	5,658	107,634
Due beyond one year but not over five years	–	122,772
	5,658	230,406
Gross investment in lease contract receivables (Note 29)	₱8,399	₱873,878

10.3 Interest Income on Loans and Receivables

As of December 31, 2023 and 2022, 69.6% and 69.5%, respectively, of the total receivables from customers of the Group were subject to interest repricing. As of December 31, 2023 and 2022, 70.6% and 70.5%, respectively, of the total receivables from customers of the Parent Company were subject to interest repricing. Remaining receivables carry annual fixed interest rates ranging from 1.0% to 9.0% in 2023, 2022 and 2021 for foreign currency-denominated receivables, and from 1.1% to 31.5% in 2023, 2022 and 2021 for peso-denominated receivables.

Sales contract receivables bear fixed interest rates per annum ranging from 5.0% to 20.2% in 2023, 4.2% to 20.2% in 2022 and from 3.3% to 21.0% in 2021.

11. Property and Equipment

11.1 Details of Property and Equipment

The composition of and movements in property and equipment follow:

	Consolidated							Total
	2023							
	Land	Building	Furniture, Fixtures and Equipment	Long-term Leasehold Land	Construction in-Progress	Leasehold Improvements	Right-of-Use Asset – Bank Premises (Note 33)	
Cost								
Balance at beginning of year	₱5,141,182	₱3,687,368	₱8,401,453	₱596,131	₱318,387	₱1,910,242	₱5,827,262	₱25,882,025
Additions	–	30,186	347,062	–	–	42,611	1,425,032	1,844,891
Disposals	(133,753)	(134,384)	(943,887)	–	–	(12,296)	–	(1,224,320)
Transfers/others	(75,412)	(5,939)	(21,944)	(2,599)	(2,768)	(60,632)	(1,307,244)	(1,476,538)
Balance at end of year	4,932,017	3,577,231	7,782,684	593,532	315,619	1,879,925	5,945,050	25,026,058
Accumulated Depreciation and Amortization								
Balance at beginning of year	–	2,253,174	6,031,338	79,837	–	1,899,884	2,475,358	12,739,591
Depreciation and amortization	–	179,089	1,045,155	6,039	–	108,134	1,311,843	2,650,260
Disposals	–	(38,760)	(590,285)	–	–	(12,296)	–	(641,341)
Transfers/others	–	(246)	(209,122)	(1,185)	–	(126,321)	(1,272,888)	(1,609,762)
Balance at end of year	–	2,393,257	6,277,086	84,691	–	1,869,401	2,514,313	13,138,748
Allowance for Impairment Losses (Note 16)	539,725	593,567	–	–	–	–	–	1,133,292
Net Book Value at End of Year	₱4,392,292	₱590,407	₱1,505,598	₱508,841	₱315,619	₱10,524	₱3,430,737	₱10,754,018



Consolidated								
2022								
	Land	Building	Furniture, Fixtures and Equipment	Long-term Leasehold Land	Construction in-Progress	Leasehold Improvements	Right-of-Use Asset – Bank Premises (Note 33)	Total
Cost								
Balance at beginning of year	₱5,143,242	₱3,634,023	₱8,719,235	₱571,906	₱378,559	₱2,008,756	₱5,390,721	₱25,846,442
Additions	–	45,380	300,223	–	135,284	66,196	803,905	1,350,988
Disposals	(413)	–	(459,135)	–	–	–	–	(459,548)
Transfers/others	(1,647)	7,965	(158,870)	24,225	(195,456)	(164,710)	(367,364)	(855,857)
Balance at end of year	5,141,182	3,687,368	8,401,453	596,131	318,387	1,910,242	5,827,262	25,882,025
Accumulated Depreciation and Amortization								
Balance at beginning of year	–	2,053,670	5,558,050	62,882	–	1,885,809	1,644,824	11,205,235
Depreciation and amortization	–	182,676	1,117,484	5,769	–	160,907	1,205,712	2,672,548
Disposals	–	–	(386,208)	–	–	–	–	(386,208)
Transfers/others	–	16,828	(257,988)	11,186	–	(146,832)	(375,178)	(751,984)
Balance at end of year	–	2,253,174	6,031,338	79,837	–	1,899,884	2,475,358	12,739,591
Allowance for Impairment Losses (Note 16)	543,175	625,712	–	–	–	–	–	1,168,887
Net Book Value at End of Year	₱4,598,007	₱808,482	₱2,370,115	₱516,294	₱318,387	₱10,358	₱3,351,904	₱11,973,547

Parent Company								
2023								
	Land	Building	Furniture, Fixtures and Equipment	Construction in-Progress	Leasehold Improvements	Right-of-Use Asset – Bank Premises (Note 33)	Total	
Cost								
Balance at beginning of year	₱5,141,182	₱3,610,134	₱6,533,522	₱318,387	₱1,801,393	₱6,262,643	₱23,667,261	
Additions	–	30,186	335,769	–	41,690	1,292,130	1,699,775	
Disposals	(133,753)	(134,384)	(121,735)	–	–	–	(389,872)	
Transfers/others	(75,411)	(5,565)	(23,402)	(2,768)	(61,886)	(1,302,533)	(1,471,565)	
Balance at end of year	4,932,018	3,500,371	6,724,154	315,619	1,781,197	6,252,240	23,505,599	
Accumulated Depreciation and Amortization								
Balance at beginning of year	–	2,237,967	4,898,086	–	1,800,558	2,942,730	11,879,341	
Depreciation and amortization	–	177,908	905,604	–	105,509	1,263,995	2,453,016	
Disposals	–	(38,760)	(121,262)	–	–	–	(160,022)	
Transfers/others	–	(52)	(257,392)	–	(126,342)	(1,278,461)	(1,662,247)	
Balance at end of year	–	2,377,063	5,425,036	–	1,779,725	2,928,264	12,510,088	
Allowance for Impairment Losses (Note 16)	539,725	593,567	–	–	–	–	1,133,292	
Net Book Value at End of Year	₱4,392,293	₱529,741	₱1,299,118	₱315,619	₱1,472	₱3,323,976	₱9,862,219	

Parent Company								
2022								
	Land	Building	Furniture, Fixtures and Equipment	Construction in-Progress	Leasehold Improvements	Right-of-Use Asset – Bank Premises (Note 33)	Total	
Cost								
Balance at beginning of year	₱5,143,242	₱3,560,275	₱6,647,669	₱378,560	₱1,902,569	₱5,812,506	₱23,444,821	
Additions	–	45,380	289,121	135,284	66,196	803,905	1,339,886	
Disposals	(413)	–	(233,905)	–	–	–	(234,318)	
Transfers/others	(1,647)	4,479	(169,363)	(195,457)	(167,372)	(353,768)	(883,128)	
Balance at end of year	5,141,182	3,610,134	6,533,522	318,387	1,801,393	6,262,643	23,667,261	
Accumulated Depreciation and Amortization								
Balance at beginning of year	–	2,041,441	4,474,160	–	1,813,420	2,133,922	10,462,943	
Depreciation and amortization	–	181,529	912,988	–	156,953	1,159,332	2,410,802	
Disposals	–	–	(233,799)	–	–	–	(233,799)	
Transfers/others	–	14,997	(255,263)	–	(169,815)	(350,524)	(760,605)	
Balance at end of year	–	2,237,967	4,898,086	–	1,800,558	2,942,730	11,879,341	
Allowance for Impairment Losses (Note 16)	543,175	625,712	–	–	–	–	1,168,887	
Net Book Value at End of Year	₱4,598,007	₱746,455	₱1,635,436	₱318,387	₱835	₱3,319,913	₱10,619,033	



The total recoverable value of certain property and equipment of the Group and the Parent Company for which impairment loss has been recognized or reversed amounted to ₱1.2 billion as of December 31, 2023 and 2022.

Certain property and equipment of the Parent Company with carrying amount of ₱90.0 million and ₱75.6 million are temporarily idle as of December 31, 2023 and 2022, respectively. As of December 31, 2023 and 2022, property and equipment of the Parent Company with gross carrying amount of ₱14.3 billion and ₱12.6 billion are fully depreciated but are still being used.

Gain (loss) on disposal of property and equipment in 2023, 2022 and 2021 amounted to ₱712.5 million, ₱34.9 million, and ₱8.4 million, respectively, for the Group and ₱793.1 million, ₱32.0 million and (₱0.8 million), respectively, for the Parent Company (refer to Note 26.2).

11.2 Depreciation and Amortization

This account consists of:

	Consolidated			Parent Company		
	2023	2022	2021	2023	2022	2021
Continuing operations:						
Depreciation						
Property and equipment (Note 33)	₱2,650,260	₱2,672,548	₱2,137,954	₱2,453,016	₱2,410,802	₱1,836,175
Investment properties (Note 13)	191,153	152,917	76,575	167,339	128,095	55,337
Chattel mortgage properties	10,495	6,375	2,717	–	–	–
Amortization of intangible assets (Note 14)	1,124,161	1,393,906	628,471	1,099,879	1,370,523	607,559
	3,976,069	4,225,746	2,845,717	3,720,234	3,909,420	2,499,071
Discontinued operations (Note 36):						
Investment properties	–	–	42,450	–	–	–
Property and equipment	–	–	6,592	–	–	–
	–	–	49,042	–	–	–
	₱3,976,069	₱4,225,746	₱2,894,759	₱3,720,234	₱3,909,420	₱2,499,071

11.3 Project Real Estate (Project RE)

On September 10, 2020, the Parent Company's BOD approved Project RE, which is the Parent Company's strategic plan to realize the market value of certain real estate properties with a total carrying value of ₱12.6 billion booked under 'Property and equipment' amounting to ₱8.4 billion and 'Investment properties' amounting to ₱4.2 billion.

Project RE aims to reduce the low-earning assets of the Parent Company to strengthen its financial position. As part of a series of transactions carried out to meet the objectives of Project RE, on September 25, 2020, the Parent Company's BOD approved the subscription of additional 466,770,000 shares of PNB Holdings with a par value of ₱100 per share at a subscription price of ₱100 per share in exchange for the above real estate properties (refer to Note 12.4).



12. Investments in Subsidiaries and an Associate

The consolidated financial statements of the Group include:

	Industry	Principal Place of Business/Country of Incorporation	Functional Currency	Percentage of Ownership	
				Direct	Indirect
Subsidiaries					
Allied Integrated Holdings, Inc. (AIHI)	Holding Company	Philippines	PHP	100.00	–
PNB Capital and Investment Corporation (PNB Capital)	Investment	- do -	PHP	100.00	–
PNB Securities, Inc. (PNB Securities)	Securities Brokerage	- do -	PHP	100.00	–
PNB Corporation – Guam ^(a)	Remittance	USA	USD	100.00	–
PNB International Investments Corporation (PNB IIC)	Investment	- do -	USD	100.00	–
PNB Remittance Centers, Inc. (PNB RCI) ^(b)	Remittance	- do -	USD	–	100.00
PNB RCI Holding Co. Ltd. (PNB RHCL) ^(c)	Holding Company	- do -	USD	–	100.00
PNB Remittance Co. (Canada) ^(d)	Remittance	Canada	CAD	–	100.00
PNB Europe PLC (PNB Europe)	Banking	United Kingdom	GBP	100.00	–
Allied Commercial Bank (ACB)	Banking	China	CNY	99.04	–
PNB-Mizuho Leasing and Finance Corporation (PMLFC)	Leasing/Financing	Philippines	PHP	75.00	–
PNB-Mizuho Equipment Rentals Corporation (PMERC) ^(e)	Rental	- do -	PHP	–	75.00
PNB Global Remittance & Financial Co. (HK) Ltd. (PNB GRF)	Remittance	Hong Kong	HKD	100.00	–
Allied Banking Corporation (Hong Kong) Limited (ABCHKL)	Banking	- do -	HKD	51.00	–
ACR Nominees Limited ^(f)	Service	- do -	HKD	–	51.00
Oceanic Holding (BVI) Ltd. (OHBVI) ^(g)	Holding Company	British Virgin Islands	USD	27.78	–
Associate					
Allianz-PNB Life Insurance, Inc. (APLII)	Insurance	Philippines	PHP	44.00	–

^(a) Ceased operations on June 30, 2012 and license status became dormant thereafter

^(b) Owned through PNB IIC

^(c) Owned through PNB RCI

^(d) Owned through PNB RHCL

^(e) Owned through PMLFC

^(f) Owned through ABCHKL

^(g) Controlled through the Parent Company's combined voting rights of 70.56% which arises from its direct ownership of 27.78%, and voting rights of 42.78% assigned by certain stockholders of OHBVI to the Parent Company through a voting trust agreement

The details of this account follow:

	Consolidated		Parent Company	
	2023	2022	2023	2022
Investment in Subsidiaries				
ACB	₱–	₱–	₱6,087,520	₱6,087,520
AIHI	–	–	3,435,041	3,435,041
PNB IIC	–	–	2,028,202	2,028,202
PNB Europe PLC	–	–	1,327,393	1,327,393
ABCHKL	–	–	947,586	947,586
PNB Capital	–	–	850,000	850,000
PNB GRF	–	–	753,061	753,061
PMLFC	–	–	481,943	481,943
OHBVI	–	–	291,841	291,841
PNB Securities	–	–	62,351	62,351
PNB Corporation – Guam	–	–	7,672	7,672
	–	–	16,272,610	16,272,610
Investment in an Associate – APLII	3,365,089	3,365,089	3,365,089	3,365,089
Accumulated equity in net earnings (losses) of subsidiaries and an associate:				
Balance at beginning of year	158,879	214,939	(281,942)	(237,283)
Equity in net earnings (losses) for the year	268,093	(56,060)	560,393	747,341
Cash dividends declared by a subsidiary	–	–	(448,900)	(792,000)
	426,972	158,879	(170,449)	(281,942)
Accumulated share in:				
Aggregate reserves on life insurance policies	24,246	136,096	24,246	136,096
Net unrealized losses on financial assets at FVOCI (Note 9)	(617,015)	(979,407)	(586,895)	(968,953)
Accumulated translation adjustments	–	–	1,565,092	1,770,747
Remeasurement gains (losses) on retirement plan	(168)	8,107	97,377	90,457
	(592,937)	(835,204)	1,099,820	1,028,347
	₱3,199,124	₱2,688,764	₱20,567,070	₱20,384,104



In 2002, the Parent Company underwent a quasi-reorganization which was approved by the SEC on November 7, 2002. As of December 31, 2023 and 2022, the acquisition cost of the investments in the Parent Company's separate financial statements includes the balance of ₱2.1 billion consisting of the translation adjustment and accumulated equity in net earnings of investee companies, net of dividends subsequently received from the quasi-reorganization date, that were closed to deficit on restructuring date and are not available for dividend declaration.

12.1 Investment in AIHI

On February 10, 2022, the SEC approved the decrease of AIHI's authorized capital stock from ₱15.0 billion divided into 149,975,000 common shares with par value of ₱100 each and 25,000 preferred shares with par value of ₱100 each to ₱3.0 billion divided into 30,000,000 common shares with par value of ₱100 each. Consequently, on February 18, 2022, out of the ₱10.5 billion subscribed and paid-up capital of the Parent Company in AIHI, the latter returned ₱7.5 billion to the Parent Company.

AIHI's corporate term ended on December 31, 2022 but, as provided by law, it will continue to exist as a body corporate for another three years to generally wind up its affairs, including the disposal of its properties and distribution of its assets.

12.2 Investment in PNB Capital

On October 27, 2023 and December 16, 2022, the BOD of PNB Capital approved the declaration of cash dividends amounting to ₱448.9 million and ₱792.0 million, which were subsequently paid to the Parent Company on December 27, 2023 and December 22, 2022, respectively.

12.3 Investment in PMLFC

On June 24, 2022, the BOD of the Parent Company approved the amendment to the Articles of Incorporation of PMLFC, shortening its corporate term to March 31, 2024. On December 23, 2022 the SEC approved the above amendment. The Parent Company and its joint venture partner, Mizuho Leasing Co. Ltd., mutually agreed to wind up the operations of PMLFC due to the impact of the COVID-19 pandemic to the operations of the joint venture company and the domestic leasing industry. On the other hand, on November 22, 2023, the SEC approved the amendment to the Articles of Incorporation of PMERC, the wholly-owned subsidiary of PMLFC, to shorten its corporate term to December 31, 2024. To date, the winding-up process for both PMLFC and PMERC is ongoing and expected to be completed in 2024.

In 2023 and 2022, PMLFC transferred to the Parent Company certain receivables via direct purchase or assignment. The Parent Company also accepted in 2023 certain properties of PMLFC and PMERC as partial settlement of their outstanding loans with the Parent Company. Such loans were eventually written off as of December 31, 2023 (refer to Note 33.1).

As of December 31, 2023 and 2022, the carrying value of the Parent Company's equity investment in PMLFC is already reduced to nil. However, by virtue of the Parent Company's commitment to provide further funding in PMLFC, the Parent Company recognized additional losses amounting to ₱144.2 million and ₱95.5 million in 2023 and 2022, respectively, representing its share in the accumulated net losses of PMLFC. Further, the Parent Company recognized provision for liability amounting to nil and ₱649.7 million relating to the undrawn loan commitments of PMLFC as of December 31, 2023 and 2022, respectively, recorded under 'Other liabilities' in the statement of financial position (refer to Notes 22 and 33).



12.4 Investment in PNB Holdings

As of December 31, 2020, PNB owns all of the 2,551,000 shares issued by PNB Holdings, with par value of ₱100 per share. On January 13, 2021, the SEC approved the increase in the authorized capital stock of PNB Holdings from ₱500.0 million divided into 5,000,000 shares with par value of ₱100 per share, to ₱50.5 billion divided into 505,000,000 shares with the same par value. On the same date, the Parent Company proceeded with the subscription of additional 466,770,000 shares of PNB Holdings shares in exchange for certain real estate properties with fair values of ₱46.7 billion (refer to Note 11.3).

On April 23, 2021, the Parent Company's BOD approved the property dividend declaration of up to 239,353,710 common shares of PNB Holdings, representing 51.00% ownership, with a par value of ₱100 per share, to all stockholders of record as of May 18, 2021, or ₱23.9 billion.

On December 24, 2021, the SEC approved the property dividend declaration. On the same date, the Parent Company assessed that it has lost control over PNB Holdings, and accordingly classified its retained interest of 49.00% in PNB Holdings as financial asset at FVOCI with no recycling to profit or loss, in accordance with PFRS 9. Such investment was remeasured from its carrying amount of ₱6.6 billion to its fair value as of December 24, 2021 of ₱23.0 billion, resulting in a gain on remeasurement of ₱16.5 billion and ₱16.4 billion in the 2021 consolidated and parent company financial statements, respectively (refer to Note 33).

Further, the Group and the Parent Company recognized gain on loss of control over PNB Holdings of ₱17.0 billion and ₱17.1 billion in the 2021 consolidated and parent company financial statements, respectively. On December 21, 2021, the Parent Company was able to secure ruling from the Bureau of Internal Revenue (BIR) that the transfer of properties to PNB Holdings is not subject to tax, except for documentary stamps tax (DST). Further, on March 10, 2022, the Parent Company was able to secure another ruling from the BIR that the property dividends distribution is exempt from tax, except for DST.

The Parent Company was able to demonstrate loss of control over PNB Holdings because of the following:

- Declaration of 51.00% ownership in PNB Holdings as property dividends;
- Execution of proxy in favor of LTG for the remaining 49.00% held by the Group;
- Election of new BOD made by the stockholders of PNB Holdings in January 2021, effectively resulting in the Group having no representations in the BOD of PNB Holdings;
- Appointment of key management personnel by the BOD of PNB Holdings, resulting in the Group having no officers and staff participating in the day-to-day operations of PNB Holdings; and
- Approval of the SEC of the property dividend declaration and distribution to all stockholders as of May 18, 2021.

The foregoing corporate actions were taken by PNB and LTG to allow PNB to focus on its core banking business. These demonstrate that the Group no longer exercises control over PNB Holdings as certain elements of control under PFRS 10, *Consolidated Financial Statements*, are no longer demonstrated. The Group also reclassified the results of operations of PNB Holdings as discontinued operations (refer to Note 36.2).

Further, the Group no longer has a significant influence over PNB Holdings by virtue of the execution of a proxy in favor of LTG to vote all shares registered in the name of PNB on any and all matters in the Annual Stockholders' Meeting of PNB Holdings and the fact that LTG controls both PNB and PNB Holdings.



12.5 Investment in PNB General Insurers Co., Inc. (PNB Gen)

On December 29, 2020, the Parent Company and PNB Holdings entered into a Sale and Purchase Agreement (SPA) for the sale of all their respective shareholdings in PNB Gen to Alliedbankers Insurance Corporation (ABIC), an affiliate, for a total purchase price of ₱1.5 billion, which was paid as follows:

- PNB Holdings Purchase Price (₱521.8 million) – fully paid on December 28, 2020; and
- PNB Purchase Price (₱1.0 billion) – paid in four tranches until April 30, 2021, earning interest at 6.00% per annum.

The SPA also provides for a grant of an exclusive bancassurance arrangement with ABIC with a minimum guaranteed term of 15 years for an additional consideration of ₱50.0 million to the Parent Company, on top of the total purchase price.

On December 29, 2020, the Insurance Commission approved the above transaction. As of December 31, 2020, only the sale of PNB Holdings of its shares in PNB Gen met all the closing conditions for the sale. Accordingly, PNB Holdings closed and completed the sale of its 34.25% shareholdings in PNB Gen, with the excess of the purchase price over the carrying value of the proportionate interest of ₱344.7 million treated as an equity transaction in the consolidated financial statements of the Group as ‘Other equity reserves’.

In 2021, the Parent Company completed the sale of its shares in PNB Gen, recognizing loss on sale amounting to ₱149.5 million and ₱134.9 million for the Group and the Parent Company, respectively, which was recorded under ‘Gain on loss of control of subsidiaries - net’. Also in 2021, the Parent Company received interest income of ₱14.1 million from ABIC for this transaction.

12.6 Material Non-Controlling Interests

Proportion of equity interest held by material NCI follows:

	Principal Activities	Equity interest of NCI		Accumulated balances of material NCI		Profit allocated to material NCI	
		2023	2022	2023	2022	2023	2022
ABCHKL	Banking	49.00%	49.00%	₱2,230,261	₱2,179,752	₱71,784	₱79,115
OHBVI	Holding Company	72.22%	72.22%	1,095,965	1,079,035	24,332	1,239

The following table presents financial information of ABCHKL (unaudited) as of December 31, 2023 and 2022:

	2023	2022
Statement of Financial Position		
Current assets	₱10,285,643	₱9,548,596
Non-current assets	2,043,382	2,282,698
Current liabilities	7,177,792	6,616,975
Non-current liabilities	668,288	834,454
Statement of Comprehensive Income		
Revenues	₱477,646	₱415,387
Expenses	331,148	253,928
Net income	146,498	161,459
Total comprehensive income	110,472	502,413

(Forward)



	2023	2022
Statement of Cash Flows		
Net cash provided by (used in) operating activities	(₱804,162)	₱610,988
Net cash provided by investing activities	35,392	21,293

The following table presents financial information of OHBVI (unaudited) as of December 31, 2023 and 2022:

	2023	2022
Statement of Financial Position		
Current assets	₱1,517,493	₱1,494,051
Statement of Comprehensive Income		
Revenues/Net income/Total comprehensive income	₱33,692	₱1,715
Statement of Cash Flows		
Net cash provided by operating activities	₱23,442	₱129,062

12.7 Investment in APLII

On June 6, 2016, the Parent Company entered into agreements with Allianz SE (Allianz), a German company engaged in insurance and asset management, for the sale of the 51.00% interest in PNB Life Insurance, Inc. (PNB Life) for a total consideration of USD66.0 million to form a new joint venture company named “Allianz-PNB Life Insurance, Inc.”; and a 15-year exclusive distribution access to the branch network of the Parent Company (Exclusive Distribution Rights or EDR).

The purchase consideration of USD66.0 million was allocated between the sale of the 51.00% interest in PNB Life and the EDR amounting to USD44.9 million (₱2.1 billion) and USD21.1 million (₱1.0 billion), respectively. The consideration allocated to the EDR was recognized as ‘Deferred revenue - Bancassurance’ (Note 22) and is amortized to income over 15 years from date of sale. The Parent Company also receives variable annual and fixed bonus earn-out payments based on milestones achieved over the 15-year term of the distribution agreement.

After receiving respective approvals from the BSP on December 6, 2022 and June 14, 2021, the Parent Company recorded additional investments in APLII amounting to ₱392.0 million and ₱245.0 million, respectively.

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

	2023	2022
Current assets	₱2,181,489	₱1,452,894
Noncurrent assets	113,166,291	90,446,895
Total assets	115,347,780	91,899,789
Current liabilities	1,404,749	1,535,802
Noncurrent liabilities	110,327,928	87,928,050
Total liabilities	111,732,677	89,463,852
Net assets	3,615,103	2,435,937
Percentage of ownership of the Group	44%	44%
Share in the net assets of the associate	₱1,590,645	₱1,071,812



The difference between the share in the net assets of APLII and the carrying value of the investments represents premium on acquisition/retained interest.

Summarized statement of comprehensive income of APLII (unaudited) in 2023 and 2022 follows:

	2023	2022
Revenues	₱6,867,294	₱4,344,038
Costs and expenses	6,257,991	4,486,380
Net income (loss)	609,303	(142,342)
Other comprehensive loss	(357,591)	(262,006)
Total comprehensive income (loss)	₱251,712	(₱404,348)
Group's share in comprehensive income (loss)	₱110,753	(₱177,913)

12.8 Significant Restrictions

The Group does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the regulatory supervisory frameworks within which insurance and banking subsidiaries operate.

13. Investment Properties

This account consists of real properties as follows:

	Consolidated		Parent Company	
	2023	2022	2023	2022
Foreclosed or acquired in settlement of loans	₱14,399,995	₱13,615,263	₱13,932,044	₱13,085,097
Held for lease	179,563	179,723	179,563	179,723
Total	₱14,579,558	₱13,794,986	₱14,111,607	₱13,264,820

The composition of and movements in this account follow:

	Consolidated		
	2023		
	Land	Buildings and Improvements	Total
Cost			
Beginning balance	₱14,471,137	₱3,337,560	₱17,808,697
Additions	1,475,118	1,498,014	2,973,132
Disposals	(1,689,521)	(336,100)	(2,025,621)
Transfers/others	5,800	(34,037)	(28,237)
Balance at end of year	14,262,534	4,465,437	18,727,971
Accumulated Depreciation			
Balance at beginning of year	-	1,838,042	1,838,042
Depreciation (Note 11)	-	191,153	191,153
Disposals	-	(199,165)	(199,165)
Transfers/others	-	(517)	(517)
Balance at end of year	-	1,829,513	1,829,513
Allowance for Impairment Losses (Note 16)	1,902,739	416,161	2,318,900
Net Book Value at End of Year	₱12,359,795	₱2,219,763	₱14,579,558



	Consolidated		
	2022		
	Land	Buildings and Improvements	Total
Cost			
Beginning balance	₱11,531,525	₱3,126,505	₱14,658,030
Additions	4,013,930	327,627	4,341,557
Disposals	(1,087,296)	(88,890)	(1,176,186)
Transfers/others	12,978	(27,682)	(14,704)
Balance at end of year	14,471,137	3,337,560	17,808,697
Accumulated Depreciation			
Balance at beginning of year	–	1,717,312	1,717,312
Depreciation (Note 11)	–	152,917	152,917
Disposals	–	(35,454)	(35,454)
Transfers/others	–	3,267	3,267
Balance at end of year	–	1,838,042	1,838,042
Allowance for Impairment Losses (Note 16)	1,963,086	212,583	2,175,669
Net Book Value at End of Year	₱12,508,051	₱1,286,935	₱13,794,986

	Parent Company		
	2023		
	Land	Buildings and Improvements	Total
Cost			
Beginning balance	₱13,915,473	₱3,188,687	₱17,104,160
Additions	1,475,118	1,498,014	2,973,132
Disposals	(1,689,521)	(336,100)	(2,025,621)
Transfers/others	8,588	1,610	10,198
Balance at end of year	13,709,658	4,352,211	18,061,869
Accumulated Depreciation			
Balance at beginning of year	–	1,688,372	1,688,372
Depreciation (Note 11)	–	167,339	167,339
Disposals	–	(199,165)	(199,165)
Transfers/others	–	(483)	(483)
Balance at end of year	–	1,656,063	1,656,063
Allowance for Impairment Losses (Note 16)	1,902,027	392,172	2,294,199
Net Book Value at End of Year	₱11,807,631	₱2,303,976	₱14,111,607

	Parent Company		
	2022		
	Land	Buildings and Improvements	Total
Cost			
Beginning balance	₱11,001,803	₱2,947,345	₱13,949,148
Additions	4,013,930	327,618	4,341,548
Disposals	(1,087,296)	(88,890)	(1,176,186)
Transfers/others	(12,964)	2,614	(10,350)
Balance at end of year	13,915,473	3,188,687	17,104,160
Accumulated Depreciation			
Balance at beginning of year	–	1,595,151	1,595,151
Depreciation (Note 11)	–	128,095	128,095
Disposals	–	(35,454)	(35,454)
Transfers/others	–	580	580
Balance at end of year	–	1,688,372	1,688,372
Allowance for Impairment Losses (Note 16)	1,962,374	188,594	2,150,968
Net Book Value at End of Year	₱11,953,099	₱1,311,721	₱13,264,820



Foreclosed properties of the Parent Company still subject to redemption period by the borrowers amounted to ₱581.7 million and ₱199.9 million, as of December 31, 2023 and 2022, respectively.

The total recoverable value of investment properties of the Group and the Parent Company that were impaired amounted to ₱9.6 billion and ₱7.4 billion as of December 31, 2023 and 2022, respectively. Valuations were derived on the basis of recent sales of similar properties in the same area as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made.

For the Group and the Parent Company, direct operating expenses on investment properties that generated rental income during the year (other than depreciation and amortization), included under 'Litigation and assets acquired expenses', amounted to ₱33.0 million, ₱29.2 million and ₱28.2 million in 2023, 2022, and 2021, respectively. Direct operating expenses on investment properties that did not generate rental income included under 'Litigation and assets acquired expenses', amounted to ₱397.6 million, ₱208.3 million and ₱173.3 million in 2023, 2022, and 2021, respectively (refer to Note 27.2).

14. Goodwill and Intangible Assets

These accounts consist of:

	Consolidated				
	2023				
	Intangible Assets with Finite Lives				
	CDI	CRI	Software Cost	Total	Goodwill
Cost					
Balance at beginning of year	₱1,897,789	₱391,943	₱5,480,963	₱7,770,695	₱11,221,410
Additions	–	–	598,969	598,969	–
Impairment in value	–	–	–	–	(1,036,567)
Others	–	–	(40,185)	(40,185)	–
Balance at end of year	1,897,789	391,943	6,039,747	8,329,479	10,184,843
Accumulated Amortization					
Balance at beginning of year	1,877,757	391,943	3,637,073	5,906,773	–
Amortization (Note 11)	20,032	–	1,104,129	1,124,161	–
Others	–	–	(3,181)	(3,181)	–
Balance at end of year	1,897,789	391,943	4,738,021	7,027,753	–
Net Book Value at End of Year	₱–	₱–	₱1,301,726	₱1,301,726	₱10,184,843

	Consolidated				
	2022				
	Intangible Assets with Finite Lives				
	CDI	CRI	Software Cost	Total	Goodwill
Cost					
Balance at beginning of year	₱1,897,789	₱391,943	₱4,705,633	₱6,995,365	₱11,221,410
Additions	–	–	881,572	881,572	–
Others	–	–	(106,242)	(106,242)	–
Balance at end of year	1,897,789	391,943	5,480,963	7,770,695	11,221,410
Accumulated Amortization					
Balance at beginning of year	1,687,978	391,943	2,486,010	4,565,931	–
Amortization (Note 11)	189,779	–	1,204,127	1,393,906	–
Others	–	–	(53,064)	(53,064)	–
Balance at end of year	1,877,757	391,943	3,637,073	5,906,773	–
Net Book Value at End of Year	₱20,032	₱–	₱1,843,890	₱1,863,922	₱11,221,410



Parent Company					
2023					
Intangible Assets with Finite Lives					
	CDI	CRI	Software Cost	Total	Goodwill
Cost					
Balance at beginning of year	₱1,897,789	₱391,943	₱6,423,046	₱8,712,778	₱11,361,768
Additions	-	-	597,165	597,165	-
Impairment in value	-	-	-	-	(1,036,567)
Others	-	-	(36,496)	(36,496)	-
Balance at end of year	1,897,789	391,943	6,983,715	9,273,447	10,325,201
Accumulated Amortization					
Balance at beginning of year	1,877,757	391,943	4,689,462	6,959,162	-
Amortization (Note 11)	20,032	-	1,079,847	1,099,879	-
Others	-	-	(484)	(484)	-
Balance at end of year	1,897,789	391,943	5,768,825	8,058,557	-
Net Book Value at End of Year	₱-	₱-	₱1,214,890	₱1,214,890	₱10,325,201

Parent Company					
2022					
Intangible Assets with Finite Lives					
	CDI	CRI	Software Cost	Total	Goodwill
Cost					
Balance at beginning of year	₱1,897,789	₱391,943	₱5,679,926	₱7,969,658	₱11,361,768
Additions	-	-	848,426	848,426	-
Others	-	-	(105,306)	(105,306)	-
Balance at end of year	1,897,789	391,943	6,423,046	8,712,778	11,361,768
Accumulated Amortization					
Balance at beginning of year	1,687,978	391,943	3,560,780	5,640,701	-
Amortization (Note 11)	189,779	-	1,180,744	1,370,523	-
Others	-	-	(52,062)	(52,062)	-
Balance at end of year	1,877,757	391,943	4,689,462	6,959,162	-
Net Book Value at End of Year	₱20,032	₱-	₱1,733,584	₱1,753,616	₱11,361,768

14.1 CDI and CRI

CDI and CRI are the intangible assets acquired through the merger of the Parent Company with Allied Banking Corporation (ABC). CDI includes the stable level of deposit liabilities of ABC which is considered as favorably priced source of funds by the Parent Company. CRI pertains to ABC's key customer base which the Parent Company expects to bring more revenue through loan availments. CDI is allocated to Retail Banking CGU while CRI is allocated to Corporate Banking CGU. CDI and CRI are assessed for impairment where indicator(s) of objective evidence of impairment has been identified.

14.2 Software Cost

Software cost as of December 31, 2023 and 2022 includes capitalized development costs amounting to ₱2.0 billion, related to the Parent Company's core banking system.

14.3 Goodwill

The Parent Company accounted for the business combination with ABC under the acquisition method of PFRS 3. The Group has elected to measure the NCI in the acquiree at proportionate share of identifiable assets and liabilities. The business combination resulted in the recognition of goodwill amounting to ₱13.4 billion, allocated to the three CGUs which are also reportable segments.

Goodwill is reviewed for impairment annually in the fourth quarter of the reporting period, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The impairment test is done by comparing the recoverable amount of each CGU with its carrying amount. The carrying amount of a CGU is derived based on its net assets plus the amount of



goodwill allocated to the CGU. The recoverable amount is the higher of a CGU's fair value less costs to sell and its VIU.

In 2023 and 2021, the goodwill impairment test performed by the Parent Company resulted in an impairment in value of ₱1.0 billion in the Treasury CGU and ₱2.2 billion in the Corporate Banking CGU, respectively, with the recoverable amounts being lower than their carrying amounts.

As of December 31, 2023 and 2022, goodwill for each CGU amounted to:

	2023			2022		
	Gross carrying amount	Accumulated impairment in value	Net carrying amount	Gross carrying amount	Accumulated impairment in value	Net carrying amount
Retail Banking	₱6,110,312	₱-	₱6,110,312	₱6,110,312	₱-	₱6,110,312
Corporate Banking	4,190,365	2,153,997	2,036,368	4,190,365	2,153,997	2,036,368
Treasury	3,074,730	1,036,567	2,038,163	3,074,730	-	3,074,730
	₱13,375,407	₱3,190,564	₱10,184,843	₱13,375,407	₱2,153,997	₱11,221,410

After the goodwill impairment test, as of December 31, 2023 and 2022, management believes that no reasonably possible change in any of the key assumptions discussed below would cause the carrying value of the goodwill to materially exceed its recoverable amount.

The recoverable amounts of the CGUs have been determined on the basis of the VIU calculation using the discounted cash flows (DCF) model. The DCF model uses earnings projections based on financial budgets approved by senior management and the BOD of the Parent Company covering a three-year period and are discounted to their present value. Estimating future earning involves judgment which takes into account past and actual performance and expected developments in the respective markets and in the overall macro-economic environment.

The following rates were applied to the cash flow projections:

	2023			2022		
	Retail Banking	Corporate Banking	Treasury	Retail Banking	Corporate Banking	Treasury
Pre-tax discount rate	11.92%	11.92%	10.06%	13.23%	13.23%	11.23%
Projected growth rate	5.30%	5.30%	5.30%	5.50%	5.50%	5.50%

The calculation of VIU is most sensitive to estimates of future cash flows from the business, interest margin, discount rates, projected long-term growth rates (derived based on the forecast local gross domestic product) used to extrapolate cash flows beyond the budget period.

The discount rate applied has been determined based on cost of equity for the Retail and Corporate Banking CGUs and weighted average cost of capital (WACC) for the Treasury CGU. WACC is computed by multiplying the cost of equity and the post-tax cost of debt by their relevant weights using debt-equity mix of comparable listed banks, and adding the products together. The cost of equity is derived using the capital asset pricing model which is comprised of a market risk premium, risk-free interest rate and the beta factor, all of which were obtained from external sources of information. The post-tax cost of debt is comprised of the risk-free interest rate and the Group's credit spread, after applying the prevailing corporate income tax.



15. Other Assets

This account consists of:

	Consolidated		Parent Company	
	2023	2022	2023	2022
Financial				
Fund for electronic money products	₱350,000	₱-	₱350,000	₱-
Returned checks and other cash items	28,298	46,253	28,298	46,253
Security deposits (Note 33)	18,279	18,309	-	-
Miscellaneous	5,680	5,769	5,049	5,207
	402,257	70,331	383,347	51,460
Nonfinancial				
Deferred charges (Note 33)	2,065,324	1,477,860	2,060,909	1,472,352
Creditable withholding taxes	1,309,256	856,206	1,098,777	612,550
Real estate inventories held under development (Note 33)	519,448	728,752	519,448	728,752
Documentary stamps on hand	471,092	317,932	470,537	317,378
Prepaid expenses	362,254	340,243	305,023	276,417
Chattel mortgage properties - net of depreciation	304,817	211,619	304,817	82,012
Stationeries and supplies	99,536	81,073	99,283	80,838
Other investments	26,335	26,276	22,609	22,517
Miscellaneous (Note 28)	929,602	1,087,070	523,505	779,767
	6,087,664	5,127,031	5,404,908	4,372,583
	6,489,921	5,197,362	5,788,255	4,424,043
Less allowance for credit and impairment losses (Note 16)	1,035,620	1,041,840	1,035,570	1,025,047
	₱5,454,301	₱4,155,522	₱4,752,685	₱3,398,996

‘Fund for electronic money products’ represents the fund set up held in trust by the Parent Company’s Trust Banking Group (TBG) for the specific purpose of liquidation of balances of e-money products of the Group in compliance with BSP Circular 1166. Such amount held in the trust account shall not fall below the required minimum balance of at least 50.0% of the outstanding e-money balances. The remaining 50.0% are covered by government securities booked under ‘Investment securities at amortized cost’ amounting to ₱363.3 million as of December 31, 2023 (refer to Note 9.3).

‘Deferred charges’ include the share of the Group in the cost of transportation equipment acquired under the Group’s car plan which are amortized monthly over five years.

‘Real estate inventories held under development’ represent parcels of land contributed by the Parent Company under joint arrangements with real estate developers to be developed as residential condominium units and subdivision lots.

‘Chattel mortgage properties’ pertain to motor vehicles, equipment and assets other than real estate properties, which were acquired by the Group in settlement of loans. As of December 31, 2023 and 2022, accumulated depreciation on the chattel mortgage properties amounted to ₱337.6 million and ₱229.1 million, respectively, for the Group and ₱337.6 million and ₱215.3 million, respectively, for the Parent Company. As of December 31, 2023 and 2022, the total recoverable value of certain chattel mortgage properties of the Group and the Parent Company that were impaired is at ₱1.2 million.

‘Miscellaneous financial assets’ include revolving fund, petty cash fund and miscellaneous cash and other cash items. ‘Miscellaneous nonfinancial assets’ include postages, refundable deposits, notes taken for interest and sundry debits.



16. Impairment, Credit and Other Losses

16.1 Provision for Impairment, Credit and Other Losses

This account consists of:

	Consolidated			Parent Company		
	2023	2022	2021	2023	2022	2021
Continuing operations:						
Provision for credit losses	₱5,613,112	₱7,159,781	₱10,980,450	₱5,390,322	₱7,171,812	₱11,220,504
Provision for (reversal of) impairment and other losses	309,942	38,336	(255,436)	309,942	133,841	(248,764)
	5,923,054	7,198,117	10,725,014	5,700,264	7,305,653	10,971,740
Discontinued operations (Note 36):						
Provision for credit and impairment losses	-	-	88,141	-	-	-
	₱5,923,054	₱7,198,117	₱10,813,155	₱5,700,264	₱7,305,653	₱10,971,740

16.2 Allowance for Impairment and Credit Losses

Changes in the allowance for credit losses on financial assets follow:

	Consolidated							Total
	2023							
	Securities Held Under Agreements to Resell	Due from Other Banks	Interbank Loans Receivable	Financial Assets at FVOCI	Investment Securities at Amortized Cost	Loans and Receivables		
Balance at beginning of year	₱2,188	₱9,898	₱1,369	₱121,585	₱3,847,850	₱38,944,781		₱42,927,671
Provisions (reversals)	11,964	-	6,676	(75,912)	(15,770)	5,686,178		5,613,136
Accounts charged-off	-	-	-	-	(3,676,245)	(1,418,830)		(5,095,075)
Transfers and others	-	-	-	-	-	(640,223)		(640,223)
Balance at end of year	₱14,152	₱9,898	₱8,045	₱45,673	₱155,835	₱42,571,906		₱42,805,509

	Consolidated							
	2022							
	Securities Held Under Agreements to Resell	Due from Other Banks	Interbank Loans Receivable	Financial Assets at FVOCI	Investment Securities at Amortized Cost	Loans and Receivables	Other Assets	Total
Balance at beginning of year	₱3,644	₱10,593	₱6,579	₱134,151	₱3,822,166	₱39,340,761	₱500	₱43,318,394
Provisions (reversals)	(1,456)	(695)	(5,210)	(12,566)	25,684	7,154,524	(500)	7,159,781
Accounts charged-off	-	-	-	-	-	(2,785,836)	-	(2,785,836)
Loan settlement through dacion (Note 33)	-	-	-	-	-	(4,591,743)	-	(4,591,743)
Transfers and others	-	-	-	-	-	(172,925)	-	(172,925)
Balance at end of year	₱2,188	₱9,898	₱1,369	₱121,585	₱3,847,850	₱38,944,781	₱-	₱42,927,671

	Parent Company							Total
	2023							
	Securities Held Under Agreements to Resell	Due from Other Banks	Interbank Loans Receivable	Financial Assets at FVOCI	Investment Securities at Amortized Cost	Loans and Receivables		
Balance at beginning of year	₱2,188	₱9,873	₱1,369	₱119,452	₱3,847,850	₱39,445,838		₱43,426,570
Provisions (reversals)	11,964	-	6,676	(72,676)	(15,770)	5,460,128		5,390,322
Accounts charged-off	-	-	-	-	(3,676,245)	(1,418,830)		(5,095,075)
Loan settlement through dacion and assignment (Note 33)	-	-	-	-	-	(1,404,582)		(1,404,582)
Transfers and others	-	-	-	-	-	484,674		484,674
Balance at end of year	₱14,152	₱9,873	₱8,045	₱46,776	₱155,835	₱42,567,228		₱42,801,909



	Parent Company							
	2022							
	Securities Held Under Agreements to Resell	Due from Other Banks	Interbank Loans Receivable	Financial Assets at FVOCI	Investment Securities at Amortized Cost	Loans and Receivables	Other Assets	Total
Balance at beginning of year	₱3,644	₱9,873	₱6,579	₱131,521	₱3,822,166	₱39,225,977	₱500	₱43,200,260
Provisions (reversals)	(1,456)	–	(5,210)	(12,069)	25,684	7,165,363	(500)	7,171,812
Accounts charged-off	–	–	–	–	–	(2,078,219)	–	(2,078,219)
Loan settlement through dacion (Note 33)	–	–	–	–	–	(4,591,743)	–	(4,591,743)
Transfers and others	–	–	–	–	–	(275,540)	–	(275,540)
Balance at end of year	₱2,188	₱9,873	₱1,369	₱119,452	₱3,847,850	₱39,445,838	₱–	₱43,426,570

Movements in the allowance for impairment and other losses on non-financial assets follow:

	Consolidated							
	2023				2022			
	Property and Equipment	Investment Properties	Other Assets	Total	Property and Equipment	Investment Properties	Other Assets	Total
Balance at beginning of year	₱1,168,887	₱2,175,669	₱1,041,840	₱4,386,396	₱1,168,887	₱2,204,822	₱1,068,716	₱4,442,425
Provisions (reversals)	(38)	166,099	143,881	309,942	–	33,299	5,037	38,336
Disposals	(35,557)	(27,151)	(248)	(62,956)	–	(55,884)	(10,077)	(65,961)
Transfers and others	–	4,283	(149,853)	(145,570)	–	(6,568)	(21,836)	(28,404)
Balance at end of year	₱1,133,292	₱2,318,900	₱1,035,620	₱4,487,812	₱1,168,887	₱2,175,669	₱1,041,840	₱4,386,396

	Parent Company							
	2023				2022			
	Property and Equipment	Investment Properties	Other Assets	Total	Property and Equipment	Investment Properties	Other Assets	Total
Balance at beginning of year	₱1,168,887	₱2,150,968	₱1,025,047	₱4,344,902	₱1,168,887	₱2,175,670	₱1,045,572	₱4,390,129
Provisions (reversals)	(38)	166,099	143,881	309,942	–	33,299	100,542	133,841
Disposals	(35,557)	(27,151)	(248)	(62,956)	–	(55,884)	(3,725)	(59,609)
Transfers and others	–	4,283	(133,110)	(128,827)	–	(2,117)	(117,342)	(119,459)
Balance at end of year	₱1,133,292	₱2,294,199	₱1,035,570	₱4,463,061	₱1,168,887	₱2,150,968	₱1,025,047	₱4,344,902

The reconciliation of allowance for loans and receivables are shown below:

	Consolidated							
	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Corporate Loans								
Beginning Balance	₱1,455,038	₱5,954,356	₱17,270,216	₱24,679,610	₱459,223	₱859,753	₱24,311,397	₱25,630,373
Transfers to Stage 1	22,816	(22,816)	–	–	124,442	(122,231)	(2,211)	–
Transfers to Stage 2	(572,482)	647,566	(75,084)	–	(13,026)	7,561,264	(7,548,238)	–
Transfers to Stage 3	(331,606)	(3,394,552)	3,726,158	–	(2,707)	(181,214)	183,921	–
Provisions (reversals)	1,200,421	(289,526)	2,718,659	3,629,554	887,106	(2,163,216)	5,165,128	3,889,018
Accounts charged off	–	–	(27,654)	(27,654)	–	–	(48,784)	(48,784)
Loan settlement through dacion (Note 33)	–	–	–	–	–	–	(4,580,430)	(4,580,430)
Other movements	–	–	–	–	–	–	(210,567)	(210,567)
Ending Balance	1,774,187	2,895,028	23,612,295	28,281,510	1,455,038	5,954,356	17,270,216	24,679,610
LGU								
Beginning Balance	472	8,471	65,694	74,637	265	10,632	67,798	78,695
Provisions (reversals)	(81)	(1,787)	(2,478)	(4,346)	207	(2,161)	(2,104)	(4,058)
Ending Balance	391	6,684	63,216	70,291	472	8,471	65,694	74,637
Credit Cards								
Beginning Balance	491,509	83,742	712,977	1,288,228	61,472	26,686	2,319,769	2,407,927
Transfers to Stage 1	22,578	(16,917)	(5,661)	–	14,583	(5,637)	(8,946)	–
Transfers to Stage 2	(17,425)	17,465	(40)	–	(1,666)	2,188	(522)	–
Transfers to Stage 3	(25,370)	(12,031)	37,401	–	(2,726)	(3,171)	5,897	–
Provisions	37,154	37,624	844,677	919,455	419,846	63,676	411,234	894,756
Accounts charged off	–	–	(892,571)	(892,571)	–	–	(2,014,455)	(2,014,455)
Ending Balance	508,446	109,883	696,783	1,315,112	491,509	83,742	712,977	1,288,228
Retail SMEs								
Beginning Balance	200,621	26,631	1,337,812	1,565,064	156,723	16,002	1,643,255	1,815,980
Transfers to Stage 1	110	–	(110)	–	15,101	(386)	(14,715)	–
Transfers to Stage 2	(1,051)	2,229	(1,178)	–	(51,349)	51,549	(200)	–
Transfers to Stage 3	–	(80,052)	80,052	–	(736)	(1,050)	1,786	–
<i>(Forward)</i>								



	Consolidated							
	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Provisions (reversals)	(P11,015)	P61,308	P463,438	P513,731	P80,882	(P39,484)	P402,656	P444,054
Accounts charged off	-	-	(401,774)	(401,774)	-	-	(694,970)	(694,970)
Other movements	-	-	(689,424)	(689,424)	-	-	-	-
Ending Balance	188,665	10,116	788,816	987,597	200,621	26,631	1,337,812	1,565,064
Housing Loans								
Beginning Balance	447,670	115,108	3,785,067	4,347,845	256,953	54,367	3,121,446	3,432,766
Transfers to Stage 1	43,356	(6,424)	(36,932)	-	527,271	(17,691)	(509,580)	-
Transfers to Stage 2	(30,074)	43,180	(13,106)	-	(5,794)	71,159	(65,365)	-
Transfers to Stage 3	(260,638)	(124,595)	385,233	-	(33,977)	(26,337)	60,314	-
Provisions (reversals)	325,582	19,928	(165,041)	180,469	(296,783)	33,610	1,178,252	915,079
Ending Balance	525,896	47,197	3,955,221	4,528,314	447,670	115,108	3,785,067	4,347,845
Auto Loans								
Beginning Balance	20,844	2,253	1,497,222	1,520,319	8,996	2,166	1,467,584	1,478,746
Transfers to Stage 1	600	(131)	(469)	-	85,614	(671)	(84,943)	-
Transfers to Stage 2	(476)	525	(49)	-	(197)	5,619	(5,422)	-
Transfers to Stage 3	(21,039)	(10,155)	31,194	-	(350)	(1,213)	1,563	-
Provisions (reversals)	25,764	8,194	(401,452)	(367,494)	(73,219)	(3,648)	124,794	47,927
Accounts charged off	-	-	(47,526)	(47,526)	-	-	(6,354)	(6,354)
Ending Balance	25,693	686	1,078,920	1,105,299	20,844	2,253	1,497,222	1,520,319
Other Loans								
Beginning Balance	15,750	78,197	1,168,060	1,262,007	242,940	8,236	716,032	967,208
Transfers to Stage 1	1,364	(244)	(1,120)	-	302,607	(3,134)	(299,473)	-
Transfers to Stage 2	(148,740)	216,224	(67,484)	-	(50)	27,615	(27,565)	-
Transfers to Stage 3	(42,076)	(6,097)	48,173	-	(506)	(2,527)	3,033	-
Provisions (reversals)	245,496	(23,372)	(219,101)	3,023	(529,241)	48,007	788,680	307,446
Accounts charged off	-	-	-	-	-	-	(12,647)	(12,647)
Ending Balance	71,794	264,708	928,528	1,265,030	15,750	78,197	1,168,060	1,262,007
Other Receivables								
Beginning Balance	87,993	148,230	3,970,848	4,207,071	81,507	33,359	3,414,200	3,529,066
Transfers to Stage 1	162	(138)	(24)	-	26	(5)	(21)	-
Transfers to Stage 2	(4,115)	4,177	(62)	-	(758)	10,530	(9,772)	-
Transfers to Stage 3	(3,463)	(421,743)	425,206	-	(4,861)	(15,475)	20,336	-
Provisions	50,698	306,790	454,298	811,786	12,079	119,821	528,402	660,302
Accounts charged off	-	-	(49,305)	(49,305)	-	-	(8,626)	(8,626)
Loan settlement through dacion (Note 33)	-	-	-	-	-	-	(11,313)	(11,313)
Other movements	-	-	49,201	49,201	-	-	37,642	37,642
Ending Balance	131,275	37,316	4,850,162	5,018,753	87,993	148,230	3,970,848	4,207,071
Total Loans and Receivables								
Beginning Balance	2,719,897	6,416,988	29,807,896	38,944,781	1,268,079	1,011,201	37,061,481	39,340,761
Transfers to Stage 1	90,986	(46,670)	(44,316)	-	1,069,644	(149,755)	(919,889)	-
Transfers to Stage 2	(774,363)	931,366	(157,003)	-	(72,840)	7,729,924	(7,657,084)	-
Transfers to Stage 3	(684,192)	(4,049,225)	4,733,417	-	(45,863)	(230,987)	276,850	-
Provisions (reversals)	1,874,019	119,159	3,693,000	5,686,178	500,877	(1,943,395)	8,597,042	7,154,524
Accounts charged off	-	-	(1,418,830)	(1,418,830)	-	-	(2,785,836)	(2,785,836)
Loan settlement through dacion (Note 33)	-	-	-	-	-	-	(4,591,743)	(4,591,743)
Other movements	-	-	(640,223)	(640,223)	-	-	(172,925)	(172,925)
Ending Balance	P3,226,347	P3,371,618	P35,973,941	P42,571,906	P2,719,897	P6,416,988	P29,807,896	P38,944,781

	Parent Company							
	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Corporate Loans								
Beginning Balance	P1,671,731	P5,954,139	P18,336,117	P25,961,987	P798,447	P848,687	P25,253,746	P26,900,880
Transfers to Stage 1	22,816	(22,816)	-	-	124,373	(122,162)	(2,211)	-
Transfers to Stage 2	(572,482)	647,566	(75,084)	-	(13,026)	7,561,264	(7,548,238)	-
Transfers to Stage 3	(331,606)	(3,394,552)	3,726,158	-	(2,707)	(181,214)	183,921	-
Provisions (reversals)	858,154	(289,309)	3,049,732	3,618,577	764,644	(2,152,436)	5,373,591	3,985,799
Accounts charged off	-	-	(27,654)	(27,654)	-	-	(48,784)	(48,784)
Loan settlement through dacion and assignment (Note 33)	-	-	(1,404,582)	(1,404,582)	-	-	(4,580,430)	(4,580,430)
Other movements	-	-	424,970	424,970	-	-	(295,478)	(295,478)
Ending Balance	1,648,613	2,895,028	24,029,657	28,573,298	1,671,731	5,954,139	18,336,117	25,961,987
LGU								
Beginning Balance	472	8,471	65,694	74,637	265	10,632	67,798	78,695
Provisions (reversals)	(81)	(1,787)	(2,478)	(4,346)	207	(2,161)	(2,104)	(4,058)
Ending Balance	391	6,684	63,216	70,291	472	8,471	65,694	74,637
Credit Cards								
Beginning Balance	491,509	83,742	712,977	1,288,228	61,472	26,686	2,319,769	2,407,927
Transfers to Stage 1	22,578	(16,917)	(5,661)	-	14,583	(5,637)	(8,946)	-
Transfers to Stage 2	(17,425)	17,465	(40)	-	(1,666)	2,188	(522)	-
Transfers to Stage 3	(25,370)	(12,031)	37,401	-	(2,726)	(3,171)	5,897	-
Provisions	37,154	37,624	844,677	919,455	419,846	63,676	411,234	894,756
Accounts charged off	-	-	(892,571)	(892,571)	-	-	(2,014,455)	(2,014,455)
Ending Balance	508,446	109,883	696,783	1,315,112	491,509	83,742	712,977	1,288,228

(Forward)



	Parent Company							
	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Retail SMEs								
Beginning Balance	₱182,003	₱23,329	₱798,798	₱1,004,130	₱151,201	₱3,712	₱498,101	₱653,014
Transfers to Stage 1	110	-	(110)	-	14,744	(29)	(14,715)	-
Transfers to Stage 2	(1,051)	2,229	(1,178)	-	(50,978)	51,178	(200)	-
Transfers to Stage 3	-	(80,052)	80,052	-	(305)	(780)	1,085	-
Provisions (reversals)	7,603	64,599	308,208	380,410	67,341	(30,752)	314,527	351,116
Accounts charged off	-	-	(401,774)	(401,774)	-	-	-	-
Ending Balance	188,665	10,105	783,996	982,766	182,003	23,329	798,798	1,004,130
Housing Loans								
Beginning Balance	445,982	114,780	3,776,024	4,336,786	₱240,858	₱54,367	₱3,119,744	₱3,414,969
Transfers to Stage 1	43,356	(6,424)	(36,932)	-	527,271	(17,691)	(509,580)	-
Transfers to Stage 2	(30,074)	43,180	(13,106)	-	(5,666)	71,031	(65,365)	-
Transfers to Stage 3	(260,638)	(124,595)	385,233	-	(15,874)	(26,337)	42,211	-
Provisions (reversals)	325,990	20,256	(172,545)	173,701	(300,607)	33,410	1,189,014	921,817
Ending Balance	524,616	47,197	3,938,674	4,510,487	445,982	114,780	3,776,024	4,336,786
Auto Loans								
Beginning Balance	20,844	2,253	1,497,222	1,520,319	8,996	2,166	1,467,584	1,478,746
Transfers to Stage 1	600	(131)	(469)	-	85,614	(671)	(84,943)	-
Transfers to Stage 2	(476)	525	(49)	-	(197)	5,619	(5,422)	-
Transfers to Stage 3	(21,039)	(10,155)	31,194	-	(350)	(1,213)	1,563	-
Provisions (reversals)	25,764	8,194	(401,452)	(367,494)	(73,219)	(3,648)	124,794	47,927
Accounts charged off	-	-	(47,526)	(47,526)	-	-	(6,354)	(6,354)
Ending Balance	25,693	686	1,078,920	1,105,299	20,844	2,253	1,497,222	1,520,319
Other Loans								
Beginning Balance	15,739	64,561	1,181,666	1,261,966	242,936	8,236	703,090	954,262
Transfers to Stage 1	1,364	(244)	(1,120)	-	302,597	(3,134)	(299,463)	-
Transfers to Stage 2	(148,740)	216,224	(67,484)	-	(50)	27,615	(27,565)	-
Transfers to Stage 3	(42,076)	(6,097)	48,173	-	(506)	(2,527)	3,033	-
Provisions (reversals)	245,497	(9,736)	(232,707)	3,054	(529,238)	34,371	802,571	307,704
Ending Balance	71,784	264,708	928,528	1,265,020	15,739	64,561	1,181,666	1,261,966
Other Receivables								
Beginning Balance	34,342	37,308	3,926,135	3,997,785	45,243	32,820	3,259,421	3,337,484
Transfers to Stage 1	162	(138)	(24)	-	26	(5)	(21)	-
Transfers to Stage 2	(4,115)	4,177	(62)	-	(758)	10,530	(9,772)	-
Transfers to Stage 3	(3,463)	(421,743)	425,206	-	(4,861)	(15,475)	20,336	-
Provisions (reversals)	(4,261)	413,289	327,743	736,771	(5,308)	9,438	656,172	660,302
Accounts charged off	-	-	(49,305)	(49,305)	-	-	(8,626)	(8,626)
Loan settlement through dacion (Note 33)	-	-	-	-	-	-	(11,313)	(11,313)
Other movements	-	-	59,704	59,704	-	-	19,938	19,938
Ending Balance	22,665	32,893	4,689,397	4,744,955	34,342	37,308	3,926,135	3,997,785
Total Loans and Receivables								
Beginning Balance	2,862,622	6,288,583	30,294,633	39,445,838	1,549,418	987,306	36,689,253	39,225,977
Transfers to Stage 1	90,986	(46,670)	(44,316)	-	1,069,208	(149,329)	(919,879)	-
Transfers to Stage 2	(774,363)	931,366	(157,003)	-	(72,341)	7,729,425	(7,657,084)	-
Transfers to Stage 3	(684,192)	(4,049,225)	4,733,417	-	(27,329)	(230,717)	258,046	-
Provisions (reversals)	1,495,820	243,130	3,721,178	5,460,128	343,666	(2,048,102)	8,869,799	7,165,363
Accounts charged off	-	-	(1,418,830)	(1,418,830)	-	-	(2,078,219)	(2,078,219)
Loan settlement through dacion and assignment (Note 33)	-	-	(1,404,582)	(1,404,582)	-	-	(4,591,743)	(4,591,743)
Other movements	-	-	484,674	484,674	-	-	(275,540)	(275,540)
Ending Balance	₱2,990,873	₱3,367,184	₱36,209,171	₱42,567,228	₱2,862,622	₱6,288,583	₱30,294,633	₱39,445,838

16.3 Gross Carrying Amounts of Loans and Receivables

Movements of the gross carrying amounts of loans and receivables are shown below:

	Consolidated							
	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Corporate Loans								
Beginning Balance	₱439,476,954	₱73,633,834	₱27,884,820	₱540,995,608	₱473,712,387	₱24,933,143	₱55,428,704	₱554,074,234
Newly originated assets which remained in Stage 1 at yearend	256,828,762	-	-	256,828,762	122,147,585	-	-	122,147,585
Newly originated assets which moved to Stages 2 and 3 at yearend	-	12,486,650	7,244,151	19,730,801	-	4,634,768	3,170,272	7,805,040
Transfers to Stage 1	20,808,870	(20,808,870)	-	-	2,158,216	(2,153,301)	(4,915)	-
Transfers to Stage 2	(2,438,133)	2,776,640	(338,507)	-	(25,259,322)	53,397,854	(28,138,532)	-
Transfers to Stage 3	(851,326)	(5,941,406)	6,792,732	-	(1,160,805)	(2,473,557)	3,634,362	-
Accounts charged off	-	-	(27,654)	(27,654)	-	-	(48,784)	(48,784)
Loan settlement through dacion (Note 33)	-	-	-	-	-	-	(5,958,906)	(5,958,906)
Collections and other movements	(202,085,864)	(34,664,547)	(8,579,380)	(245,329,791)	(132,121,107)	(4,705,073)	(197,381)	(137,023,561)
Ending Balance	511,739,263	27,482,301	32,976,162	572,197,726	439,476,954	73,633,834	27,884,820	540,995,608

(Forward)



	Consolidated							
	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
LGU								
Beginning Balance	₱2,753,214	₱35,320	₱56,658	₱2,845,192	₱4,216,332	₱46,154	₱57,227	₱4,319,713
Newly originated assets which remained in Stage 1 at yearend	-	-	-	-	35,962	-	-	35,962
Collections and other movements	(569,928)	(7,181)	(1,758)	(578,867)	(1,499,080)	(10,834)	(569)	(1,510,483)
Ending Balance	2,183,286	28,139	54,900	2,266,325	2,753,214	35,320	56,658	2,845,192
Credit Cards								
Beginning Balance	13,157,391	315,914	909,376	14,382,681	10,468,937	269,413	2,418,595	13,156,945
Newly originated assets which remained in Stage 1 at yearend	1,165,134	-	-	1,165,134	998,216	-	-	998,216
Newly originated assets which moved to Stages 2 and 3 at yearend	-	29,616	18,927	48,543	-	39,134	20,775	59,909
Transfers to Stage 1	69,818	(62,026)	(7,792)	-	71,224	(61,373)	(9,851)	-
Transfers to Stage 2	(325,428)	325,528	(100)	-	(218,986)	219,544	(558)	-
Transfers to Stage 3	(424,262)	(52,755)	477,017	-	(309,359)	(40,798)	350,157	-
Accounts charged off	-	-	(892,571)	(892,571)	-	-	(2,014,455)	(2,014,455)
Collections and other movements	565,900	(115,915)	79,073	529,058	2,147,359	(110,006)	144,713	2,182,066
Ending Balance	14,208,553	440,362	583,930	15,232,845	13,157,391	315,914	909,376	14,382,681
Retail SMEs								
Beginning Balance	3,995,703	342,969	1,961,582	6,300,254	6,432,116	159,012	2,747,777	9,338,905
Newly originated assets which remained in Stage 1 at yearend	3,924,066	-	-	3,924,066	1,238,722	-	-	1,238,722
Newly originated assets which moved to Stages 2 and 3 at yearend	-	112,457	72,686	185,143	-	130,105	111,941	242,046
Transfers to Stage 1	4,227	-	(4,227)	-	23,795	(6,761)	(17,034)	-
Transfers to Stage 2	(21,867)	31,237	(9,370)	-	(16,610)	17,943	(1,333)	-
Transfers to Stage 3	-	(119,106)	119,106	-	(14,693)	(12,200)	26,893	-
Accounts charged off	-	-	(401,774)	(401,774)	-	-	(694,970)	(694,970)
Collections and other movements	(3,748,760)	(216,101)	(670,780)	(4,635,641)	(3,667,627)	54,870	(211,692)	(3,824,449)
Ending Balance	4,153,369	151,456	1,067,223	5,372,048	3,995,703	342,969	1,961,582	6,300,254
Housing Loans								
Beginning Balance	18,886,113	673,099	9,029,811	28,589,023	20,002,043	486,743	10,428,783	30,917,569
Newly originated assets which remained in Stage 1 as at yearend	3,153,824	-	-	3,153,824	1,992,738	-	-	1,992,738
Newly originated assets which moved to Stages 2 and 3 at yearend	-	14,017	48,035	62,052	-	47,129	50,829	97,958
Transfers to Stage 1	1,234,984	(167,456)	(1,067,528)	-	2,075,863	(155,598)	(1,920,265)	-
Transfers to Stage 2	(160,577)	225,036	(64,459)	-	(417,363)	651,867	(234,504)	-
Transfers to Stage 3	(819,808)	(407,824)	1,227,632	-	(1,240,805)	(238,698)	1,479,503	-
Collections and other movements	(2,163,666)	(88,190)	(1,251,752)	(3,503,608)	(3,526,363)	(118,344)	(774,535)	(4,419,242)
Ending Balance	20,130,870	248,682	7,921,739	28,301,291	18,886,113	673,099	9,029,811	28,589,023
Auto Loans								
Beginning Balance	5,017,858	102,192	1,970,284	7,090,334	5,868,366	162,915	2,733,492	8,764,773
Newly originated assets which remained in Stage 1 at yearend	2,513,456	-	-	2,513,456	1,746,814	-	-	1,746,814
Newly originated assets which moved to Stages 2 and 3 at yearend	-	4,842	4,158	9,000	-	21,772	17,342	39,114
Transfers to Stage 1	78,374	(17,998)	(60,376)	-	343,352	(46,882)	(296,470)	-
Transfers to Stage 2	(15,461)	16,928	(1,467)	-	(121,463)	144,467	(23,004)	-
Transfers to Stage 3	(83,541)	(33,541)	117,082	-	(227,317)	(87,418)	314,735	-
Accounts charged off	-	-	(47,526)	(47,526)	-	-	(6,354)	(6,354)
Collections and other movements	(2,294,326)	(49,450)	(718,705)	(3,062,481)	(2,591,894)	(92,662)	(769,457)	(3,454,013)
Ending Balance	5,216,360	22,973	1,263,450	6,502,783	5,017,858	102,192	1,970,284	7,090,334
Other Loans								
Beginning Balance	9,131,926	1,546,924	1,976,100	12,654,950	7,321,531	367,134	1,165,984	8,854,649
Newly originated assets which remained in Stage 1 at yearend	6,201,837	-	-	6,201,837	3,478,963	-	-	3,478,963
Newly originated assets which moved to Stages 2 and 3 at yearend	-	1,244,295	39,581	1,283,876	-	969,907	27,777	997,684
Transfers to Stage 1	38,851	(7,370)	(31,481)	-	774,098	(43,098)	(731,000)	-
Transfers to Stage 2	(619,725)	836,675	(216,950)	-	(12,420)	181,997	(169,577)	-
Transfers to Stage 3	(141,647)	(20,036)	161,683	-	(1,057,002)	(2,473,557)	3,530,559	-
Accounts charged off	-	-	-	-	-	-	(12,647)	(12,647)
Collections and other movements	(6,423,599)	(1,513,010)	(278,804)	(8,215,413)	(1,373,244)	2,544,541	(1,834,996)	(663,699)
Ending Balance	8,187,643	2,087,478	1,650,129	11,925,250	9,131,926	1,546,924	1,976,100	12,654,950
Other Receivables								
Beginning Balance	15,069,109	289,229	3,828,316	19,186,654	14,609,695	(1,203,874)	3,461,903	16,867,724
Newly originated assets which remained in Stage 1 at yearend	1,334,540	-	-	1,334,540	714,679	-	-	714,679
Newly originated assets which moved to Stages 2 and 3 at yearend	-	49,057	126,499	175,556	-	52,632	35,331	87,963
Transfers to Stage 1	123,622	(118,182)	(5,440)	-	14,435	(5,955)	(8,480)	-
Transfers to Stage 2	(23,562)	24,591	(1,029)	-	(162,383)	270,582	(108,199)	-
Transfers to Stage 3	(9,949)	(925,493)	935,442	-	(16,131)	(50,442)	66,573	-
Accounts charged off	-	-	(49,305)	(49,305)	-	-	(8,626)	(8,626)
Loan settlement through dacion (Note 33)	-	-	-	-	-	-	(13,656)	(13,656)
Collections and other movements	(5,363,285)	950,839	1,249,385	(3,163,061)	(91,186)	1,226,286	403,470	1,538,570

(Forward)



	Consolidated							
	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Ending Balance	₱11,130,475	₱270,041	₱6,083,868	₱17,484,384	₱15,069,109	₱289,229	₱3,828,316	₱19,186,654
Total Loans and Receivables								
Beginning Balance	507,488,268	76,939,481	47,616,947	632,044,696	542,631,407	25,220,640	78,442,465	646,294,512
Newly originated assets which remained in Stage 1 at yearend	275,121,619	-	-	275,121,619	132,353,679	-	-	132,353,679
Newly originated assets which moved to Stages 2 and 3 at yearend	-	13,940,934	7,554,037	21,494,971	-	5,895,447	3,434,267	9,329,714
Transfers to Stage 1	22,358,746	(21,181,902)	(1,176,844)	-	5,460,983	(2,472,968)	(2,988,015)	-
Transfers to Stage 2	(3,604,753)	4,236,635	(631,882)	-	(26,208,547)	54,884,254	(28,675,707)	-
Transfers to Stage 3	(2,330,533)	(7,500,161)	9,830,694	-	(4,026,112)	(5,376,670)	9,402,782	-
Accounts charged off	-	-	(1,418,830)	(1,418,830)	-	-	(2,785,836)	(2,785,836)
Loan settlement through dacion (Note 33)	-	-	-	-	-	-	(5,972,562)	(5,972,562)
Collections and other movements	(222,083,528)	(35,703,555)	(10,172,721)	(267,959,804)	(142,723,142)	(1,211,222)	(3,240,447)	(147,174,811)
Ending Balance	₱576,949,819	₱30,731,432	₱51,601,401	₱659,282,652	₱507,488,268	₱76,939,481	₱47,616,947	₱632,044,696
	Parent Company							
	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Corporate Loans								
Beginning Balance	₱427,520,330	₱73,589,787	₱28,922,622	₱530,032,739	₱464,785,519	₱24,852,656	₱55,228,912	₱544,867,087
Newly originated assets which remained in Stage 1 at yearend	249,130,331	-	-	249,130,331	115,715,916	-	-	115,715,916
Newly originated assets which moved to Stages 2 and 3 at yearend	-	12,486,650	7,244,151	19,730,801	-	4,616,638	3,170,128	7,786,766
Transfers to Stage 1	20,808,870	(20,808,870)	-	-	2,181,944	(2,177,029)	(4,915)	-
Transfers to Stage 2	(2,438,133)	2,776,640	(338,507)	-	(25,259,322)	53,397,854	(28,138,532)	-
Transfers to Stage 3	(851,326)	(5,941,406)	6,792,732	-	(1,057,002)	(2,473,557)	3,530,559	-
Accounts charged off	-	-	(27,654)	(27,654)	-	-	(48,784)	(48,784)
Loan settlement through dacion and assignment (Note 33)	-	-	(1,404,582)	(1,404,582)	-	-	(5,958,906)	(5,958,906)
Collections and other movements	(195,107,142)	(34,655,099)	(8,245,169)	(238,007,410)	(128,846,725)	(4,626,775)	1,144,160	(132,329,340)
Ending Balance	499,062,930	27,447,702	32,943,593	559,454,225	427,520,330	73,589,787	28,922,622	530,032,739
LGU								
Beginning Balance	2,753,214	35,320	56,658	2,845,192	4,216,332	46,154	57,227	4,319,713
Newly originated assets which remained in Stage 1 at yearend	-	-	-	-	35,962	-	-	35,962
Collections and other movements	(569,928)	(7,181)	(1,758)	(578,867)	(1,499,080)	(10,834)	(569)	(1,510,483)
Ending Balance	2,183,286	28,139	54,900	2,266,325	2,753,214	35,320	56,658	2,845,192
Credit Cards								
Beginning Balance	13,157,391	315,914	909,376	14,382,681	10,468,937	269,413	2,418,595	13,156,945
Newly originated assets which remained in Stage 1 at yearend	1,165,134	-	-	1,165,134	998,216	-	-	998,216
Newly originated assets which moved to Stages 2 and 3 at yearend	-	29,616	18,927	48,543	-	39,134	20,775	59,909
Transfers to Stage 1	69,818	(62,026)	(7,792)	-	71,224	(61,373)	(9,851)	-
Transfers to Stage 2	(325,428)	325,528	(100)	-	(218,986)	219,544	(558)	-
Transfers to Stage 3	(424,262)	(52,755)	477,017	-	(309,359)	(40,798)	350,157	-
Accounts charged off	-	-	(892,571)	(892,571)	-	-	(2,014,455)	(2,014,455)
Collections and other movements	565,900	(115,915)	79,073	529,058	2,147,359	(110,006)	144,713	2,182,066
Ending Balance	14,208,553	440,362	583,930	15,232,845	13,157,391	315,914	909,376	14,382,681
Retail SMEs								
Beginning Balance	3,544,176	317,549	1,078,655	4,940,380	5,193,066	53,425	1,157,488	6,403,979
Newly originated assets which remained in Stage 1 at yearend	3,924,066	-	-	3,924,066	1,238,487	-	-	1,238,487
Newly originated assets which moved to Stages 2 and 3 at yearend	-	112,457	72,686	185,143	-	118,816	34,130	152,946
Transfers to Stage 1	4,227	-	(4,227)	-	18,280	(1,246)	(17,034)	-
Transfers to Stage 2	(21,867)	31,237	(9,370)	-	(11,941)	13,274	(1,333)	-
Transfers to Stage 3	-	(119,106)	119,106	-	(12,020)	(11,609)	23,629	-
Accounts charged off	-	-	(401,774)	(401,774)	-	-	-	-
Collections and other movements	(3,297,349)	(190,664)	202,045	(3,285,968)	(2,881,696)	144,889	(118,225)	(2,855,032)
Ending Balance	4,153,253	151,473	1,057,121	5,361,847	3,544,176	317,549	1,078,655	4,940,380
Housing Loans								
Beginning Balance	18,020,708	640,238	9,002,446	27,663,392	19,118,020	486,743	10,417,506	30,022,269
Newly originated assets which remained in Stage 1 at yearend	3,046,281	-	-	3,046,281	1,898,095	-	-	1,898,095
Newly originated assets which moved to Stages 2 and 3 at yearend	-	14,017	48,035	62,052	-	17,655	50,829	68,484
Transfers to Stage 1	1,234,984	(167,456)	(1,067,528)	-	2,076,403	(156,138)	(1,920,265)	-
Transfers to Stage 2	(160,577)	225,036	(64,459)	-	(417,145)	651,867	(234,722)	-
Transfers to Stage 3	(819,808)	(378,350)	1,198,158	-	(1,196,361)	(238,698)	1,435,059	-
Collections and other movements	(1,967,397)	(84,803)	(1,195,246)	(3,247,446)	(3,458,304)	(121,191)	(745,961)	(4,325,456)
Ending Balance	19,354,191	248,682	7,921,406	27,524,279	18,020,708	640,238	9,002,446	27,663,392

(Forward)



	Parent Company							
	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Auto Loans								
Beginning Balance	₱5,017,858	₱102,192	₱1,970,284	₱7,090,334	₱5,868,366	₱162,915	₱2,733,492	₱8,764,773
Newly originated assets which remained in Stage 1 at yearend	2,513,456	–	–	2,513,456	1,746,814	–	–	1,746,814
Newly originated assets which moved to Stages 2 and 3 at yearend	–	4,842	4,158	9,000	–	21,772	17,342	39,114
Transfers to Stage 1	78,374	(17,998)	(60,376)	–	343,352	(46,882)	(296,470)	–
Transfers to Stage 2	(15,461)	16,928	(1,467)	–	(121,463)	144,467	(23,004)	–
Transfers to Stage 3	(83,541)	(33,541)	117,082	–	(227,317)	(87,418)	314,735	–
Accounts charged off	–	–	(47,526)	(47,526)	–	–	(6,354)	(6,354)
Collections and other movements	(2,294,326)	(49,450)	(718,705)	(3,062,481)	(2,591,894)	(92,662)	(769,457)	(3,454,013)
Ending Balance	5,216,360	22,973	1,263,450	6,502,783	5,017,858	102,192	1,970,284	7,090,334
Other Loans								
Beginning Balance	9,039,529	1,546,924	1,976,100	12,562,553	5,855,851	367,134	1,152,059	7,375,044
Newly originated assets which remained in Stage 1 at yearend	6,201,837	–	–	6,201,837	3,478,963	–	–	3,478,963
Newly originated assets which moved to Stages 2 and 3 at yearend	–	1,244,295	39,581	1,283,876	–	969,907	27,777	997,684
Transfers to Stage 1	38,851	(7,370)	(31,481)	–	773,086	(43,098)	(729,988)	–
Transfers to Stage 2	(616,273)	833,223	(216,950)	–	(12,420)	181,997	(169,577)	–
Transfers to Stage 3	(141,647)	(20,036)	161,683	–	(1,057,002)	(2,473,557)	3,530,559	–
Collections and other movements	(6,422,562)	(1,509,558)	(278,804)	(8,210,924)	1,051	2,544,541	(1,834,730)	710,862
Ending Balance	8,099,735	2,087,478	1,650,129	11,837,342	9,039,529	1,546,924	1,976,100	12,562,553
Other Receivables								
Beginning Balance	13,979,637	279,963	3,663,985	17,923,585	13,007,324	515,733	3,291,871	16,814,928
Newly originated assets which remained in Stage 1 at yearend	1,334,540	–	–	1,334,540	714,679	–	–	714,679
Newly originated assets which moved to Stages 2 and 3 as at year-end	–	49,057	126,499	175,556	–	52,632	35,331	87,963
Transfers to Stage 1	123,622	(118,182)	(5,440)	–	14,435	(5,955)	(8,480)	–
Transfers to Stage 2	(23,562)	24,591	(1,029)	–	(162,383)	270,582	(108,199)	–
Transfers to Stage 3	(9,949)	(925,493)	935,442	–	(16,131)	(50,442)	66,573	–
Accounts charged off	–	–	(49,305)	(49,305)	–	–	(8,626)	(8,626)
Loan settlement through dacion (Note 33)	–	–	–	–	–	–	(13,656)	(13,656)
Collections and other movements	(4,954,468)	956,421	1,160,016	(2,838,031)	421,713	(502,587)	409,171	328,297
Ending Balance	10,449,820	266,357	5,830,168	16,546,345	13,979,637	279,963	3,663,985	17,923,585
Total Loans and Receivables								
Beginning Balance	493,032,843	76,827,887	47,580,126	617,440,856	528,513,415	26,754,173	76,457,150	631,724,738
Newly originated assets which remained in Stage 1 at yearend	267,315,645	–	–	267,315,645	125,827,132	–	–	125,827,132
Newly originated assets which moved to Stages 2 and 3 as at year-end	–	13,940,934	7,554,037	21,494,971	–	5,836,554	3,356,312	9,192,866
Transfers to Stage 1	22,358,746	(21,181,902)	(1,176,844)	–	5,478,724	(2,491,721)	(2,987,003)	–
Transfers to Stage 2	(3,601,301)	4,233,183	(631,882)	–	(26,203,660)	54,879,585	(28,675,925)	–
Transfers to Stage 3	(2,330,533)	(7,470,687)	9,801,220	–	(3,875,192)	(5,376,079)	9,251,271	–
Accounts charged off	–	–	(1,418,830)	(1,418,830)	–	–	(2,078,219)	(2,078,219)
Loan settlement through dacion and assignment (Note 33)	–	–	(1,404,582)	(1,404,582)	–	–	(5,972,562)	(5,972,562)
Effect of collections and other movements	(214,047,272)	(35,656,249)	(8,998,548)	(258,702,069)	(136,707,576)	(2,774,625)	(1,770,898)	(141,253,099)
Ending Balance	₱562,728,128	₱30,693,166	₱51,304,697	₱644,725,991	₱493,032,843	₱76,827,887	₱47,580,126	₱617,440,856

17. Deposit Liabilities

17.1 Regulatory Reserve Requirements

As of December 31, 2023 and 2022, peso deposit liabilities are subject to reserves equivalent to 9.50% and 12.00%, respectively, while peso-denominated LTNCDs are subject to reserves equivalent to 4.00%.

Available reserves booked under ‘Due from BSP’ amounted to ₱78.4 billion and ₱74.7 billion as of December 31, 2023 and 2022, respectively (refer to Note 7).



17.2 LTNCDs

LTNCDs issued by the Parent Company consist of:

Issue Date	Maturity Date	Face Value	Coupon Rate	Interest Repayment Terms	Carrying Value	
					2023	2022
October 11, 2019	April 11, 2025	₱4,600,000	4.38%	Quarterly	₱4,591,288	₱4,584,136
February 27, 2019	August 27, 2024	8,220,000	5.75%	Quarterly	8,212,255	8,198,193
October 26, 2017	April 26, 2023	6,350,000	3.88%	Quarterly	-	6,347,683
					₱12,803,543	₱19,130,012
					₱19,170,000	

17.3 Interest Expense on Deposit Liabilities

This account consists of:

	Consolidated			Parent Company		
	2023	2022	2021	2023	2022	2021
Savings	₱6,989,245	₱1,589,891	₱1,942,687	₱6,984,663	₱1,605,241	₱2,014,705
Time	5,036,686	2,437,557	1,411,973	5,010,322	2,434,206	1,411,974
LTNCDs	776,034	1,140,954	1,269,356	776,034	1,140,954	1,269,356
Demand	203,681	203,265	189,750	200,798	202,752	189,750
	₱13,005,646	₱5,371,667	₱4,813,766	₱12,971,817	₱5,383,153	₱4,885,785

As of December 31, 2023 and 2022, noninterest-bearing deposit liabilities amounted to ₱27.1 billion and ₱27.8 billion, respectively, for the Group, and ₱27.0 billion and ₱27.7 billion, respectively, for the Parent Company.

The remaining deposit liabilities of the Group and the Parent Company generally earn annual fixed interest rates ranging from:

	Consolidated			Parent Company		
	2023	2022	2021	2023	2022	2021
Peso-denominated	0.10% - 7.50%	0.10% - 6.12%	0.10% - 6.75%	0.10% - 7.50%	0.10% - 6.12%	0.10% - 5.00%
Foreign currency-denominated	0.10% - 6.10%	0.00% - 5.50%	0.01% - 3.00%	0.10% - 6.10%	0.00% - 5.50%	0.01% - 3.00%

In 2023, 2022 and 2021, interest expense on LTNCDs for both the Group and the Parent Company includes amortization of transaction costs amounting to ₱23.5 million, ₱29.6 million and ₱33.4 million, respectively. Unamortized transaction costs of the LTNCDs amounted to ₱16.5 million and ₱40.0 million as of December 31, 2023 and 2022, respectively.

18. Financial Liabilities at Fair Value Through Profit or Loss

As of December 31, 2023 and 2022, this account consists of currency forwards and spots with negative fair values amounting to ₱0.6 billion and ₱1.0 billion, respectively, for the Group and Parent Company (refer to Notes 23 and 35).



19. Bills and Acceptances Payable

19.1 Information on Bills and Acceptances Payable

This account consists of:

	Consolidated		Parent Company	
	2023	2022	2023	2022
Bills payable to:				
Foreign banks	₱10,607,231	₱6,665,834	₱10,607,231	₱6,609,593
BSP and local banks (Note 33)	395	1,036,491	395	395
	10,607,626	7,702,325	10,607,626	6,609,988
Acceptances outstanding (Note 10)	9,554,977	7,278,048	9,554,977	7,278,047
	₱20,162,603	₱14,980,373	₱20,162,603	₱13,888,035

As of December 31, 2023 and 2022, bills payable with a carrying amount of ₱10.1 billion and ₱6.6 billion are secured by a pledge of financial assets at FVOCI with fair values of ₱6.5 billion and ₱2.5 billion, respectively, and investment securities at amortized cost with carrying values and fair values of ₱5.5 billion (refer to Notes 9.2 and 9.3).

19.2 Interest Expense on Bills Payable and Other Borrowings

This account consists of:

	Consolidated			Parent Company		
	2023	2022	2021	2023	2022	2021
Continuing operations:						
Lease liabilities (Note 29)	₱171,570	₱171,885	₱112,591	₱168,285	₱170,692	₱107,052
Bills payable	129,031	229,600	391,404	118,534	163,385	315,097
Others	35,246	32,488	7,926	32,769	29,467	2,931
	335,847	433,973	511,921	319,588	363,544	425,080
Discontinued operations (Note 36):						
Lease liabilities	-	-	3,528	-	-	-
	₱335,847	₱433,973	₱515,449	₱319,588	₱363,544	₱425,080

Bills payable of the Group and the Parent Company earn annual fixed interest rates ranging from:

	2023	2022	2021
Peso-denominated	6.0% - 6.8%	1.9% - 5.5%	1.0% - 2.0%
Foreign currency-denominated	0.0% - 5.4%	0.3% - 4.3%	0.1% - 1.2%

20. Accrued Taxes, Interest and Other Expenses

This account consists of:

	Consolidated		Parent Company	
	2023	2022	2023	2022
Accrued taxes and other expenses	₱8,037,426	₱8,131,353	₱7,660,923	₱7,523,206
Accrued interest (Note 33)	2,427,947	986,040	2,388,727	964,494
	₱10,465,373	₱9,117,393	₱10,049,650	₱8,487,700



Accrued taxes and other expenses consist of:

	Consolidated		Parent Company	
	2023	2022	2023	2022
Financial liabilities:				
Promotional expenses	₱1,708,628	₱1,354,700	₱1,531,463	₱1,354,700
Information technology-related expenses	617,853	583,844	617,853	583,844
Rent and utilities payable	339,271	501,319	332,363	494,591
Professional fees	282,993	262,753	237,985	236,466
Repairs and maintenance	171,579	160,350	171,579	159,976
	3,120,324	2,862,966	2,891,243	2,829,577
Nonfinancial liabilities:				
Monetary value of leave credits	1,846,704	1,532,890	1,805,054	1,490,640
PDIC insurance premiums	1,055,331	879,310	1,039,853	863,832
Other taxes and licenses	889,776	854,359	878,562	724,002
Employee benefits	206,970	583,136	177,333	561,179
Other expenses	918,321	1,418,692	868,878	1,053,976
	4,917,102	5,268,387	4,769,680	4,693,629
	₱8,037,426	₱8,131,353	₱7,660,923	₱7,523,206

‘Other expenses’ include janitorial, representation and entertainment, communication and other operating expenses.

21. Bonds Payable

This account consists of:

Issue Date	Maturity Date	Face Value	Coupon Rate	Interest Repayment Terms	Carrying Value	
					2023	2022
June 27, 2019	September 27, 2024	USD750,000	3.28%	Semi-annually	₱41,490,871	₱41,722,415
April 26, 2018	April 27, 2023	300,000	4.25%	Semi-annually	–	16,716,682
		USD1,050,000			₱41,490,871	₱58,439,097

The Parent Company’s issued bonds are fixed-rate medium-term senior notes, which are drawdowns from its Medium Term Note Programme (the MTN Programme) established on April 13, 2018 with an initial nominal size of US\$1.0 billion. On June 14, 2019, the Parent Company increased the size of its MTN Programme to US\$2.0 billion. Both issuances are listed in the Singapore Exchange Securities Trading Limited.

As of December 31, 2023 and 2022, the unamortized transaction costs of bonds payable amounted to ₱26.3 million and ₱92.8 million, respectively. In 2023 and 2022, amortization of transaction costs amounting to ₱66.5 million and ₱75.9 million, were charged to ‘Interest expense on bonds payable’ in the statements of income.



22. Other Liabilities

This account consists of:

	Consolidated		Parent Company	
	2023	2022	2023	2022
Financial				
Accounts payable	₱2,988,517	₱5,036,170	₱2,661,756	₱4,564,107
Bills purchased - contra (Note 10)	1,362,515	877,767	1,362,515	877,767
Manager's checks and demand drafts outstanding	1,296,191	1,548,448	1,296,191	1,548,448
Dormant credits	1,280,886	1,591,380	1,215,351	1,553,892
Due to other banks (Note 33)	744,625	276,770	509,915	82,132
Margin deposits and cash letters of credit	686,130	224,033	673,639	211,196
Accounts payable - electronic money	628,449	315,290	628,449	315,290
Payment order payable	221,340	220,949	221,340	220,949
Deposits on lease contracts	76,028	75,129	76,028	30,364
Transmission liability	49,101	40,280	-	-
Deposit for keys on safety deposit boxes	15,919	16,167	15,919	16,167
	9,349,701	10,222,383	8,661,103	9,420,312
Nonfinancial				
Due to Treasurer of the Philippines	1,444,009	891,709	1,444,009	891,709
Provisions (Notes 12 and 34)	1,068,215	1,107,015	992,950	1,367,067
Deferred revenue - Credit card-related	672,373	646,361	672,373	646,361
Deferred revenue - Bancassurance (Note 12)	427,274	500,474	427,274	500,474
Withholding tax payable	374,139	310,530	370,340	309,363
Retirement benefit liability (Note 28)	281,585	384,838	269,390	382,449
Deferred tax liabilities (Note 30)	166,091	165,721	-	-
SSS, Philhealth, Employer's compensation premiums and Pag-IBIG contributions payable	54,638	48,081	54,617	47,797
Miscellaneous	903,897	1,550,528	661,807	528,273
	5,392,221	5,605,257	4,892,760	4,673,493
	₱14,741,922	₱15,827,640	₱13,553,863	₱14,093,805

'Deferred revenue - Bancassurance' pertains to the allocated portion of the consideration received for the disposal of APLII related to the EDR and the exclusive bancassurance arrangement for the non-life insurance business with ABIC (refer to Note 12.7). In 2023 and 2022, amortization of other deferred revenue amounting to ₱73.2 million were recognized under 'Service fees and commission income' (refer to Note 26.1).

'Miscellaneous' include interoffice floats, remittance-related payables, overages, advance rentals and sundry credits.

23. Derivative Financial Instruments

The tables below show the fair values of the derivative financial instruments entered into by the Group and the Parent Company, recorded as 'Financial assets at FVTPL' (refer to Note 9.1) or 'Financial liabilities at FVTPL' (refer to Note 18), together with the notional amounts.



The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding as of December 31, 2023 and 2022 and are not indicative of either market risk or credit risk (amounts in thousands, except average forward rate).

Consolidated				
2023				
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
Currency forwards and spots:				
BUY:				
JPY	₱90,263	₱190,651	USD0.01	17,322,000
USD	40,763	351,871	1.00	1,344,799
SGD	456	-	0.76	11
SELL:				
USD	615,180	7,147	1.00	1,661,278
HKD	2,493	1	0.13	345,477
GBP	44	395	1.27	1,970
SGD	-	2,840	0.76	863
EUR	-	2,006	1.11	3,300
CAD	-	405	0.76	800
PHP	-	300	0.02	830,850
NZD	-	195	0.63	400
	₱749,199	₱555,811		

*The notional amounts pertain to original currencies.

Consolidated				
2022				
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
Currency forwards and spots:				
BUY:				
USD	₱749,512	₱760,764	USD1.00	1,539,816
SGD	303	-	0.74	7
EUR	243	57,543	1.06	72,318
HKD	172	-	0.13	24
SELL:				
USD	604,222	65	1.00	644,843
EUR	3,803	70,519	1.06	62,040
GBP	2,765	-	1.20	2,000
NZD	319	-	0.63	400
JPY	216	11,911	0.01	534,700
PHP	200	138,260	0.02	2,743,406
HKD	187	236	0.13	321,189
AUD	9	55	0.67	700
SGD	-	348	0.74	1,700
CAD	-	75	0.73	1,700
	₱1,361,951	₱1,039,776		

*The notional amounts pertain to original currencies.



Parent Company				
2023				
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
Currency forwards and spots:				
BUY:				
USD	₱38,270	₱351,871	USD1.00	1,300,926
JPY	90,263	190,651	0.01	17,322,000
SGD	456	-	0.76	11
SELL:				
USD	615,180	7,147	0.02	1,661,278
SGD	-	2,840	0.76	863
EUR	-	2,006	1.11	3,300
CAD	-	405	0.76	800
GBP	44	395	1.27	1,970
PHP	-	300	0.02	830,850
NZD	-	195	0.63	400
HKD	-	1	0.13	2,700
	₱744,213	₱555,811		

*The notional amounts pertain to original currencies.

Parent Company				
2022				
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
Currency forwards and spots:				
BUY:				
USD	₱748,234	₱760,764	USD1.00	1,225,921
SGD	303	-	0.74	7
EUR	-	57,543	1.06	67,540
SELL:				
USD	603,979	65	1.00	640,066
EUR	3,803	70,519	1.06	62,040
GBP	2,765	-	1.20	2,000
NZD	319	-	0.63	400
JPY	216	11,911	0.01	534,700
PHP	200	138,260	0.02	2,743,406
AUD	9	55	0.67	700
SGD	-	348	0.74	1,700
HKD	-	236	0.13	5,000
CAD	-	75	0.73	1,700
	₱1,359,828	₱1,039,776		

*The notional amounts pertain to original currencies.

The rollforward analysis of net derivative assets in 2023 and 2022 follows:

	Consolidated		Parent Company	
	2023	2022	2023	2022
Balance at the beginning of the year:				
Derivative assets	₱1,361,951	₱1,365,051	₱1,359,828	₱1,362,041
Derivative liabilities	1,039,776	891,531	1,039,776	891,346
	322,175	473,520	320,052	470,695
Changes in fair value				
Currency forwards and spots*	(135,968)	(147,028)	(136,672)	(147,028)
Interest rate swaps and warrants**	609	-	609	-
	(135,359)	(147,028)	(136,063)	(147,028)
Net availments (settlements)	6,573	(4,317)	4,413	(3,615)
Balance at end of year:				
Derivative assets	749,198	1,361,951	744,213	1,359,828
Derivative liabilities	555,811	1,039,776	555,811	1,039,776
	₱193,387	₱322,175	₱188,402	₱320,052

* Presented as part of 'Foreign exchange gains - net'

** Recorded under 'Trading and investment securities gains - net' (refer to Note 9.5)



24. Maturity Analysis of Assets and Liabilities

The following tables show an analysis of assets and liabilities of the Group and Parent Company analyzed according to whether they are expected to be recovered or settled within one year and beyond one year from reporting date:

	Consolidated					
	2023			2022		
	Less than Twelve Months	Over Twelve Months	Total	Less than Twelve Months	Over Twelve Months	Total
Financial Assets						
Cash and other cash items	₱21,151,391	₱-	₱21,151,391	₱22,217,915	₱-	₱22,217,915
Due from BSP	95,410,350	-	95,410,350	94,701,360	-	94,701,360
Due from other banks	21,253,754	-	21,253,754	26,020,081	-	26,020,081
Interbank loans receivable (Note 8)	35,642,485	-	35,642,485	16,291,470	-	16,291,470
Securities held under agreements to resell (Note 8)	69,708,690	-	69,708,690	64,526,051	-	64,526,051
Financial assets at FVTPL (Note 9)	10,516,864	-	10,516,864	7,347,201	-	7,347,201
Financial assets at FVOCI (Note 9)	112,174,065	52,357,427	164,531,492	86,697,820	71,485,705	158,183,525
Investment securities at amortized cost (Note 9)	21,997,197	101,359,065	123,356,262	35,359,598	78,956,212	114,315,810
Loans and receivables (Note 10)	311,983,380	347,975,013	659,958,393	225,461,251	407,109,088	632,570,339
Other assets (Note 15)	383,478	18,779	402,257	51,331	19,000	70,331
	700,221,654	501,710,284	1,201,931,938	578,674,078	557,570,005	1,136,244,083
Nonfinancial Assets						
Property and equipment (Note 11)	-	25,026,058	25,026,058	-	25,882,025	25,882,025
Investment in an associate (Note 12)	-	3,199,124	3,199,124	-	2,688,764	2,688,764
Investment properties (Note 13)	-	18,727,971	18,727,971	-	17,808,697	17,808,697
Deferred tax assets (Note 30)	-	6,981,726	6,981,726	-	6,616,902	6,616,902
Goodwill (Note 14)	-	10,184,843	10,184,843	-	11,221,410	11,221,410
Intangible assets (Note 14)	-	8,329,479	8,329,479	-	7,770,695	7,770,695
Residual value of leased assets (Note 10)	5,658	-	5,658	107,634	122,772	230,406
Other assets (Note 15)	4,517,656	1,570,008	6,087,664	2,945,525	2,181,506	5,127,031
	4,523,314	74,019,209	78,542,523	3,053,159	74,292,771	77,345,930
Less: Allowance for impairment and credit losses (Note 16)			47,247,648			47,192,482
Unearned and other deferred income (Note 10)			681,399			756,049
Accumulated depreciation and amortization (Notes 11, 13 and 14)			21,996,014			20,484,406
			₱1,210,549,400			₱1,145,157,076
Financial Liabilities						
Deposit liabilities (Note 17)	₱917,137,058	₱10,833,860	₱927,970,918	₱850,430,921	₱20,796,800	₱871,227,721
Financial liabilities at FVTPL (Note 18)	555,811	-	555,811	1,039,776	-	1,039,776
Bills and acceptances payable (Note 19)	19,047,156	1,115,447	20,162,603	11,867,176	3,113,197	14,980,373
Accrued interest payable (Note 20)	2,426,973	974	2,427,947	980,446	5,594	986,040
Accrued other expenses payable (Note 20)	3,120,324	-	3,120,324	2,384,652	478,314	2,862,966
Bonds payable (Note 21)	41,490,871	-	41,490,871	16,716,682	41,722,415	58,439,097
Other liabilities (Note 22)	8,134,350	1,215,351	9,349,701	8,437,866	1,784,517	10,222,383
	991,912,543	13,165,632	1,005,078,175	891,857,519	67,900,837	959,758,356
Nonfinancial Liabilities						
Lease liabilities (Note 29)	815,279	3,017,605	3,832,884	709,214	2,927,177	3,636,391
Accrued taxes and other expenses (Note 20)	3,529,374	1,387,728	4,917,102	3,069,330	2,199,057	5,268,387
Income tax payable	180,364	-	180,364	983,051	-	983,051
Other liabilities (Note 22)	2,188,421	3,203,800	5,392,221	2,727,209	2,878,048	5,605,257
	6,713,438	7,609,133	14,322,571	7,488,804	8,004,282	15,493,086
	₱998,625,981	₱20,774,765	₱1,019,400,746	₱899,346,323	₱75,905,119	₱975,251,442



Parent Company						
	2023			2022		
	Less than Twelve Months	Over Twelve Months	Total	Less than Twelve Months	Over Twelve Months	Total
Financial Assets						
Cash and other cash items	₱21,052,526	₱-	₱21,052,526	₱22,103,095	₱-	₱22,103,095
Due from BSP	95,410,350	-	95,410,350	94,701,360	-	94,701,360
Due from other banks	13,636,497	-	13,636,497	17,609,247	-	17,609,247
Interbank loans receivable (Note 8)	33,445,364	-	33,445,364	14,736,112	-	14,736,112
Securities held under agreements to resell (Note 8)	69,708,690	-	69,708,690	64,526,051	-	64,526,051
Financial assets at FVTPL (Note 9)	10,363,259	-	10,363,259	7,195,685	-	7,195,685
Financial assets at FVOCI (Note 9)	112,186,240	51,950,731	164,136,971	86,716,076	70,489,831	157,205,907
Investment securities at amortized cost (Note 9)	21,859,529	101,026,771	122,886,300	35,359,598	78,816,930	114,176,528
Loans and receivables (Note 10)	301,689,657	343,699,637	645,389,294	214,331,618	403,721,820	618,053,438
Other assets (Note 15)	382,847	500	383,347	49,981	1,479	51,460
	679,734,959	496,677,639	1,176,412,598	557,328,823	553,030,060	1,110,358,883
Nonfinancial Assets						
Property and equipment (Note 11)	-	23,505,599	23,505,599	-	23,667,261	23,667,261
Investment in subsidiaries and an associate (Note 12)	-	20,567,070	20,567,070	-	20,384,104	20,384,104
Investment properties (Note 13)	-	18,061,869	18,061,869	-	17,104,160	17,104,160
Deferred tax assets (Note 30)	-	6,929,669	6,929,669	-	6,574,190	6,574,190
Goodwill (Note 14)	-	10,325,201	10,325,201	-	11,361,768	11,361,768
Intangible assets (Note 14)	-	8,836,155	8,836,155	-	8,712,778	8,712,778
Other assets (Note 15)	3,839,071	1,565,837	5,404,908	2,328,923	2,043,660	4,372,583
	3,839,071	89,791,400	93,630,471	2,328,923	89,847,921	92,176,844
Less: Allowance for impairment and credit losses (Note 16)			47,218,194			47,652,020
Unearned and other deferred income (Note 10)			663,302			612,582
Accumulated amortization and depreciation (Notes 11, 13 and 14)			21,787,417			20,526,875
			₱1,200,374,156			₱1,133,744,250
Financial Liabilities						
Deposit liabilities (Note 17)	₱912,423,822	₱10,358,261	₱922,782,083	₱846,551,824	₱20,078,556	₱866,630,380
Financial liabilities at FVTPL (Note 18)	555,811	-	555,811	1,039,776	-	1,039,776
Bills and acceptances payable (Note 19)	19,047,156	1,115,447	20,162,603	10,818,915	3,069,120	13,888,035
Accrued interest payable (Note 20)	2,388,727	-	2,388,727	964,494	-	964,494
Accrued other expenses payable (Note 20)	2,891,243	-	2,891,243	2,351,263	478,314	2,829,577
Bonds payable (Note 21)	41,490,871	-	41,490,871	16,716,682	41,722,415	58,439,097
Other liabilities (Note 22)	7,445,752	1,215,351	8,661,103	7,666,525	1,753,787	9,420,312
	986,243,382	12,689,059	998,932,441	886,109,479	67,102,192	953,211,671
Nonfinancial Liabilities						
Lease liabilities (Note 29)	770,705	2,952,611	3,723,316	676,900	2,927,177	3,604,077
Accrued taxes and other expenses (Note 20)	3,381,952	1,387,728	4,769,680	2,507,506	2,186,123	4,693,629
Income tax payable	103,470	-	103,470	916,235	-	916,235
Other liabilities (Note 22)	1,759,137	3,133,623	4,892,760	1,531,794	3,141,699	4,673,493
	6,015,264	7,473,962	13,489,226	5,632,435	8,254,999	13,887,434
	₱992,258,646	₱20,163,021	₱1,012,421,667	₱891,741,914	₱75,357,191	₱967,099,105



25. Equity

25.1 Capital Stock

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

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

The history of share issuances of the Parent Company since its initial public offering follows:

Date	Type of issuance	Number of common shares	Par value	Offer price
July 2019	Stock rights	276,625,172	₱40.00	₱43.38
February 2014	Stock rights	162,931,262	40.00	71.00
February 2013	Share-for-share swap with ABC common and preferred shares	423,962,500	40.00	97.90
September 2000	Pre-emptive stock rights	71,850,215	100.00	60.00
September 1999	Stock rights	68,740,086	100.00	137.80
December 1995	Third public offering	7,200,000	100.00	260.00
April 1992	Second public offering	8,033,140	100.00	265.00
June 1989	Initial public offering	10,800,000	100.00	100.00

In January 2013, the SEC approved the conversion of the Parent Company's 195,175,444 authorized preferred shares into common shares, thereby increasing its authorized common shares to 1,250,000,001. Further, in July 2014, the SEC approved the Parent Company's Articles of Incorporation for the increase in authorized capital by 500,000,000 common shares to 1,750,000,001.

The Parent Company's shares are listed in the PSE. As of December 31, 2023 and 2022, the Parent Company had 36,081 and 36,192 stockholders, respectively.

On July 22, 2019, the Parent Company successfully completed its Stock Rights Offering (SRO) of 276,625,172 common shares with a par value of ₱40.0 per share at a price of ₱43.38 each, raising gross proceeds of ₱12.0 billion. Out of the total transaction costs from the SRO, underwriting fees amounting to ₱10.0 million paid to PNB Capital, being one of the joint lead managers, was eliminated against 'Capital paid in excess of par value' in the consolidated financial statements.

25.2 Surplus

The computation of surplus available for dividend declaration in accordance with SEC Memorandum Circular No. 11-2008 differs to a certain extent from the computation following BSP guidelines.

As of December 31, 2023 and 2022, surplus amounting to ₱9.6 billion, representing the balances of the following equity items that have been applied to eliminate the Parent Company's deficit through quasi-reorganizations in 2002 and 2000 (refer to Note 12), is not available for dividend declaration without prior approval from the SEC and the BSP:

Revaluation increment on land and buildings	₱7,691,808
Accumulated translation adjustment	1,315,685
Accumulated equity in net earnings of investees	563,048
	₱9,570,541



25.3 Surplus Reserves

This account consists of:

	2023	2022
Reserves under BSP Circular 1011 (Note 10)	₱3,912,672	₱4,218,928
Reserves for trust business (Note 32)	660,258	630,314
Reserves for self-insurance	105,000	80,000
	₱4,677,930	₱4,929,242

‘Reserves under BSP Circular 1011’ represents the appropriation for the excess of 1% general loan loss provisions over the computed ECL for Stage 1 accounts in accordance with BSP Circular 1011.

‘Reserves for self-insurance’ represents the amount set aside to cover losses due to fire or defalcation by, and other unlawful acts, of the Parent Company’s personnel or third parties.

25.4 Accumulated Translation Adjustment

As part of the Group’s rehabilitation program in 2002, the SEC approved on November 7, 2002 the application of the accumulated translation adjustment of ₱1.6 billion to eliminate the Parent Company’s remaining deficit of ₱1.3 billion, including ₱0.6 billion accumulated equity in net earnings as of December 31, 2001, after applying the total reduction in par value amounting to ₱7.6 billion.

The SEC approval is subject to the following conditions:

- remaining translation adjustment of ₱310.7 million as of December 31, 2001 (shown as part of ‘Capital paid in excess of par value’ in the statement of financial position) will not be used to wipe out losses that may be incurred in the future without prior approval of SEC;
- for purposes of dividend declaration, any future surplus account of the Parent Company shall be restricted to the extent of the deficit wiped out by the translation adjustment.

25.5 Other Equity Reserves

On August 26, 2016, the Parent Company’s BOD approved the grant of centennial bonus to its employees, officers and directors on record as of July 22, 2016, in the form of the Parent Company’s shares of stock. The acquisition and distribution of the estimated 3.0 million shares shall be done over a period of five years, and are subject to service conditions. The grant is accounted for as equity-settled share-based payments. Grant date was April 27, 2017 when the fair value of the centennial bonus shares was at ₱65.20. In 2021, the Parent Company awarded 306 thousand centennial bonus shares and applied the settlement of the awards against ‘Other equity reserves’ amounting to ₱29.0 million.

25.6 Capital Management

The primary objectives of the Group’s capital management are to ensure that it complies with externally imposed capital requirements and it maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders’ value.

The Parent Company and its financial allied subsidiaries are subject to the regulatory requirements of the BSP. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the



capital structure, the Parent Company may adjust the amount of dividend payment to shareholders, return capital structure, or issue capital securities. No changes were made in the objectives, policies and processes from the previous periods. The Group has complied with all externally imposed capital requirements throughout the year.

25.6.1 BSP Reporting for Capital Management

Under existing BSP regulations, the determination of the Group's compliance with regulatory requirements and ratios is based on the amount of the Group's unimpaired capital (regulatory net worth) reported to the BSP, which is determined based on RAP, which differ from PFRS in some respects. In addition, the risk-based capital ratio of a bank or Capital Adequacy Ratio (CAR), expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10.00% at all times for both solo basis (head office and branches) and consolidated basis (Parent Company and subsidiaries engaged in financial allied undertakings but excluding insurance companies). Qualifying capital and risk-weighted assets are computed based on RAP. Risk-weighted assets consist of total assets less cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits and other non-risk items determined by the MB of the BSP.

On May 16, 2002, the BSP approved the booking of additional appraisal increment on properties of ₱431.8 million and recognition of the same in determining the CAR, and booking of translation adjustment of ₱1.6 billion representing the increase in peso value of the investment in foreign subsidiaries for purposes of the quasi-reorganization and rehabilitation of the Parent Company, provided that the same shall be excluded for dividend purposes.

As of December 31, 2023 and 2022, CAR reported to the BSP with certain adjustments is shown in the table below (amounts, except ratios, are expressed in millions):

	2023		2022	
	Actual	Required	Actual	Required
Consolidated				
CET1 Capital (Gross)	₱182,490		₱158,834	
Less: Regulatory Adjustments to CET1	47,253		48,221	
CET1 Capital (Net) / Tier 1 Capital	135,237		110,613	
Add: Tier 2 Capital	6,822		6,109	
Total qualifying capital	₱142,059	₱80,251	₱116,722	₱75,873
Total risk-weighted assets	₱802,506		₱758,730	
CET1 / Tier 1 capital ratio	16.85%		14.58%	
Total capital ratio	17.70%		15.38%	
	2023		2022	
	Actual	Required	Actual	Required
Parent Company				
CET1 Capital (Gross)	₱178,004		₱154,537	
Less: Regulatory Adjustments to CET1	64,326		61,587	
CET1 Capital (Net) / Tier 1 Capital	113,678		92,950	
Add: Tier 2 Capital	6,602		5,878	
Total qualifying capital	₱120,280	₱77,514	₱98,828	₱73,356
Total risk-weighted assets	₱775,138		₱733,556	
CET1 / Tier 1 capital ratio	14.67%		12.67%	
Total capital ratio	15.52%		13.47%	

BSP regulations set out a minimum CET1 ratio of 6.0% and Tier 1 capital ratio of 7.5%; capital conservation buffer of 2.5% comprised of CET1 capital; and total CAR of 10.0%.



In line with its ICAAP document, the Parent Company maintains a capital level that not only meets the BSP's CAR requirement, but also covers all material risks that it may encounter in the course of its business. The ICAAP process highlights close integration of capital planning and strategic management with risk management. The Parent Company has in place a risk management framework that involves a collaborative process for assessing and managing identified Pillar 1 and Pillar 2 risks. The Parent Company complies with the required annual submission of updated ICAAP.

25.6.2 BSP Reporting for Basel III Leverage Ratio

BSP also requires the Basel III Leverage Ratio (BLR), which is designed to act as a supplementary measure to the risk-based capital requirements. BLR intends to restrict the build-up of leverage in the banking sector to avoid destabilizing deleveraging processes, which can damage the broader financial system and the economy. Likewise, it reinforces the risk-based requirements with a simple, non-risk based "backstop" measure. BLR is computed as the capital measure (Tier 1 capital) divided by the total exposure measure and should not be less than 5.00%.

As of December 31, 2023 and 2022, BLR reported to the BSP with certain adjustments is shown in the table below (amounts, except ratios, are expressed in millions):

	Consolidated		Parent Company	
	2023	2022	2023	2022
Tier 1 capital	₱135,237	₱110,613	₱113,678	₱92,950
Total exposure measure	1,242,728	1,176,190	1,213,940	1,150,463
BLR	10.88%	9.40%	9.36%	8.08%

BLR is computed based on RAP.

26. Other Operating Income

26.1 Service Fees and Commission Income

This account consists of:

	Consolidated			Parent Company		
	2023	2022	2021	2023	2022	2021
Continuing operations:						
Deposit-related	₱1,773,546	₱1,585,441	₱1,326,692	₱1,773,546	₱1,585,441	₱1,326,692
Loan-related	1,098,218	1,122,258	1,432,909	1,086,777	1,114,379	1,425,149
Credit card-related	816,028	669,862	697,962	816,028	669,862	697,962
Remittance (Note 33)	674,873	680,875	652,262	353,722	357,161	351,392
Interchange fees	647,084	458,456	383,271	647,084	458,456	383,271
Bancassurance (Note 22)	476,056	873,039	495,512	476,056	873,039	495,512
Underwriting fees	433,172	1,032,640	511,032	—	—	—
Trust fees (Note 32)	373,721	317,782	319,422	373,721	317,782	319,422
Miscellaneous	298,558	257,256	521,264	227,949	187,249	311,329
	6,591,256	6,997,609	6,340,326	5,754,883	5,563,369	5,310,729
Discontinued operations:						
Miscellaneous (Note 36)	—	—	110	—	—	—
	₱6,591,256	₱6,997,609	₱6,340,436	₱5,754,883	₱5,563,369	₱5,310,729

'Credit card-related fees' and 'Interchange fees' were generated from the credit card business of the Parent Company.

'Miscellaneous' includes income from securities brokering activities and other fees and commission.



26.2 Net Gains on Sale or Exchange of Assets

This account consists of:

	Consolidated			Parent Company		
	2023	2022	2021	2023	2022	2021
Net gains from sale of investment properties	₱3,048,616	₱5,703,909	₱15,192	₱3,048,387	₱5,701,642	₱8,268
Net gains (losses) from sale of property and equipment (Note 11)	712,514	34,913	8,399	793,070	32,027	(789)
Net gains from sale of other assets	313,864	241,807	52,206	313,864	241,807	60,880
Net gains from foreclosure and repossession of investment properties	238,112	1,751,739	138,697	238,112	1,751,739	138,697
Net gains from sale of receivables	228,461	42,786	766,968	228,461	42,786	766,968
	₱4,541,567	₱7,775,154	₱981,462	₱4,621,894	₱7,770,001	₱974,024

27. Miscellaneous Income and Expenses

27.1 Miscellaneous Income

This account consists of:

	Consolidated			Parent Company		
	2023	2022	2021	2023	2022	2021
Continuing operations:						
Rental income (Notes 29 and 33)	₱257,758	₱275,865	₱513,904	₱133,392	₱47,345	₱211,775
Recoveries	215,834	303,435	85,164	215,178	221,253	84,463
Income from assets acquired	74,074	95,736	183,173	74,074	95,736	183,173
Dividends	50,833	51,211	63,608	11,189	11,139	23,584
Others	272,895	410,445	224,198	191,074	345,960	256,831
	871,394	1,136,692	1,070,047	624,907	721,433	759,826
Discontinued operations (Note 36):						
Rental income	–	–	375,556	–	–	–
Others	–	–	111,401	–	–	–
	–	–	486,957	–	–	–
	₱871,394	₱1,136,692	₱1,557,004	₱624,907	₱721,433	₱759,826

‘Others’ consist of income from wire transfers, tellers’ overages, and loan-related penalty payments received by the Group, and other income relating to loans, credit card and trade transactions.

27.2 Miscellaneous Expenses

This account consists of:

	Consolidated			Parent Company		
	2023	2022	2021	2023	2022	2021
Continuing operations:						
Insurance	₱2,000,871	₱1,778,214	₱1,997,478	₱1,985,502	₱1,763,300	₱1,983,103
Secretarial, janitorial and messengerial	1,939,219	1,790,422	1,682,794	1,929,196	1,779,543	1,669,906
Information technology	1,001,111	1,193,975	1,304,930	968,654	1,165,865	1,283,294
Marketing expenses	794,060	1,070,147	719,070	787,800	1,063,239	713,832
Litigation and assets acquired expenses (Note 13)	662,610	373,740	395,386	661,214	373,549	394,534
Travelling	331,658	339,868	284,484	325,628	333,898	280,090
Management and other professional fees (Forward)	274,788	279,363	294,090	225,202	220,880	245,853



	Consolidated			Parent Company		
	2023	2022	2021	2023	2022	2021
Common use service area (CUSA) charges (Note 33)	₱220,143	₱188,770	₱–	₱220,143	₱188,770	₱–
Stationery and supplies	217,194	269,669	269,813	208,160	260,333	261,679
Value-added tax on leases	187,479	141,988	88,116	187,479	141,988	88,116
Postage, telephone and cable	153,964	156,800	151,560	124,527	127,895	124,270
Repairs and maintenance	49,585	79,303	70,375	49,585	79,303	70,375
Freight	45,676	41,599	42,418	45,666	41,547	42,320
Entertainment, amusement and recreation (EAR) (Note 30)	30,031	154,987	189,098	16,778	145,423	181,251
Fuel and lubricants	14,620	16,301	14,172	11,232	13,751	11,477
Others (Note 33)	295,162	176,796	698,971	202,181	111,146	624,455
	8,218,171	8,051,942	8,202,755	7,948,947	7,810,430	7,974,555
Discontinued operations:						
Management and other professional fees (Note 33)	–	–	109,776	–	–	–
Insurance	–	–	10,363	–	–	–
Information technology	–	–	2,906	–	–	–
Marketing expenses	–	–	2,236	–	–	–
Secretarial, janitorial and messengerial	–	–	1,620	–	–	–
Postage, telephone and cable	–	–	751	–	–	–
Travelling	–	–	508	–	–	–
Stationery and supplies	–	–	449	–	–	–
Fuel and lubricants	–	–	411	–	–	–
EAR	–	–	142	–	–	–
Others	–	–	2,832	–	–	–
	–	–	131,994	–	–	–
	₱8,218,171	₱8,051,942	₱8,334,749	₱7,948,947	₱7,810,430	₱7,974,555

‘Others’ include stationery and supplies used, donation, fines, penalties, periodicals, magazines and other charges.

28. Retirement Plan

The Parent Company and certain subsidiaries of the Group have separate funded, noncontributory defined benefit retirement plans covering substantially all its officers and regular employees. Under these retirement plans, all covered officers and employees are entitled to cash benefits after satisfying certain age and service requirements.

The amounts of net defined benefit liability in the statements of financial position follow:

	Consolidated		Parent Company	
	2023	2022	2023	2022
Retirement benefit liability (included in ‘Other liabilities’) (Note 22)	₱281,585	₱384,838	₱269,390	₱382,449
Net plan assets (included in ‘Other assets - miscellaneous’) (Note 15)	17,283	5,988	–	–
	₱264,302	₱378,850	₱269,390	₱382,449

The Parent Company also provides certain post-employee benefit through a guarantee of a specified return on contributions in one of its employee investment plans (EIP).

The latest actuarial valuations for these retirement plans were made as of December 31, 2023.



The following table shows the actuarial assumptions as of December 31, 2023 and 2022 used in determining the retirement benefit obligation of the Group:

	Consolidated		Parent Company			
			Regular Plans		EIP	
	2023	2022	2023	2022	2023	2022
Discount rate	6.03% - 7.15%	6.92% - 7.15%	6.03%	6.92%	6.03%	6.93%
Salary rate increase	5.00% - 10.00%	6.00% - 10.00%	5.00%	6.00%	-	-

The Group and the Parent Company employ asset-liability matching strategies to maximize investment returns at the least risk to reduce contribution requirements while maintaining a stable retirement plan. Retirement plans are invested to ensure that liquid funds are available when benefits become due, to minimize losses due to investment pre-terminations and maximize opportunities for higher potential returns at the least risk.

The current plan assets of the Group and the Parent Company are allocated to cover benefit payments in the order of their proximity to the present time. Expected benefit payments are projected and classified into short-term or long-term liabilities. Investment instruments that would match the liabilities are identified. This strategy minimizes the possibility of the asset-liability match being distorted due to the Group's and the Parent Company's failure to contribute in accordance with its general funding strategy.



The changes in the present value obligation and fair value of plan assets are as follows:

Consolidated													
2023													
	Net benefit costs *						Remeasurements in other comprehensive income						
	January 1, 2023	Current service cost	Past service cost	Net interest	Settlement loss	Subtotal	Benefits paid	Return on plan asset excluding amount included in net interest	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in financial assumptions	Subtotal	Contributions by employer	December 31, 2023
Present value of pension obligation	₱8,262,548	₱518,273	₱-	₱569,815	₱508	₱1,088,596	(₱909,969)	₱-	₱313,674	(₱21,975)	₱376,350	₱-	₱8,817,525
Fair value of plan assets	7,883,698	-	-	545,884	-	545,884	(909,969)	(123,225)	-	-	(123,225)	1,156,835	8,553,223
	₱378,850	₱518,273	₱-	₱23,931	₱508	₱542,712	₱-	₱123,225	₱313,674	(₱21,975)	₱499,575	(₱1,156,835)	₱264,302

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

Consolidated													
2022													
	Net benefit costs *						Remeasurements in other comprehensive income						
	January 1, 2022	Current service cost	Past service cost	Net interest	Settlement loss	Subtotal	Benefits paid	Return on plan asset excluding amount included in net interest	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in financial assumptions	Subtotal	Contributions by employer	December 31, 2022
Present value of pension obligation	₱9,016,762	₱593,481	₱312,332	₱425,991	₱-	₱1,331,804	(₱1,069,819)	₱-	₱153,996	(₱1,170,195)	(₱1,016,199)	₱-	₱8,262,548
Fair value of plan assets	8,096,181	-	-	383,369	-	383,369	(1,069,819)	(373,885)	-	-	(373,885)	847,852	7,883,698
	₱920,581	₱593,481	₱312,332	₱42,622	₱-	₱948,435	₱-	₱373,885	₱153,996	(₱1,170,195)	(₱642,314)	(₱847,852)	₱378,850

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

In 2023, as part of the winding down of PMLFC, it has settled its obligations to all plan members under its defined benefit retirement plan, recognizing settlement loss amounting to ₱0.5 million.



Parent Company												
2023												
	Net benefit costs *					Remeasurements in other comprehensive income						
	January 1, 2023	Current service cost	Past service cost	Net interest	Subtotal	Benefits paid	Return on plan asset excluding amount included in net interest	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in financial assumptions	Subtotal	Contributions by employer	December 31, 2023
Present value of pension obligation	₱8,205,717	₱508,794	₱-	₱566,258	₱1,075,052	(₱899,272)	₱-	₱407,223	(₱22,524)	₱384,699	₱-	₱8,766,198
Fair value of plan assets	7,823,268	-	-	542,152	542,152	(899,272)	(120,898)	-	-	(120,898)	1,151,558	8,496,808
	₱382,449	₱508,794	₱-	₱24,106	₱532,900	₱-	₱120,898	₱407,223	(₱22,524)	₱505,597	(₱1,151,558)	₱269,390

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

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

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

In 2022, the Parent Company amended certain provisions of its defined benefit retirement plan and EIP, resulting in the recognition of past service costs amounting to ₱312.3 million.



The Group and the Parent Company expect to contribute ₱610.0 million and ₱594.8 million, respectively, to the defined benefit plans in 2023. The average duration of the retirement liability of the Group and the Parent Company as of December 31, 2023 is 14 years.

Shown below is the maturity analysis of the undiscounted benefit payments:

	Consolidated		Parent Company	
	2023	2022	2023	2022
Less than one year	₱2,006,787	₱1,715,711	₱2,006,149	₱1,715,118
More than one year to five years	5,561,003	5,337,983	5,536,660	5,313,181
More than five years to 10 years	4,216,312	4,452,313	4,181,267	4,399,376
More than 10 years to 15 years	3,796,315	3,946,295	3,776,079	3,867,711
More than 15 years	7,756,720	9,333,106	7,387,120	8,884,949

The fair values of plan assets by each class as at the end of the reporting periods are as follows:

	Consolidated		Parent Company	
	2023	2022	2023	2022
Cash and cash equivalents (Note 33)	₱2,704,983	₱3,897,238	₱2,692,996	₱3,887,225
Equity investments				
Electricity, gas and water	1,023,715	225,683	1,023,715	224,668
Manufacturing	549,340	133,468	549,340	133,468
Real estate, renting and business activities	377,728	210,570	376,478	207,323
Financial institutions (Note 33)	157,649	161,806	152,059	156,169
Others	50,946	58,668	42,631	49,170
Debt investment				
Government securities	2,296,273	1,796,154	2,283,209	1,787,280
Private debt securities	218,317	626,677	212,419	618,124
Investment in UITFs (Note 33)	566,714	565,266	556,626	555,186
Loans and receivables	561,330	160,380	561,330	160,380
Interest and other receivables	48,797	50,782	48,493	47,121
	8,555,792	7,886,692	8,499,296	7,826,114
Accrued expenses	(2,569)	(2,994)	(2,488)	(2,846)
	₱8,553,223	₱7,883,698	₱8,496,808	₱7,823,268

All equity and debt investments held have quoted prices in active markets. Fair value of investments in UITFs is based on their published net asset value per share. The remaining plan assets do not have quoted market prices in an active market, thus, their fair value is determined using the discounted cash flow methodology, using the Group's current incremental lending rates for similar types of loans and receivables.

The fair value of the plan assets as of December 31, 2023 and 2022 for the Group includes investments in the Parent Company shares of stock with fair value amounting to ₱152.1 million and ₱156.2 million, respectively (refer to Note 33.3).

The plan assets have diverse investments and do not have any concentration risk.



The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

	2023			
	Consolidated		Parent Company	
	Possible fluctuations	Increase (decrease)	Possible fluctuations	Increase (decrease)
Discount rate	+1.00%	(₱476,282)	+1.00%	(₱470,919)
	-1.00%	531,114	-1.00%	524,667
Salary increase rate	+1.00%	491,712	+1.00%	485,411
	-1.00%	(460,915)	-1.00%	(455,512)
Employee turnover rate	+10.00%	61,646	+10.00%	61,050
	-10.00%	(61,646)	-10.00%	(61,050)

	2022			
	Consolidated		Parent Company	
	Possible fluctuations	Increase (decrease)	Possible fluctuations	Increase (decrease)
Discount rate	+1.00%	(₱452,402)	+1.00%	(₱446,082)
	-1.00%	504,175	-1.00%	496,643
Salary increase rate	+1.00%	469,231	+1.00%	461,837
	-1.00%	(432,648)	-1.00%	(426,285)
Employee turnover rate	+10.00%	61,043	+10.00%	60,283
	-10.00%	(61,043)	-10.00%	(60,283)

Full actuarial valuations were performed to test the sensitivity of the defined benefit obligation to a 1.00% increment in salary increase rate and a 1.00% decrement in the discount rate. The results also provide a good estimate of the sensitivity of the defined benefit obligation to a 1.00% decrement in salary increase rate and a 1.00% increment in the discount rate.

29. Leases

29.1 Group as Lessee

The Group has entered into commercial leases for its branch sites, ATM offsite location and other equipment. These non-cancellable leases have lease terms of 1 to 25 years. Most of these lease contracts include escalation clauses, an annual rent increase of 2.00% to 10.00%. The Group's right-of-use assets pertain to its branch sites and subsidiaries' offices under lease arrangements.

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises judgement in determining whether these extension and termination options are reasonably certain to be exercised.

Rent expense charged against current operations (included in 'Occupancy and equipment-related costs' in the statements of income) amounted to ₱264.1 million, ₱270.2 million and ₱251.5 million in 2023, 2022 and 2021, respectively, for the Group, of which ₱187.0 million, ₱201.6 million and ₱223.2 million in 2023, 2022, and 2021, respectively, pertain to the Parent Company. Rent expenses in 2023, 2022 and 2021 pertain to expenses from short-term leases and leases of low-value assets.

As of December 31, 2023 and 2022, the Group has no contingent rent payable.



As of December 31, 2023 and 2022, the carrying amounts of ‘Lease liabilities’ are as follows:

	Consolidated		Parent Company	
	2023	2022	2023	2022
Balance at beginning of year	₱3,636,391	₱3,765,391	₱3,604,077	₱3,698,410
Additions	1,340,509	799,014	1,185,129	789,687
Payments	(1,314,516)	(1,113,225)	(1,232,928)	(1,068,038)
Interest expense (Note 19)	171,570	171,885	168,285	170,692
Transfers	(1,070)	13,326	(1,247)	13,326
	₱3,832,884	₱3,636,391	₱3,723,316	₱3,604,077

The Parent Company has lease contracts with its affiliates (Note 33).

Future minimum rentals payable under non-cancelable leases follow:

	Consolidated		Parent Company	
	2023	2022	2023	2022
Within one year	₱1,072,255	₱1,010,202	₱987,562	₱925,509
Beyond one year but not more than five years	3,171,247	3,172,151	3,057,198	3,058,101
More than five years	388,583	801,283	292,988	705,688
	₱4,632,085	₱4,983,636	₱4,337,748	₱4,689,298

29.2 Group as Lessor Under Operating Leases

The Parent Company has entered into commercial property leases on its investment properties. These non-cancelable leases have lease terms of one to five years. Some leases include escalation clauses (such as 5.00% per year). In 2023, 2022 and 2021, total rent income (included under ‘Miscellaneous income’) amounted to ₱257.8 million, ₱275.9 million and ₱513.9 million, respectively, for the Group and ₱133.4 million, ₱47.3 million and ₱211.8 million, respectively, for the Parent Company (refer to Note 27.1).

Future minimum rentals receivable of the Group under non-cancelable operating leases follow:

	2023	2022
Within one year	₱246,175	₱42,163
Beyond one year but not more than five years	77,745	460,051
	₱323,920	₱502,214

29.3 Group as Lessor Under Finance Leases

Leases where the Group substantially transfers to the lessee all risks and benefits incidental to ownership of the leased asset are classified as finance leases and are presented as receivable at an amount equal to the Group’s net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Group’s net investment outstanding in respect of the finance lease (effective interest method). Lease payments relating to the period are applied against the gross investment in the lease to reduce both the principal and the unearned finance income.

The future minimum lease receivables under finance leases are disclosed under ‘Loans and Receivables’ in Note 10.2.



30. Income and Other Taxes

30.1 Philippine Tax Landscape and Regulations

Under Philippine tax laws, the Parent Company and certain subsidiaries are subject to percentage and other taxes (presented as ‘Taxes and licenses’ in the statements of income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax and documentary stamp tax.

Income taxes include the corporate income tax, discussed below, and final taxes paid which represents final withholding tax on gross interest income from government securities and other deposit substitutes and income from the FCDU transactions. These income taxes, as well as the deferred tax benefits and provisions, are presented as ‘Provision for income tax’ in the statements of income.

On March 26, 2021, Republic Act No. 11534, otherwise known as Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act was signed into law. CREATE reduced the RCIT rate from 30.00% to 25.00% depending on the criteria set by the law effective July 1, 2020. With the implementation of CREATE, interest expense allowed as a deductible expense shall be reduced by 20.00% of the interest income subjected to final tax, compared to the 33.00% reduction prior to the CREATE.

The regulations also provide for MCIT of 2.00% (prior to CREATE) and 1.00% from (July 1, 2020 to June 30, 2023 before reverting to 2.00%) on modified gross income and allow a NOLCO. The MCIT and NOLCO may be applied against the Group’s and the Parent Company’s income tax liability and taxable income, respectively, over a three-year period from the year of inception. For the taxable years 2021 and 2020, the NOLCO incurred can be carried over as a deduction for the next five (5) consecutive taxable years, pursuant to Revenue Regulations (RR) No. 25-2020.

Impact of CREATE Law

Applying the provisions of the CREATE Law, the Group and the Parent Company is subjected to lower regular corporate income tax rate of 25.00% effective July 1, 2020. The following are the impact of CREATE in the 2021 financial statements of the Group and the Parent Company:

- Based on the provisions of Revenue Regulations (RR) No. 5-2021 dated April 8, 2021 issued by the BIR, the transitory RCIT and MCIT rates applicable to the Group and the Parent Company for the taxable year 2020 is 27.50% and 1.50%, respectively. This resulted in reduction in the current income tax due for the taxable year 2020 amounting to ₱365.1 million and ₱361.4 million for the Group and the Parent Company, respectively. The reduced amounts were reflected in the 2020 Annual Income Tax Returns filed in 2021. For financial reporting purposes, such reductions in the 2020 current income taxes were recognized in the 2021 financial statements as reduction to 2021 income tax expense.
- The deferred tax assets as of December 31, 2021 were also remeasured using the lower RCIT rate of 25.00%. The net decrease in the deferred tax balances amounting to ₱1.5 billion for the Group and the Parent Company, reduced the provision for deferred tax by ₱1.5 billion for the Group and the Parent Company, and other comprehensive income by ₱9.2 million and ₱9.4 million for the Group and the Parent Company, respectively.

There were no tax-related contingent liabilities and contingent assets arising from the changes in the tax rates due to CREATE Act.



Current tax regulations also provide for the ceiling on the amount of EAR expense that can be claimed as a deduction against taxable income. Under the regulation, EAR expense allowed as a deductible expense for a service company like the Parent Company and some of its subsidiaries is limited to the actual EAR paid or incurred but not to exceed 1.00% of net revenue. EAR charged against current operations (included in ‘Miscellaneous expenses’ in the statements of income) amounted to ₱30.0 million in 2023, ₱155.0 million in 2022, and ₱189.1 million in 2021 for the Group, and ₱16.8 million in 2023, ₱145.4 million in 2022, and ₱181.3 million in 2021 for the Parent Company (refer to Note 27.2).

FCDU offshore income (income from non-residents) is tax-exempt while gross onshore income (income from residents) is subject to 10.00% income tax. In addition, interest income on deposit placements with other FCDUs and offshore banking units (OBUs) is taxed at 15.00%. Income derived by the FCDU from foreign currency-denominated transactions with non-residents, OBUs, local commercial banks including branches of foreign banks, is tax-exempt while interest income on foreign currency loans from residents other than OBUs or other depository banks under the expanded system is subject to 10.00% income tax.

30.2 Provision for Income Tax

This account consists of:

	Consolidated			Parent Company		
	2023	2022	2021	2023	2022	2021
Continuing operations:						
Current						
Regular	₱1,404,428	₱3,463,008	₱1,549,711	₱1,327,057	₱3,238,970	₱1,316,245
Final	2,914,558	1,807,104	1,411,669	2,877,681	1,784,869	1,372,443
	4,318,986	5,270,112	2,961,380	4,204,738	5,023,839	2,688,688
Deferred	(311,611)	(338,884)	2,583,814	(356,770)	(339,814)	2,323,873
	4,007,375	4,931,228	5,545,194	3,847,968	4,684,025	5,012,561
Discontinued operations (Note 36):						
Current						
Regular	–	–	177,048	–	–	–
Final	–	–	15,813	–	–	–
	–	–	192,861	–	–	–
Deferred	–	–	(84,259)	–	–	–
	–	–	108,602	–	–	–
	₱4,007,375	₱4,931,228	₱5,653,796	₱3,847,968	₱4,684,025	₱5,012,561

30.3 Deferred Taxes

The amounts of net deferred tax assets in the statements of financial position follow:

	Consolidated		Parent Company	
	2023	2022	2023	2022
Deferred tax assets	₱6,981,726	₱6,616,902	₱6,929,669	₱6,574,190
Deferred tax liabilities (Note 22)	166,091	165,721	–	–
	₱6,815,635	₱6,451,181	₱6,929,669	₱6,574,190



The components of net deferred tax assets reported in the statements of financial position follow:

	Consolidated		Parent Company	
	2023	2022	2023	2022
Deferred tax assets on:				
Allowance for impairment, credit and other losses	₱9,281,393	₱9,055,746	₱9,331,283	₱9,070,709
Accumulated depreciation on properties	512,469	520,544	512,469	520,544
Accrued expenses	493,210	372,660	451,264	372,660
Deferred revenues	185,317	162,342	185,317	162,342
Retirement liability	50,428	50,617	–	–
Others	10,202	8,476	–	–
	10,533,019	10,170,385	10,480,333	10,126,255
Deferred tax liabilities on:				
Revaluation increment on land and buildings ^{1/}	1,516,383	1,536,217	1,516,383	1,536,217
Fair value adjustments on asset foreclosures and dacion transactions	1,590,559	1,414,221	1,442,221	1,265,883
Unrealized foreign exchange gains	186,371	339,957	186,339	339,957
Gain on remeasurement of previously held interest	246,651	246,651	246,651	246,651
Fair value adjustments due to business combination	155,541	161,634	155,541	161,634
Unrealized gains on financial assets at FVTPL and FVOCI	3,571	1,882	3,529	1,723
Others	18,308	18,642	–	–
	3,717,384	3,719,204	3,550,664	3,552,065
	₱6,815,635	₱6,451,181	₱6,929,669	₱6,574,190

^{1/} Balance includes deferred tax liability amounting to ₱614 million acquired from business combination

As of December 31, 2023 and 2022, the Group's net deferred tax liabilities as disclosed in 'Other liabilities' (refer to Note 22) include deferred tax liabilities on fair value adjustments due to business combination amounting to ₱148.3 million.

Deferred tax benefit (provision) credited (charged) directly to OCI pertaining to net unrealized losses (gains) on financial assets at FVOCI amounted to ₱0.2 million for the Group and the Parent Company in 2023, and (₱32.7 million) for the Group and the Parent Company in 2022.

Unrecognized deferred tax assets

The Parent Company and certain subsidiaries did not recognize deferred tax assets on the following unused tax credit and losses and temporary differences since they believe that the related tax benefits will not be realized in the future:

	Consolidated		Parent Company	
	2023	2022	2023	2022
Allowance for impairment and credit losses	₱8,262,820	₱8,615,344	₱8,262,820	₱8,615,344
Unamortized past service cost	1,576,711	2,140,071	1,576,711	2,140,071
Derivative liabilities	555,811	1,037,348	555,811	1,037,348
Unrealized losses on financial assets	147,661	870,774	147,661	870,774
Unrealized foreign exchange loss	95,747	627,501	95,747	627,501
Retirement liability	269,391	382,449	269,391	382,449
Lease liability	402,146	284,486	399,340	284,162
NOLCO	959,254	140,800	–	–
	₱12,269,541	₱14,098,773	₱11,307,481	₱13,957,649



Details of the Group's NOLCO follow:

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
2020	₱89,960	₱-	₱89,960	2025
2021	50,840	-	50,840	2026
2022	818,454	-	818,454	2025
	₱959,254	₱-	₱959,254	

Unrecognized deferred tax liabilities

As of December 31, 2023 and 2022, there was a deferred tax liability of ₱895.9 million and ₱840.4 million for temporary differences of ₱3.6 billion and ₱3.4 billion related to investment in certain subsidiaries, respectively. However, this liability was not recognized because the Parent Company controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.

30.4 Statutory Income Tax Reconciliation

The reconciliation between the statutory income tax rate to effective income tax rate follows:

	Consolidated			Parent Company		
	2023	2022	2021	2023	2022	2021
Statutory income tax rate	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
Tax effects of:						
Non-deductible expenses	12.28	14.69	4.54	12.16	13.73	5.20
Net unrecognized deferred tax assets	(11.20)	(6.04)	6.03	(11.74)	(6.36)	5.46
Tax-exempt income	(4.36)	(2.91)	(21.93)	(4.38)	(2.96)	(22.94)
Tax-paid income	(2.76)	(2.01)	(0.63)	(2.82)	(2.05)	(0.66)
FCDU loss (income) before tax	(0.61)	1.49	2.61	(0.61)	1.52	2.73
Optional standard deduction	(0.11)	(0.36)	(0.08)	-	-	-
CREATE adjustment – deferred tax	-	-	0.01	-	-	0.01
CREATE adjustment – current tax	-	-	(0.95)	-	-	(0.99)
Effective income tax rate	18.24%	29.86%	14.60%	17.61%	28.88%	13.81%

31. Earnings Per Share

Earnings per share attributable to equity holders of the Parent Company is computed as follows:

	Consolidated			Parent Company		
	2023	2022	2021	2023	2022	2021
a) Net income attributable to equity holders of the Parent Company	₱17,979,257	₱11,532,318	₱31,630,626	₱18,002,948	₱11,532,318	₱31,283,762
b) Weighted average number of common shares for basic earnings per share (Note 25)	1,525,765	1,525,765	1,525,765	1,525,765	1,525,765	1,525,765
c) Basic/Diluted earnings per share (a/b)	₱11.78	₱7.56	₱20.73	₱11.80	₱7.56	₱20.50



Earnings per share attributable to equity holders of the Parent Company from continuing operations is computed as follows:

	Consolidated			Parent Company		
	2023	2022	2021	2023	2022	2021
a) Net income from continuing operations attributable to equity holders of the Parent Company	₱17,979,257	₱11,532,318	₱32,365,991	₱18,002,948	₱11,532,318	₱31,283,762
b) Weighted average number of common shares for basic earnings per share (Note 25)	1,525,765	1,525,765	1,525,765	1,525,765	1,525,765	1,525,765
c) Basic/Diluted earnings per share (a/b)	₱11.78	₱7.56	₱21.21	₱11.80	₱7.56	₱20.50

In 2023, 2022 and 2021, there are no potential common shares with dilutive effect on the basic earnings per share.

32. Trust Operations

Securities and other properties held by the Parent Company through its TBG in fiduciary or agency capacities for its customers are not included in the accompanying statements of financial position since these are not assets of the Parent Company. Such assets held in trust were carried at a value of ₱168.0 billion and ₱152.7 billion as of December 31, 2023 and 2022, respectively. In connection with the trust functions of the Parent Company, government securities amounting to ₱1.9 billion and ₱1.6 billion (included under 'Investment securities at amortized cost') as of December 31, 2023 and 2022, respectively, are deposited with the BSP in compliance with trust regulations (refer to Note 9.3).

Trust fee income in 2023, 2022 and 2021 amounting to ₱373.7 million, ₱317.8 million and ₱319.4 million, respectively, is included under 'Service fees and commission income' (refer to Note 26.1).

In compliance with existing banking regulations, the Parent Company transferred from surplus to surplus reserves the amounts of ₱29.9 million, ₱24.7 million and ₱23.2 million in 2023, 2022 and 2021, respectively, which correspond to 10.00% of the net income realized in the preceding years from its trust, investment management and other fiduciary business until such related surplus reserve constitutes 20.00% of its regulatory capital (refer to Note 25.3).

33. Related Party Transactions

33.1 Summary of Significant Related Party Transactions

Details on significant related party transactions of the Group and the Parent Company follow (transactions with subsidiaries have been eliminated in the consolidated financial statements). Transactions reported under subsidiaries represent companies where the Parent Company has control, while those under related parties represent companies which are under common control.



2023			
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Significant Investors			
Deposit liabilities		₱2,276,926	Peso and foreign currency deposits with annual rates ranging from 0.00% to 6.25%
Net deposits	₱953,917		Net deposits during the period
Interest expense	65,774		Interest expense on deposits
Accrued interest payable		2,188	Accrued interest on deposit liabilities
Subsidiaries			
Receivables from customers		₱-	Peso loans with terms ranging from 31 days to 354 days with annual rate of 9.00%; with reversal of provisions amounting to ₱165.6 million; written off in December 2023 (see discussion below)
Loan releases	₱465,142		
Loan collections	165,560		
Loan settlement through dacion and assignment	1,404,582		
Credit facilities		10,638,270	Includes omnibus line and revocable revolving credit lines, domestic bills purchase lines and letters of credit/ trust receipt lines; also includes irrevocable standby letters of credit;
Interbank loans receivable		52,680	Foreign currency-denominated interbank term loans with interest rates ranging from 3.92% to 3.94% with ACB
Avaliments	83,579		
Settlements	46,606		
Due from other banks		288,020	Foreign currency-denominated demand deposits
Accrued interest receivable		1,076	Interest accrual on receivables from customers and interbank loans receivable
Accounts receivable		17,276	Related to remittance transactions and amounts which are subject to clearing
Deposit liabilities		3,155,369	Peso and foreign currency-denominated deposits with annual fixed interest rates ranging from 0.0% to 4.95% and maturities up to 4 years
Net withdrawals	339,101		Net withdrawals during the period
Bills payable		-	Foreign currency-denominated bills payable with ACB with interest rate of 4.0%
Settlements	13,758		
Due to other banks		65	Foreign currency-denominated clearing accounts used for funding and settlement of remittances with GRFC, IIC, PNB Europe, and ACB
Accrued interest payable		21,113	Accrued interest on deposit liabilities and bills payable
Interest income	187,821		Interest income on receivables from customers, due from other banks and interbank loans receivable
Interest expense	201,534		Interest expense on deposit liabilities and bills payable
Service fees and commission income	5,209		Various services rendered by PNB to its subsidiaries covered by a service level agreement; also includes PNB's share in service fees
Miscellaneous other income	2,580		Management and other professional fees; includes share of subsidiaries in maintenance costs of the HR system
Service fees and commission expense	57		Fees and other commission expense
Securities transactions			
Purchases	1,097,734		Outright purchase of securities
Sales	690,027		Outright sale of securities
Trading loss	42		Loss from sale of investment securities



2023

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Other Related Parties			
Receivables from customers		₱55,298,956	Partly secured by real estate, vehicles, deposits, government securities, among others; with interest rates ranging from 2.75% to 12.00% with remaining maturity terms ranging from 7 days to over 8 years and payment terms ranging from monthly to quarterly payments; with aggregate allowance for credit losses of ₱169.6 million
Loan releases	₱31,771,690		
Loan collections	18,659,908		
Credit facilities		77,116,535	Includes omnibus line and revocable revolving credit lines and domestic bills purchase lines; also includes irrevocable standby letters of credit which are partly secured by either cash or government securities
Sales contract receivable		2,173	Receivable from sale of property paid in installments; with interest rate of 5.0% and maturing in July 2027
Financial assets at FVOCI		24,587,068	Majority represents the retained 49.00% interest in PNB Holdings, with unrealized gain of ₱1.7 billion recorded in OCI (refer to Note 12.4 for further discussion)
Accrued interest receivable		297,551	Accrued interest on receivables from customers
Security deposit		176,082	Amount given to fulfill the terms of the lease contract
Right-of-use assets		3,136,508	Lease of office space with terms up to 10 years and the corresponding accumulated amortization
Accumulated amortization of right-of-use assets		1,081,498	
Deposit liabilities		46,333,463	Peso-denominated and foreign currency-denominated demand, savings and time deposits with maturity terms ranging from 7 days to over 13 years
Net deposits	5,980,997		Net deposits during the period
Accrued interest payable		267,825	Accrued interest payable from various deposits
Bills payable		-	Short-term borrowings with interest rate of 6.41%
Availment	400,000		
Settlement	400,000		
Lease liabilities		2,107,960	Lease of office space with terms ranging from 20 months to 10 years
Accrued other expenses		402,589	Accruals in relation to promotional and utilities expenses
Deferred revenue		41,111	Unamortized portion of income related to the bancassurance agreement with ABIC
Service fees and commission income	3,334		Amortization of fees under the bancassurance agreement with ABIC
Interest income	1,997,271		Interest income on receivables from customers
Interest expense	1,644,192		Interest expense on deposit liabilities, bonds payable, bills payable and lease liabilities
Amortization expense	671,137		Amortization of right-of-use asset relating to leases of office spaces
Occupancy and equipment-related costs	760,547		Rentals from short-term leases
Miscellaneous expenses	572,875		Includes CUSA charges for the Parent Company's share in common areas on premises owned by PNB Holdings; promotional expenses for Mabuhay Miles redemption; includes management fees paid to Eton Properties Philippines, Inc.; and other expenses
Rental income	151		Payment received for the use or occupation of property
Service fees and commission expenses	114		Fees and other commission expense
Securities transactions			
Purchases	7,106,329		Outright purchase of securities
Sales	9,103,280		Outright sale of securities



2023			
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Remittance transactions			
Fund transfers	₱3,957,891		Peso equivalent of funds transferred
Service fees	10,976		Income share and commission on remittance transactions
Purchase of merchandise	249		Cost of various merchandise purchased
Associate			
Credit facilities		₱120,000	Pre-settlement risk line
Deposit liabilities		128,165	Peso and foreign currency-denominated deposits with annual interest rates ranging from 0% to 0.10%
Net withdrawals	₱339,881		
Accrued interest payable		41	Accrued interest on deposit liabilities
Rental deposits		27	Advance rental and security deposits received for three months
Deferred revenue		548,993	Unamortized portion of income related to the sale of APLII
Service fees and commission income	431,287		Bancassurance fees earned based on successful referrals and income related to the sale of APLII
Interest expense	1,300		Interest expense on deposit liabilities
Key Management Personnel			
Loans to officers		₱1,475	Housing loans to senior officers with interest rates ranging from 3% to 15%; Secured and unimpaired
Loan releases	₱3,471		
Loan collections	4,774		
Accrued interest receivable		12	Accrued interest on loans
Interest income	277		Interest income on housing loans
Deposit liabilities		119,449	Peso and foreign currency-denominated deposits with interest rates ranging from 0.0% to 4.75%
Net deposits	118,975		Net deposits during the period
Interest expense	3,372		Interest expense on deposits
Accrued interest payable		801	Accrued interest on deposit liabilities

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



2022

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Accrued interest receivable		₱3,187	Interest accrual on receivables from customers and interbank loans receivable
Accounts receivable		60,474	Peso and USD remittances cover
Deposit liabilities		3,494,470	Peso and foreign currency-denominated deposits with annual fixed interest rates ranging from 0.0% to 4.85% and maturities up to 2 years
Net withdrawals	₱9,193,250		Net withdrawals during the period
Bills payable		13,904	Foreign currency-denominated bills payable with ACB maturing in March 2023 with interest rate of 4.0%
Avaliments	81,140		
Settlements	97,713		
Due to other banks		122,139	Foreign currency-denominated clearing accounts used for funding and settlement of remittances with GRFC, IIC, PNB Europe, and ACB
Accrued interest payable		11,206	Accrued interest on deposit liabilities and bills payable
Interest income	102,763		Interest income on receivables from customers, due from other banks and interbank loans receivable
Interest expense	87,562		Interest expense on deposit liabilities and bills payable
Service fees and commission income	171,433		Various services rendered by PNB to its subsidiaries covered by a service level agreement; also includes PNB's share in service fees
Rental income	145		Payment received for the use or occupation of property
Miscellaneous other income	4,562		Management and other professional fees
Securities transactions			
Purchases	3,990		Outright purchase of securities
Sales	948,190		Outright sale of securities
Trading gain	19		Gain from sale of investment securities
Other Related Parties			
Receivables from customers		₱41,077,025	Partly secured by real estate, vehicles, deposits, government securities, among others; With interest rates ranging from 2.5% to 11.5% with remaining maturity terms ranging from 7 days to 9 years and payment terms ranging from monthly to quarterly payments; with aggregate allowance for credit losses of ₱2.9 billion
Loan releases	₱12,130,218		
Loan collections	28,633,622		
Credit facilities		94,657,106	Includes omnibus line and revocable revolving credit lines and domestic bills purchase lines; also includes irrevocable standby letters of credit which are partly secured by either cash or government securities
Sales contract receivable		1,065	Receivable from sale of property paid in installments; with interest rate of 5.0% and maturing in July 2027
Financial assets at FVOCI		23,218,499	Majority represents the retained 49.00% interest in PNB Holdings, with unrealized gain of ₱325.8 million recorded in OCI (refer to Note 12.4 for further discussion)
Accrued interest receivable		132,080	Accrued interest on receivables from customers
Security deposit		55,513	Amount given to fulfill the terms of the lease contract
Deferred charges		5,097	Lease payments under the lease contract paid in advance
Right-of-use assets		3,254,930	Lease of office space with terms up to 10 years and the corresponding accumulated amortization
Accumulated amortization of right-of-use assets		1,017,794	
Deposit liabilities		40,352,466	Peso-denominated and foreign currency-denominated demand, savings and time deposits with maturity terms ranging from 30 days to 365 days
Net deposits	4,235,274		Net deposits during the period
Bonds payable		84,840	Foreign currency bonds with interest rate of 4.25% with maturity terms of five years.
Accrued interest payable		75,597	Accrued interest payable from various deposits



2022

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Lease liabilities		₱2,191,862	Lease of office space with terms ranging from 20 months to 10 years
Accrued other expenses		319,882	Accruals in relation to promotional expenses
Deferred revenue		44,444	Unamortized portion of income related to the bancassurance agreement with ABIC
Service fees and commission income	₱3,334		Amortization of fees under the bancassurance agreement with ABIC
Interest income	723,194		Interest income on receivables from customers
Interest expense	570,304		Interest expense on deposit liabilities, bonds payable and lease liabilities
Amortization expense	555,048		Amortization of right-of-use asset relating to leases of office spaces
Miscellaneous expenses	270,820		Includes CUSA charges for the Parent Company's share in common areas on premises owned by PNB Holdings; and promotional expenses for Mabuhay Miles redemption; includes management fees paid to Eton Properties Philippines, Inc.
Securities transactions			
Purchases	13,089,879		Outright purchase of securities
Sales	6,926,458		Outright sale of securities
Trading loss	(23,612)		Loss from sale of investment securities
Rental income	8,779		Payment received for the use or occupation of property
Remittance transactions			
Fund transfers	2,527,729		Peso equivalent of funds transferred
Service fees	3,956		Income share and commission on remittance transactions
Associate			
Deposit liabilities		₱468,046	Peso and foreign currency-denominated deposits with annual interest rates ranging from 0% to 0.10%
Net withdrawals	₱86,560		
Accrued interest payable		19	Accrued interest on deposit liabilities
Rental deposits		27	Advance rental and security deposits received for three months
Deferred revenue		622,192	Unamortized portion of income related to the sale of APLII
Interest expense	2,066		Interest expense on deposit liabilities
Service fees and commission income	73,199		Bancassurance fees earned based on successful referrals and income related to the sale of APLII
Key Management Personnel			
Loans to officers		₱2,778	Housing loans to senior officers with interest rates ranging from 3% to 15%; Secured and unimpaired
Accrued interest receivable		9	Accrued interest on loans
Loan collections	₱714		Settlement of loans and interest
Interest income	212		Interest income on housing loans
Deposit liabilities		118,975	Peso and foreign currency-denominated deposits with interest rates ranging from 0.0% to 4.75%
Net deposits	15,019		Net deposits during the period
Interest expense	3,823		Interest expense on deposits
Accrued interest payable		144	Accrued interest on deposit liabilities



Remedies over a loan exposure to a related party

In April 2022, the Parent Company entered into a dacion agreement with a related party over an investment property with fair value at the time of dacion of ₱1.4 billion in settlement of certain loans. The remedy to settle the loan also provided for the conversion of the remaining debt to equity shares of the former borrower.

Transactions relating to the investment in PNB Holdings

As discussed in Note 12.4, the Parent Company executed a proxy in favor of LTG to vote for the remaining 49.00% held by the Group in PNB Holdings. As a result, the Group accounted for its retained interest in PNB Holdings as financial asset at FVOCI with no recycling to profit and loss. The Group and the Parent Company recognized in 2021 a gain of ₱33.5 billion from the loss of control and remeasurement of the retained interest in PNB Holdings (refer to Note 12.4).

In relation to the property dividend declaration, the Parent Company, as a withholding agent, remitted ₱404.4 million to the BIR in January 2022, representing final withholding taxes on the property dividends of concerned stockholders. This was recorded under 'Accounts receivable' in the statement of financial position. The Parent Company shall eventually collect from the stockholders such amount advanced on their behalf upon distribution of the property dividends.

Financial assets at FVTPL traded through PNB Securities

As of December 31, 2023 and 2022, the Parent Company's financial assets at FVTPL include equity securities traded through PNB Securities with a fair value of ₱2.6 million and ₱15.4 million, respectively. The Parent Company recognized trading gain (losses) amounting to (₱0.04 million) in 2023, ₱0.1 million in 2022 and (₱7.1 million) in 2021 from the transactions facilitated by PNB Securities.

Joint arrangements with Eton Properties Philippines, Inc. (EPPI)

The Parent Company and EPPI signed two joint venture agreements (JVAs) for the development of two real estate properties of the Parent Company included under 'Other assets' (refer to Note 15) and with carrying values of ₱1.2 billion at the time of signing. EPPI and the Group are under common control. These two projects are among the Parent Company's strategies in reducing its non-performing assets. The Parent Company contributed the aforementioned properties into the joint venture (JV) as approved by BSP. EPPI, on the other hand, contributed its resources and technical expertise for the completion of the said JV. Income from the sale of the properties under the JV are shared by the Parent Company and EPPI in accordance with the terms of the JVAs.

In July 2016, the Parent Company executed deeds of conveyance to EPPI on the areas of the land under the JVA arrangement. The execution of the deeds of conveyance was made to facilitate the issuance of the condominium certificates of title to the buyers.

As of December 31, 2023 and 2022, the carrying values of the properties under the JV with EPPI amounted to ₱298.6 million and ₱507.9 million, respectively, booked in 'Real estate inventories held under development' under 'Other assets'.



Transactions with PMLFC and PMERC

The Parent Company entered into the following transactions with PMLFC and PMERC as part of their winding down procedures:

- On various dates in 2022 and 2023, PMLFC transferred to the Parent Company certain receivables either via direct purchase or assignment. Details are as follows:

Year of transfer	Underlying contract	Aggregate carrying values	Total consideration paid
2022	Direct Purchase	₱122,306	₱115,866
2023	Direct Purchase	51,235	51,612
	Receivables Purchase Agreement	287,040	278,998
	Deed of Assignment	210,734	185,572

- On various dates in 2023, the BOD of the Parent Company approved to accept certain properties of PMLFC and PMERC as settlement through dacion en pago to partially pay their respective outstanding loans to the Parent Company. Details are as follows:

Date of BOD approval	Borrower	Subject properties/ assets	Aggregate fair values	Dacion amount
April 28, 2023	PMLFC	Condominium units	₱100,258	₱100,258
April 28, 2023	PMERC	Equipment and other properties held for lease (EOPL)	261,407	245,984
December 15, 2023	PMLFC	Repossessed chattels	7,867	3,933

In 2023, rental income amounting to ₱54.6 million from the EOPL that were subject of the April 2023 dacion have accrued to the Parent Company after the dacion was implemented.

- Considering the transfer of the major assets of PMLFC and PMERC to the Parent Company and no other remaining leivable properties of PMLFC and PMERC to foreclose, on December 15, 2023, the BOD of the Parent Company approved to write off the remaining balance of the loans of PMLFC and PMERC amounting to ₱736.4 million and ₱242.4 million, respectively.

33.2 Remuneration of Key Management Personnel and Directors

The compensation of the key management personnel for the Group and Parent Company follows:

	2023	2022	2021
Short-term employee benefits	₱526,038	₱517,114	₱460,711
Post-employment benefits	53,041	47,424	50,629
	₱579,079	₱564,538	₱511,340

Non-executive directors are entitled to a per diem as follows: ₱50,000 for each BOD meeting attended and ₱25,000 for each BOD committee meeting attended, provided that in no case shall the total per diem exceed ₱0.25 million per month for committee meetings. No other emoluments are granted to non-executive directors of the Parent Company except for the aforementioned per diem. There is no profit-sharing arrangement between the Parent Company and its BOD. In 2023 and 2022, total per diem given to non-executive directors amounted to ₱71.3 million and ₱62.6 million, respectively, recorded in 'Miscellaneous expenses' in the statements of income. Directors' remuneration covers all BOD activities and membership of committees and subsidiary companies.

In 2021, key management personnel received 20,099 Parent Company shares in relation to the centennial bonus distribution.



33.3 Transactions with Retirement Plans

Management of the retirement funds of the Group and the Parent Company is handled by TBG. The fair values and carrying values of the funds of the Group amounted to ₱8.6 billion and ₱7.9 billion as of December 31, 2023 and 2022, respectively, and the fair values of the funds of the Parent Company amounted to ₱8.5 billion and ₱7.8 billion as of December 31, 2023 and 2022, respectively.

Relevant information on transactions with the retirement plans follows:

	Consolidated		Parent Company	
	2023	2022	2023	2022
Investment in PNB UITFs	₱559,461	₱558,013	₱556,626	₱555,186
Deposits with PNB	313,976	481,123	313,813	480,913
Investment in PNB shares	152,059	156,169	152,059	156,169
Total Fund Assets	₱1,025,496	₱1,195,305	₱1,022,498	₱1,192,268
Unrealized loss on PNB shares	(₱4,110)	(₱9,041)	(₱4,110)	(₱9,041)
Unrealized gain (loss) on PNB UITF	1,440	(35,926)	1,440	(35,926)
Interest income	27,584	18,314	26,063	17,412
	24,914	(26,653)	23,393	(27,555)
Trust fees	(9,496)	(9,152)	(9,350)	(9,290)
Net Fund Income (Losses)	₱15,418	(₱35,805)	₱14,043	(₱36,845)

As of December 31, 2023 and 2022, the retirement funds of the Group and the Parent Company include 8,219,406 PNB shares, respectively, classified as financial assets at FVTPL. There are no limitations and restrictions over the PNB shares while the corresponding voting rights are exercised by a trust officer or any of its designated alternate officer of TBG.

In addition to the regular retirement funds, TBG also manages the funds of the Parent Company's EIP and fund for e-money products.

34. Provisions, Contingent Liabilities and Other Commitments

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

There were no significant settlements made in 2023 and 2022.

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



35. Offsetting of Financial Assets and Liabilities

The effects of rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreements or similar arrangements to the Group and the Parent Company's financial statements are disclosed in the succeeding tables.

Consolidated

2023						
Financial assets recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c-d]
				Financial instruments [d]	Fair value of financial collateral	
	[a]	[b]	[c]	[d]		[e]
Derivative assets	₱108,139,719	₱107,390,520	₱749,199	₱37,098	₱-	₱712,101
Securities held under agreements to resell (Note 8)	69,694,538	-	69,694,538	-	57,785,321	11,909,217
Total	₱177,834,257	₱107,390,520	₱70,443,737	₱37,098	₱57,785,321	₱12,621,318

2022						
Financial assets recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c-d]
				Financial instruments [d]	Fair value of financial collateral	
	[a]	[b]	[c]	[d]		[e]
Derivative assets	₱61,149,066	₱59,787,115	₱1,361,951	₱73,039	₱-	₱1,288,912
Securities held under agreements to resell (Note 8)	64,523,863	-	64,523,863	-	64,334,349	189,514
Total	₱125,672,929	₱59,787,115	₱65,885,814	₱73,039	₱64,334,349	₱1,478,426

2023						
Financial liabilities recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c-d]
				Financial instruments [d]	Fair value of financial collateral	
	[a]	[b]	[c]	[d]		[e]
Derivative liabilities	₱65,163,569	₱64,607,758	₱555,811	₱196,010	₱-	₱359,801
Securities sold under agreements to repurchase (Notes 9 and 19)*	10,053,531	-	10,053,531	-	11,972,805	-
Total	₱75,217,100	₱64,607,758	₱10,609,342	₱196,010	₱11,972,805	₱359,801

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

2022						
Financial liabilities recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c-d]
				Financial instruments [d]	Fair value of financial collateral	
	[a]	[b]	[c]	[d]		[e]
Derivative liabilities	₱70,051,569	₱69,011,793	₱1,039,776	₱456,745	₱-	₱583,031
Securities sold under agreements to repurchase (Notes 9 and 19)*	6,595,689	-	6,595,689	-	7,981,190	-
Total	₱76,647,258	₱69,011,793	₱7,635,465	₱456,745	7,981,190	₱583,031

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



Parent Company

2023						
Financial assets recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c-d]
				Financial instruments	Fair value of financial collateral	
Derivative assets	₱108,134,733	₱107,390,520	₱744,213	₱37,098	₱-	₱707,115
Securities held under agreements to resell (Notes 8 and 19)	69,694,538	-	69,694,538	-	57,785,321	11,909,217
Total	₱177,829,271	₱107,390,520	₱70,438,751	₱37,098	₱57,785,321	₱12,616,332

2022						
Financial assets recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c-d]
				Financial instruments	Fair value of financial collateral	
Derivative assets	₱61,146,943	₱59,787,115	₱1,359,828	₱73,039	₱-	₱1,286,789
Securities held under agreements to resell (Notes 8 and 19)	64,523,863	-	64,523,863	-	64,334,349	189,514
Total	₱125,670,806	₱59,787,115	₱65,883,691	₱73,039	₱64,334,349	₱1,476,303

2023						
Financial liabilities recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c-d]
				Financial instruments	Fair value of financial collateral	
Derivative liabilities	₱65,163,569	₱64,607,758	₱555,811	₱196,010	₱-	₱359,801
Securities sold under agreements to repurchase (Notes 9 and 19)*	10,053,531	-	10,053,531	-	11,972,805	-
Total	₱75,217,100	₱64,607,758	₱10,609,342	₱196,010	₱11,972,805	₱359,801

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

2022						
Financial liabilities recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c-d]
				Financial instruments	Fair value of financial collateral	
Derivative liabilities	₱70,051,569	₱69,011,793	₱1,039,776	₱456,745	₱-	₱583,031
Securities sold under agreements to repurchase (Notes 9 and 19)*	6,595,689	-	6,595,689	-	7,981,190	-
Total	₱76,647,258	₱69,011,793	₱7,635,465	₱456,745	7,981,190	₱583,031

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

The amounts disclosed in column (d) include those rights to set-off amounts that are only enforceable and exercisable in the event of default, insolvency or bankruptcy. This includes amounts related to financial collateral both received and pledged, excluding the extent of over-collateralization.



36. Discontinued Operations

36.1 PNB Gen

The results of operation of PNB Gen in 2021 are presented below:

Interest Income on	
Loans and receivables	₱35
Investment securities at amortized cost and FVOCI (Note 9)	19,830
Deposits with banks and others	34
	<u>19,899</u>
Interest Expense on	
Lease liabilities (Note 19)	530
Net Interest Income	<u>19,369</u>
Net Service Fees and Commission Income (Note 26)	110
Insurance premium	202,543
Insurance benefits and claims	143,605
Net Insurance Premium	<u>58,938</u>
Other Income	
Foreign exchange gains - net	1,804
Total Operating Income	<u>80,221</u>
Operating Expenses	
Compensation and fringe benefits	37,040
Depreciation and amortization (Note 11)	6,592
Provision for credit losses (Note 16)	1,174
Occupancy and equipment-related costs	903
Taxes and licenses	290
Miscellaneous (Note 27)	8,832
Total Operating Expenses	<u>54,831</u>
Income Before Income Tax	25,390
Provision for Income Tax (Note 30)	4,774
Net Income from Discontinued Operations	<u><u>₱20,616</u></u>

Net insurance premium in 2021 consists of:

Net insurance premiums	
Gross earned premium	₱385,904
Reinsurer's share of gross earned premiums	(183,361)
	<u>202,543</u>
Less net insurance benefits and claims	
Gross insurance contract benefits and claims paid	207,003
Reinsurer's share of gross insurance contract benefits and claims	(130,493)
Gross change in insurance contract liabilities	48,017
Reinsurer's share of change in insurance contract liabilities	19,078
	<u>143,605</u>
	<u><u>₱58,938</u></u>



Net cash flows of PNB Gen in 2021 follow:

Net cash flows from operating activities	(₱36,288)
Net cash flows from investing activities	18,740
Net cash flows from financing activities	(1,912)
	<u>(₱19,460)</u>

36.2 PNB Holdings

The results of operation of PNB Holdings in 2021 are presented below:

Interest Income on	
Deposits with banks and others	₱1,143
Interest Expense on	
Lease liabilities (Note 19)	2,998
Net Interest Expense	(1,855)
Net Service Fees and Commission Expense	(45,849)
Other Income	
Miscellaneous income (Note 27)	486,957
Total Operating Income	439,253
Operating Expenses	
Taxes and licenses	646,070
Occupancy and equipment-related costs	191,781
Provision for credit losses (Note 16)	86,967
Depreciation and amortization (Note 11)	42,450
Compensation and fringe benefits	976
Miscellaneous (Note 27)	123,162
Total Operating Expenses	1,091,406
Loss Before Income Tax	(652,153)
Provision for Income Tax (Note 30)	103,828
Loss from Discontinued Operations	<u>(₱755,981)</u>

Net cash flows of PNB Holdings in 2021 follow:

Net cash flows from operating activities	₱790,488
Net cash flows from financing activities	(567,887)
	<u>₱222,601</u>

37. Events After the Reporting Date

There are no significant reportable events which occurred from December 31, 2023 until the date of this report.



38. Notes to Statements of Cash Flows

38.1 Cash Flows from Financing Activities

The changes in liabilities arising from financing activities in 2023 and 2022 follow:

	Consolidated			
	2023			
	Beginning balance	Net cash flows	Others	Ending balance
Bills and acceptances payable	₱14,980,373	₱4,937,366	₱244,864	₱20,162,603
Bonds payable	58,439,097	(16,560,000)	(388,226)	41,490,871
Lease liabilities	3,636,391	(1,314,516)	1,511,009	3,832,884
	₱77,055,861	(₱12,937,150)	₱1,367,647	₱65,486,358

	Consolidated			
	2022			
	Beginning balance	Net cash flows	Others	Ending balance
Bills and acceptances payable	₱52,953,797	(₱39,495,624)	₱1,522,200	₱14,980,373
Bonds payable	53,383,421	–	5,055,676	58,439,097
Lease liabilities	3,765,391	(1,113,225)	984,225	3,636,391
	₱110,102,609	(₱40,608,849)	₱7,562,101	₱77,055,861

	Parent Company			
	2023			
	Beginning balance	Net cash flows	Others	Ending balance
Bills and acceptances payable	₱13,888,035	₱6,029,703	₱244,865	₱20,162,603
Bonds payable	58,439,097	(16,560,000)	(388,226)	41,490,871
Lease liabilities	3,604,077	(1,232,928)	1,352,167	3,723,316
	₱75,931,209	(₱11,763,225)	₱1,208,806	₱65,376,790

	Parent Company			
	2022			
	Beginning balance	Net cash flows	Others	Ending balance
Bills and acceptances payable	₱51,113,018	(₱38,736,538)	₱1,511,555	₱13,888,035
Bonds payable	53,383,421	–	5,055,676	58,439,097
Lease liabilities	3,698,410	(1,068,038)	973,705	3,604,077
	₱108,194,849	(₱39,804,576)	₱7,540,936	₱75,931,209

Others include the effects of foreign exchange revaluations, additional lease liabilities, amortization of transaction costs, and accretion of interest.

38.2 Non-Cash Transactions

The following are non-cash transactions of the Group and the Parent Company in 2023 and 2022 relating to their long-term leases:

	Consolidated		Parent Company	
	2023	2022	2023	2022
Additions to right-of-use assets (Note 11)	₱1,425,032	₱803,905	₱1,292,130	₱803,905
Additional lease liabilities (Note 29)	1,340,509	799,014	1,185,129	789,687



On January 13, 2021, the Parent Company subscribed to additional 466,770,000 shares of PNB Holdings in exchange for certain real estate properties with fair values of ₱46.7 billion. On April 23, 2021, the Parent Company declared 51.00% ownership in PNB Holdings as property dividends to all stockholders of record as of May 18, 2021 (refer to Note 12.4).

On December 17, 2021, the BOD of PNB Capital approved the declaration of cash dividends amounting to ₱300.0 million. The Parent Company received such cash dividends from PNB Capital on June 29, 2022 (refer to Note 12.2).

The Group acquired investment properties through foreclosure, dacion and rescission amounting to ₱3.0 billion, ₱4.3 billion, and ₱524.7 million in 2023, 2022 and 2021, respectively. The Parent Company acquired investment properties acquired through foreclosure and rescission amounting to ₱3.0 billion, ₱4.3 billion and ₱334.4 million in 2023, 2022 and 2021, respectively (refer to Note 13). Included in the foreclosures in 2023 and 2022 are dacion transactions in settlement of certain loans in exchange for an investment property (refer to Note 33.1). Foreclosures in 2022 also include the debt-to-equity conversion of the remaining loan exposures of a former borrower (refer to Note 33.1).

The Group and the Parent Company applied creditable withholding taxes against its income tax payable amounting to ₱1.2 billion, ₱2.4 billion and ₱1.6 billion in 2023, 2022 and 2021, respectively.

39. Approval of the Release of the Financial Statements

The accompanying financial statements of the Group and of the Parent Company were authorized for issue by the Parent Company's BOD on February 23, 2024.

40. Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010

On November 25, 2010, the BIR issued RR No. 15-2010, which provides that the notes to the financial statements shall include information on taxes, duties and license fees paid or accrued during the taxable year.

40.1 Taxes Paid or Accrued During the Taxable Year

The Parent Company paid or accrued the following types of taxes for the tax period January to December 2023 (in absolute amounts):

Taxes and licenses

	Amount
Gross receipts tax	₱2,680,374,285
Documentary stamp taxes	4,200,000,000
Real estate tax	41,785,908
Local taxes	170,322,577
Others	83,062,845
	₱7,175,545,615



Withholding taxes

	Remitted	Outstanding
Withholding taxes on compensation and benefits	₱877,599,290	₱164,160,522
Final income taxes withheld on interest on deposits and yield on deposit substitutes	1,562,643,647	179,479,293
Expanded withholding taxes	216,903,397	19,172,371
Withholding taxes on the amount withdrawn from the decedent's deposit account	19,520,327	2,491,279
VAT withholding taxes	22,218,383	20,086
Other final taxes	158,003,153	8,648,901
	₱2,856,888,197	₱373,972,452

40.2 Tax Cases and Assessments

As of December 31, 2023 and 2022, the Parent Company has no final tax assessment but has outstanding cases filed in courts for various claims for tax refund. Management is of the opinion that the ultimate outcome of these cases will not have a material impact on the financial statements of the Parent Company.

41. Report on the Supplementary Information Required Under Section 174 of the Manual of Regulations for Banks

41.1 Basic Quantitative Indicators of Financial Performance

The following basic ratios measure the financial performance of the Group and the Parent Company:

	Consolidated			Parent Company		
	2023	2022	2021	2023	2022	2021
Return on average equity	9.95%	7.00%	19.98%	10.15%	7.10%	20.08%
Return on average assets	1.53%	0.99%	2.62%	1.54%	0.99%	2.60%
Net interest margin on average earning assets	4.23%	3.61%	3.27%	4.23%	3.62%	3.26%

41.2 Description of Capital Instruments Issued

As of December 31, 2023 and 2022, the Parent Company has only one class of capital stock, which are common shares.

41.3 Significant Credit Exposures as to Industry Sector

An industry sector analysis of the Group's and the Parent Company's receivables from customers before taking into account allowance for credit losses is shown below.

	Consolidated				Parent Company			
	2023		2022		2023		2022	
	Carrying Amount	%						
Primary target industry:								
Wholesale and retail	₱122,887,990	19.15	₱94,635,306	15.44	₱116,820,739	18.60	₱89,062,370	14.86
Financial intermediaries	92,281,412	14.38	123,572,805	20.16	92,321,118	14.70	124,585,259	20.78
Electricity, gas and water	83,942,305	13.08	77,908,127	12.71	83,942,305	13.36	77,908,992	13.00
Manufacturing	63,947,942	9.96	64,750,821	10.57	61,863,476	9.85	62,394,048	10.41
Transport, storage and communication	46,249,754	7.21	41,702,691	6.80	45,835,091	7.30	40,836,136	6.81

(Forward)



	Consolidated				Parent Company			
	2023		2022		2023		2022	
	Carrying Amount	%						
Agriculture, hunting and forestry	₱8,187,717	1.28	₱6,846,668	1.12	₱8,032,017	1.28	₱6,685,454	1.12
Public administration and defense	4,101,202	0.64	1,868,664	0.30	4,101,202	0.65	1,868,663	0.31
Secondary target industry:								
Real estate, renting and business activities	110,728,706	17.25	96,701,343	15.78	107,586,053	17.13	93,010,341	15.51
Construction	38,833,938	6.05	30,989,724	5.06	38,775,374	6.17	30,923,083	5.16
Others	70,637,302	11.01	73,881,893	12.06	68,902,271	10.97	72,242,925	12.05
	₱641,798,268	100.00	₱612,858,042	100.00	₱628,179,646	100.00	₱599,517,271	100.00

41.4 Breakdown of Total Loans

41.4.1 As to Security

The information relating to receivables from customers (gross of allowance for credit losses) as to secured and unsecured and as to collateral follows:

	Consolidated				Parent Company			
	2023		2022		2023		2022	
	Carrying Amount	%						
Secured:								
Real estate mortgage	₱126,721,614	19.74	₱61,579,391	10.05	₱115,956,460	18.46	₱52,764,741	8.80
Chattel mortgage	15,319,855	2.39	12,560,778	2.05	15,104,719	2.40	12,425,497	2.07
Bank deposit hold-out	7,439,901	1.16	3,844,755	0.63	7,195,384	1.15	3,698,931	0.62
Others	1,551,354	0.24	30,856,608	5.03	191,774	0.03	28,814,577	4.81
	151,032,724	23.53	108,841,532	17.76	138,448,337	22.04	97,703,746	16.30
Unsecured	490,765,544	76.47	504,016,510	82.24	489,731,309	77.96	501,813,525	83.70
	₱641,798,268	100.00	₱612,858,042	100.00	₱628,179,646	100.00	₱599,517,271	100.00

41.4.2 As to Status

The table below shows the status of the Group and the Parent Company's loans (gross allowance for credit losses) as to performing and non-performing loans (NPL) per product line:

	Consolidated			
	2023		2022	
	Performing	NPL	Performing	NPL
Corporate	₱541,116,157	₱33,347,894	₱517,026,645	₱26,814,155
Commercial	14,804,205	2,493,093	15,227,846	3,727,358
Credit cards	14,394,103	838,742	11,889,481	2,493,200
Consumer	24,647,541	10,156,533	24,706,149	10,973,208
	₱594,962,006	₱46,836,262	₱568,850,121	₱44,007,921

	Parent Company			
	2023		2022	
	Performing	NPL	Performing	NPL
Corporate	₱528,492,120	₱33,228,430	₱508,724,119	₱24,153,812
Commercial	15,315,245	1,883,944	15,475,530	2,027,403
Credit cards	14,394,103	838,742	11,889,481	2,493,200
Consumer	23,923,855	10,103,207	21,423,352	13,330,374
	₱582,125,323	₱46,054,323	₱557,512,482	₱42,004,789



Loans and receivables are considered NPL, even without any missed contractual payments, when considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral, if any. All other loans, even if not considered impaired, are considered NPL if any principal and/or interest are unpaid for more than 90 days from contractual due date, or accrued interests for more than 90 days have been capitalized, refinanced, or delayed by agreement. Microfinance and other small loans with similar credit characteristics are considered NPL after contractual due date or after they have become past due. Restructured loans are considered NPL. However, if prior to restructuring, the loans were categorized as performing, such classification is retained.

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

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

The table below shows the gross and net NPL ratios of the Group and the Parent Company as reported to the BSP (with certain adjustments) as of December 31, 2023 and 2022:

	2023		2022	
	Gross NPL	Net NPL	Gross NPL	Net NPL
Consolidated	6.26%	2.46%	6.34%	2.58%
Parent Company	6.29%	2.49%	6.19%	2.54%

41.5 Information on Related Party Loans

In the ordinary course of business, the Parent Company has loans and other transactions with its subsidiaries and affiliates, and with certain Directors, Officers, Stockholders and Related Interests (DOSRI). These loans and other transactions are made substantially on the same terms as with other individuals and businesses of comparable risks. The amount of direct credit accommodations to each of the Parent Company's DOSRI, 70.00% of which must be secured, should not exceed the amount of their respective deposits and book value of their respective investments in the Parent Company.

In the aggregate, DOSRI loans generally should not exceed the Parent Company's equity or 15.00% of the its total loan portfolio, whichever is lower. Total outstanding exposures to each of the Parent Company's subsidiaries and affiliates shall not exceed 10.00% of the Group's net worth, the unsecured portion of which shall not exceed 5.00% of such net worth. Further, the total outstanding exposures to subsidiaries and affiliates shall not exceed 20.00% of the net worth of the Parent Company. As of December 31, 2023 and 2022, the Parent Company is in compliance with such regulations.



The information relating to the DOSRI loans of the Parent Company follows:

	2023		2022	
	DOSRI loans	Related party loans (inclusive of DOSRI loans)	DOSRI loans	Related party loans (inclusive of DOSRI loans)
Total outstanding loans	₱2,701	₱36,185,463	₱39,017	₱42,182,025
Percent of DOSRI/related party loans to total loan portfolio	0.00%	4.95%	0.01%	6.22%
Percent of unsecured DOSRI/related party loans to total DOSRI/related party loans	0.00%	83.48%	1.56%	86.52%
Percent of past due DOSRI/related party loans to total DOSRI/related party loans	45.40%	0.31%	3.52%	2.62%
Percent of non-performing DOSRI/related party loans to total DOSRI/related party loans	43.08%	0.31%	3.52%	2.62%

41.6 Aggregate Amount of Secured Liabilities and Assets Pledged as Security

As of December 31, 2023 and 2022, 'Bills payable' amounting to ₱10.1 billion and ₱6.6 billion in Note 19, respectively, are secured by a pledge of certain 'Financial assets at FVOCI' amounting to ₱6.5 billion and ₱2.5 billion respectively, and 'Investment securities at amortized cost' amounting to ₱5.5 billion.

41.7 Contingencies and Commitments Arising from Off-Balance Sheet Items

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

	Consolidated		Parent Company	
	2023	2022	2023	2022
Derivative forwards	₱195,661,001	₱151,543,370	₱190,805,863	₱147,448,673
Trust department accounts	168,037,276	152,746,479	168,037,276	152,746,479
Standby letters of credit	65,344,786	43,922,556	65,255,715	43,702,875
Unutilized credit card lines	45,354,961	41,981,905	45,354,961	41,981,905
Deficiency claims receivable	23,953,740	28,065,650	23,953,740	28,065,650
Derivative spots	21,141,791	7,474,525	21,141,791	7,474,525
Unused commercial letters of credit	440,767	204,707	440,767	204,707
Inward bills for collection	434,566	1,116,689	431,741	1,116,689
Outward bills for collection	236,311	355,358	118,836	300,396
Confirmed export letters of credit	93,852	94,784	93,852	94,784
Items held as collateral	58,887	165,282	58,876	165,270
Shipping guarantees issued	23,101	22,800	20,975	20,655
Other contingent accounts	7,182	76,663	7,181	7,592



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

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

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

SYCIP GORRES VELAYO & CO.



Leslie Anne G. Huang

Partner

CPA Certificate No. 134290

Tax Identification No. 238-044-991

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

BIR Accreditation No. 08-001998-150-2022, November 7, 2022, valid until November 6, 2025

PTR No. 10079947, January 5, 2024, Makati City

February 23, 2024



INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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

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

SYCIP GORRES VELAYO & CO.


Leslie Anne G. Huang

Partner

CPA Certificate No. 134290

Tax Identification No. 238-044-991

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

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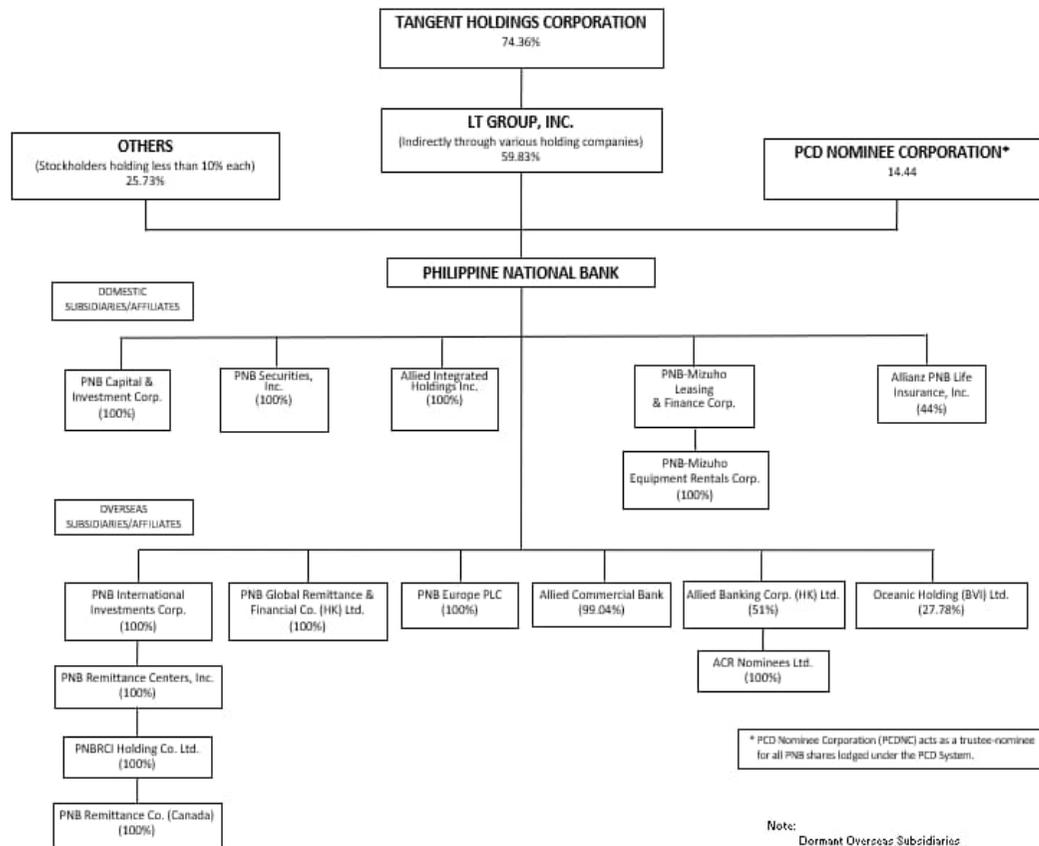
**PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
INDEX TO THE FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2023**

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

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

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



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

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

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

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

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

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

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

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

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

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

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

(In thousand pesos)

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

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

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

(In thousand pesos)

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

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

(In thousand pesos)

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

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

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

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

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

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

(Absolute number of shares)

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

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

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

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

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

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

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

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

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

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

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



**MINUTES OF THE ANNUAL STOCKHOLDERS' MEETING
HELD ON APRIL 25, 2023
via Microsoft Live Events**

DIRECTORS/STOCKHOLDERS PRESENT

Please refer to "Annex A"

I. CALL TO ORDER

The meeting commenced at 8:00 am with the singing of the National Anthem. The invocation was, thereafter, led by SVP Reynaldo C. Burgos.

Chairman Federico C. Pascual welcomed the stockholders to the Bank's third virtual Annual Stockholders' Meeting. He thereafter called the meeting to order.

The Corporate Secretary, Ms. Ruth Pamela E. Tanghal, recorded the minutes of the proceedings.

II. SECRETARY'S PROOF OF NOTICE AND QUORUM

The Chairman asked the Corporate Secretary to show proof that the required notice of the meeting was provided to all the stockholders of record. The Corporate Secretary explained that as per the requirements of the Securities and Exchange Commission (SEC) and the Bank's Amended By-Laws, Notice of the Meeting stating the date and time of the meeting and the link for attendance by way of remote communication was published, in print and online format, from 29 to 30 March 2023 in the Philippine Star and the BusinessWorld, and from 09 to 15 April 2023 in the Manila Bulletin, the Philippine Star and the BusinessWorld. The supporting Affidavits of Publication of the Notice were submitted for the record. Further, the Corporate Secretary said that the Notice of the meeting was posted in the Bank's website at www.pnb.com.ph and in the Bank's PSE EDGE profile. Thereafter, the Corporate Secretary certified that Notice of the meeting was provided to all stockholders of record.

The Chairman requested the Corporate Secretary to certify the existence of a quorum. The Corporate Secretary reported that, according to the guidelines circulated to the stockholders, the last day for registration for the annual meeting was on April 18, 2023. She said that based on the tally of those who successfully registered for the virtual meeting and the validated Proxies and Powers of Attorney, a total of 1,203,682,341 shares or 78.89% of the Bank's total outstanding shares was present. Ms. Tanghal said that the validation of Proxies took place on April 20, 2023. The Corporate Secretary, thus, certified that a quorum existed for a valid transaction of business.

The Chairman said that with the health and safety of our stockholders in mind, this was the fourth year in a row that the Bank was holding its Annual Stockholders' Meeting virtually. He also said that despite the circumstances, the Bank endeavored to provide stockholders an avenue to participate in the Bank's stockholders' meeting as if the meeting is being held in person. He mentioned that the stockholders were notified of the mechanics to participate and vote on the matters to be discussed during the meeting and, thus, called on the Corporate Secretary to briefly present the rules of conduct and voting procedure for the 2023 Annual Stockholders' Meeting.

The Corporate Secretary explained that the voting rights of each stockholder were set out under Item 10 of the Bank's Information Statement, while the requirements and procedure for participation and voting through remote communication were set out under "Annex B" of the said Information Statement and were uploaded to the Bank's website and PSE Edge profile.

The Corporate Secretary briefly discussed the rules of the meeting, as follows:

1. Stockholders who completed the registration and verification procedure on or before April 18, 2023 could attend and participate in the meeting and be included in determining the quorum for the meeting;
2. Stockholders who had questions about the matters set out in the agenda were requested to send their questions to pnb_asm@pnb.com.ph. Questions received via email would be addressed at the Q & A portion of the meeting. Further, stockholders also had the option to send in their questions through the MS Live Chatbox, which would be live and available during the Q & A portion. Questions which were not accommodated during the meeting due to time constraints or for any other reason would be replied to by the Bank through electronic mail messaging;
3. The five (5) items for approval or ratification of the stockholders during the meeting would be presented on the screen for reference of the stockholders;
4. Stockholders who completed the registration and verification procedure were given the opportunity to vote *in absentia* through the Bank's Voting Portal by no later than 5:00 p.m. of April 20, 2023. Stockholders were also given the opportunity to cast their votes by sending their proxy forms no later than 5:00 p.m. of April 20, 2023;
5. Votes received on or before 5:00 p.m. of April 20, 2023 were tabulated and would be presented throughout the meeting; and,
6. The Annual Stockholders' Meeting would be recorded in video and audio format in accordance with the requirements of the SEC.

III. APPROVAL OF THE MINUTES OF THE 2022 ANNUAL STOCKHOLDERS' MEETING HELD ON APRIL 26, 2022

The next item in the Agenda was the approval of the Minutes of the 2022 Annual Stockholders' Meeting held on April 26, 2022. The Chairman inquired if the stockholders were apprised of the said item in the Agenda. In response thereto, the Corporate Secretary said that copies of the Minutes of the 2022 Annual Stockholders' Meeting held on April 26, 2022 were uploaded to the Bank's website on April 28, 2022 and were prepared in accordance with the Revised Corporation Code. A copy of the Minutes was likewise attached as Annex "C" of the Bank's Information Statement.

The Corporate Secretary then flashed on the screen a summary of the matters discussed during the 2022 Annual Stockholders' Meeting for the examination of the stockholders. The Corporate Secretary further advised that the salient matters approved in the 2022 Annual Stockholders' Meeting could also be found on Page 39, under Item 8 of the Bank's Information Statement. With this, the Corporate Secretary proposed that, in the interest of time, the reading of the Minutes of the 2022 Annual Stockholders' Meeting held on April 26, 2022 be dispensed with, and that the said Minutes as appearing in the Bank's records be approved.

The Corporate Secretary reported that based on the total votes received, a total of 1,188,634,113 shares voted in favor of approving the Minutes of the 2022 Annual Stockholders' Meeting held on April 26, 2022.

With the favorable vote of stockholders owning more than a majority of the outstanding shares, the Chairman declared that the Minutes of the 2022 Annual Stockholders' Meeting held on April 26, 2022 were approved.

The Corporate Secretary was then instructed to reflect the tally of votes in the Minutes.

Thus:

	No. of Shares	%
Approving	1,188,634,113	77.90%
Dissenting	0	0.00%
Abstaining	15,243	0.00%

IV. REPORT OF THE PRESIDENT ON THE RESULTS OF OPERATIONS FOR THE YEAR 2022

Mr. Florido P. Casuela, Acting President of PNB, presented the results of operations for the year 2022. He provided the President’s Report to the Bank’s stockholders, as follows:

“Philippine National Bank improved its efficiency and profitability amidst challenging conditions and economic headwinds. PNB’s performance in 2022 is a good indicator that the Bank continues to deliver real value to our customers, investors, and the overall economy.

Total resources of the Bank stood at ₱1.15 trillion pesos by end-2022. And despite the economic challenges caused by the pandemic, the Bank’s equity remained robust as it increased by 5% year-on-year, bringing the Bank’s Capital Adequacy Ratio to 15.38% and Common Equity Tier 1 Ratio to 14.58%.

PNB registered net income of ₱11.6B in 2022, with total operating income growing by 19% from 2021, coming from sustained growth in core income and supplemented by substantial gains on disposal of the Bank’s low-earning foreclosed properties.

PNB’s domestic branch network ended the year with 651 branches from the previous year’s 670 – of which 19 branches, especially those that are close to each other, were combined.

PNB’s ATM and Cash Accept Machine (CAM) network reached 1,720 units. This includes 45 Hybrid CAM terminals which can perform both cash deposits and withdrawals.

To make access to cash more convenient, PNB deployed “Bank On Wheels (BOW)” vehicles in selected areas, which were able to serve 100 communities during the Pandemic. This facility allowed our customers to withdraw cash, pay bills, and transfer funds.

PNB’s extensive overseas network remains the largest among Philippine banks, with 72 overseas offices and 92 agents and tie-up partners across Asia, Europe, Middle East and North America.

Our overseas offices provide overseas Filipinos access to a wide array of banking services such as remittances, overseas bills payment, deposits, corporate credit and trade, and consumer financing facility with the Own a Philippine Home Loan or O-P-H-L.

In 2022, our International Banking and Remittance business intensified efforts to acquire new customers through strategic partnerships. With the launch of the O-P-H-L Individual Referrer Program, significant housing

loan bookings were generated. The Bank also actively held collaborative roadshows with major real-estate developers.

PNB continued to innovate through partnerships with government institutions such as the Pag-IBIG Fund, which had recognized PNB as a Top Overseas Collection Partner.

In 2022, the consolidated consumer loan portfolio of the Bank stood at ₱38.6B. The Bank's consumer loans remain competitively priced and with varied tenors, making them one of the most affordable and flexible financing in the market.

Our credit cards business recorded another profitable year in 2022 – most notably a 44% increase in billings and 9% increase in credit card receivables. Gross revenues also grew by 24%. Moreover, around 70,000 new cards were generated during the year.

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

PNB's efforts to transition to paperless transactions bore fruit in 2022 as our Bank became the first local bank to offer AdobeSign - an e-signing platform which allows signatories to conveniently sign documents via personal computers or mobile devices.

PNB also introduced the PNB Cashnet Plus Mobile Application, which promises a more efficient method of conducting online business transactions. In 2022, PNB onboarded close to a thousand corporate clients to the mobile app.

In response to rising customer digital adoption and expectations, PNB expanded its digital app's payment and disbursement capabilities.

As a result, PNB saw a 77% growth year-on-year in total PNB Digital App users, with 41% of these users actively using the platform. This translated to significant growth in financial transaction count and volume, increasing by 118% and 160%, respectively.

In terms of income, the group achieved a substantial growth rate of over 200%, with InstaPay as the top transaction fee contributor.

We offered value-adding features that give customers more options to make online payment transactions. Customers can now make ATM cash withdrawal requests for their PNB deposit accounts without the need for debit cards or passbooks. We also further enhanced the security of our digital app by applying new features and functionalities, such as the PNB Digital Key.

Our thrust in digitalization is key to making our operations and service more sustainable and future-ready.

In connection with Sustainability, 2022 was our second year implementing PNB's Three-Year Sustainability Transition Plan. Under this Transition Plan, we updated our Board Committee charters to include sustainability

and sustainable financing clauses. This, as we proactively communicated our sustainability policy to all our external stakeholders.

Likewise, we reviewed our corporate accounts portfolio to assess and align with our clients' Environmental, Social, and Governance initiatives. Together with this, we started collaborating with external subject matter experts to build PNB's Environmental and Social Risk Management System or E-S-R-M-S.

Our efforts did not go unnoticed as we earned distinctions such as the Four Golden Arrow Award from the ASEAN Corporate Governance Scorecard Golden Arrow Awards.

We were also awarded as one of Asia's Most Influential Companies from the Asia Corporate Excellence and Sustainability Awards.

Likewise, we were recognized by the UN Women 2022 Philippines Women's Empowerment Principles Awards for Transparency and Reporting.

PNB was awarded for the second straight year by Asiamoney as its "Best Bank for Investment Research" during its Private Banking Awards. This recognition attests to the belief in PNB's capability to provide expert insights and guidance on finance and investment.

At the 17th PDS Annual Awards, PNB also scored a double win as "Top Fixed-Income Brokering Participant" and "Top Five Fixed-Income Cash Settlement Banks".

Meanwhile, the Social Security System named PNB as "Best Disbursement Partner" during its SSS Balikat ng Bayan Awards.

Lastly, our marketing and communications efforts earned us a distinction from the 19th Philippine Quill Awards when we were given an Excellence Award for the "The New PNB Digital App Launch Campaign".

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

On behalf of the PNB Board of Directors, the Senior Management Team, and all Philnabankers, I would like to thank our shareholders, our customers, and our business partners for your continued trust and support to PNB. Maraming salamat!"

After the President's Report, Mr. Aidell Amor R. Gregorio, Acting Chief Financial Officer of PNB, presented the Financial Report for the year 2022, thus:

"PNB continued to post positive financial results in 2022 despite the macroeconomic challenges of elevated consumer prices and high interest rates that beset the country during the year.

For 2022, we report a total operating income of ₱52.1B, increasing by 19% from 2021, coming from sustained growth in income from the Bank's core business, and supplemented by substantial gains on disposal of the Bank's low-earning foreclosed properties.

Of the total core income, 87% represents the Bank's net interest income, which reached ₱37.3B in 2022, up by 7% year-on-year due to higher yield rates on interest-earning assets amid the rising interest rate environment in 2022. This translated to the Bank's net interest margin improving to 3.61% from 3.27% a year ago.

The Bank's net interest income was further boosted by the 5% growth on its fee-based revenues from ₱5.3B in 2021 to ₱5.6B in 2022, largely coming from fees on its deposits, bancassurance and underwriting transactions, which have shown growth in volumes, even exceeding the pre-pandemic levels.

On the Bank's non-core income, as part of its strategic initiatives to reduce low-earning assets, the Bank concluded several sale transactions involving high-value foreclosed properties in 2022, which generated net gains on sale and exchange of ₱7.8B during the year, almost 8 times higher than the gains recorded in 2021.

Furthermore, gains from foreign exchange transactions expanded to ₱1.6B, up by 116% year-on-year. These gains cushioned the impact of trading losses recorded in 2022 amounting to ₱1.3B with the uptrend in interest rates, brought about by the global monetary tightening during the year.

Operating expenses posted a moderate increase of 8% year-on-year on account of the taxes related to the property sales, as well as higher amortization costs for intangible assets and for the leased properties of the Bank where it is currently holding its operations (namely, PNB Financial Center and PNB Makati Center). These properties were the subject of the properties-for-shares swap, as we have reported in the previous year.

In 2021, the Bank reported a one-off gain coming from the properties-for-shares swap transaction implemented that year, which significantly increased the prior year net income by ₱33.3B. This caused the comparative net income in 2022 to be lower by 63%. However, taking out the effect of this one-off gain, the Bank's pre-tax income showed growth of 3.5 times year-on-year on the back of stronger core operating income in 2022.

Credit provisions on loan accounts are 44% lower than year-ago level arising from improvements in payment and credit status in 2022 of certain large exposures of the Bank. The Bank regularly performs an extensive review and assessment of the level of provisions considering the significant recent developments in the status of some of our borrowers.

Total resources of the Bank stood at ₱1.15 trillion by end-2022, 4% lower compared to previous year's balance, which is reflective of the Bank's lending stance, as discussed in the succeeding slide.

The Bank's gross loan portfolio settled at ₱614B as of end-December 2022, lower by 3% from prior year's level, resulting from the Bank's strategic initiative to fast-track collection of short-term loans with minimal profitability and re-direct new loan grants to essential sectors that thrive in the new norm.

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

Finally, the Bank's equity increased by 5%, bringing the Common Equity Tier 1 Ratio to 14.58% and Capital Adequacy Ratio to 15.38%, well above the BSP regulatory requirement of 10%.

And on this positive note, I would like to conclude the financial report. I wish everyone a good day. Maraming salamat at mabuhay po tayong lahat!"

Mr. Edgar A. Cua, Member of the Board of Directors and Vice Chairman of the Board Audit and Compliance Committee (BACC), thereafter presented pertinent regulatory matters for the year 2022, as follows:

"In compliance with Sections 29 and 49 of the Revised Corporation Code, we are required to present to our stockholders a report on the total compensation received by the directors for the year. In the Bank's Information Statement, pages 37 and 38, the Bank has disclosed that the total per diem paid to the Board of Directors for 2021 amounted to approximately ₱62.650M. Flashed on the screen is the table showing the emoluments and compensation received by each director.

Further, Section 49 of the Revised Corporation Code requires disclosure of directors' self-dealings and related party transactions with the Bank. I would like to report that information on the Bank's transaction with related parties and certain directors, officers, stockholders and related interests (DOSRI) are shown under Note 41.5 of the Audited Financial Statements of the Bank and Subsidiaries and Part II, Schedules B and C of the Supplementary Code, Rule 68, Annex J.

In the aggregate, DOSRI loans generally should not exceed the Bank's equity or 15% of the Bank's total loan portfolio, whichever is lower. As of December 31, 2022, the Bank and its subsidiaries were compliant with regulations. The Bank's Audited Financial Statement had been uploaded to the Bank's website and PSE Edge profile."

Chairman Pascual thanked Mr. Casuela, Mr. Gregorio and Mr. Cua for an extensive report on the overall performance of the Bank. He also acknowledged the invaluable service, contribution, and commitment to the Bank of the Board of Directors, the Board Advisors, the President, Senior Management, officers and all the employees of PNB.

V. APPROVAL OF THE 2022 ANNUAL REPORT

The Corporate Secretary presented the proposed resolution regarding the notation and approval of the Bank's 2022 Annual Report, together with the Audited Financial Statement as of December 31, 2022. She further reported that copies of the Annual Report and the Audited Financial Statements were attached to the Information Statement and uploaded to the Bank's website.

The Corporate Secretary confirmed that based on the total votes received, a total of 1,188,075,823 shares voted in favor of approving the Bank's 2022 Annual Report, together with the Audited Financial Statement as of December 31, 2022; thus, with the shareholders owning more than a majority of the outstanding shares voting in favor of the

matter, the Bank's 2022 Annual Report, together with its Audited Financial Statement as of December 31, 2022, was noted and confirmed, as follows:

STOCKHOLDERS' RESOLUTION NO. 01-23

RESOLVED, AS IT IS HEREBY RESOLVED, that the Bank's 2022 Annual Report, together with the Audited Financial Statement for the year ended December 31, 2022, be noted and approved.

The Chairman instructed the Corporate Secretary to reflect the tally of votes in the Minutes, thus:

	No. of Shares	%
Approving	1,188,075,823	77.87%
Dissenting	0	0.00%
Abstaining	573,533	0.04%

VI. RATIFICATION OF ALL THE LEGAL ACTS, RESOLUTIONS AND PROCEEDINGS OF THE BOARD OF DIRECTORS AND CORPORATE OFFICERS SINCE THE 2022 ANNUAL STOCKHOLDERS' MEETING

The next item in the Agenda was the confirmation and ratification of all the legal acts, resolutions and proceedings of the Board of Directors and Officers since the 2022 Annual Stockholders' Meeting held on April 26, 2022. A summary of the acts submitted for ratification was flashed on the screen for the examination of the stockholders. As explained by Acting President Casuela, these acts, resolutions and proceedings submitted for approval of the stockholders consisted of regular banking transactions and policy formulation undertaken in the regular course of business of the Bank. These acts were standard, if not customary, in the Banking industry.

The Corporate Secretary confirmed that, based on the total votes received, a total of 1,188,075,823 outstanding shares of the Bank voted in favor of approving all the legal acts, resolutions and proceedings of the Board of Directors and Corporate Officers of the Bank from the date of the Bank's last Annual Stockholders' Meeting on April 26, 2022 up to the present date.

The Chairman said that, with the shareholders owning more than a majority of the outstanding shares voting in favor of the matter, the legal acts, resolutions and proceedings of the Board of Directors and Corporate Officers of the Bank from the date of the Bank's last Annual Stockholders' Meeting on April 26, 2022 up to the present date were approved, confirmed and ratified. The proposed resolution was presented for approval and confirmation, thus:

STOCKHOLDERS' RESOLUTION NO. 02-23

RESOLVED, AS IT HEREBY RESOLVED that all legal acts, resolutions and proceedings of the Board of Directors and Corporate Officers of the Bank from the last Annual Stockholders' Meeting on April 26, 2022 up to the present, as reflected in the Minutes of the Meetings of the Board of Directors and the Board Committees be approved, confirmed and ratified.

The Chairman, thus, instructed the Corporate Secretary to reflect the following tally of votes in the Minutes, to wit:

	No. of Shares	%
Approving	1,188,075,823	77.87%
Dissenting	0	0.00%
Abstaining	573,533	0.04%

VII. ELECTION OF DIRECTORS

Mr. Wilfrido E. Sanchez, Vice Chairman of the Corporate Governance and Sustainability Committee, reported that the Bank's Corporate Governance and Sustainability Committee, acting as the Nomination Committee, approved the nomination of the following as Directors of the Bank for 2023-2024:

1. Mr. Felix Enrico R. Alfiler
2. Ms. Maria Almasara Cyd N. Tuaño-Amador
3. Mr. Florido P. Casuela
4. Mr. Leonilo G. Coronel
5. Mr. Edgar A. Cua
6. Mr. Estelito P. Mendoza
7. Ms. Isabelita M. Papa
8. Ms. Sheila T. Pascual
9. Mr. Wilfrido E. Sanchez
10. Ms. Carmen K. Tan
11. Mr. Lucio C. Tan
12. Mr. Lucio C. Tan III
13. Mr. Michael G. Tan
14. Ms. Vivienne K. Tan; and
15. Mr. Domingo H. Yap

Mr. Wilfrido Sanchez further reported that Mr. Edgar A. Cua, Ms. Isabelita M. Papa, Ms. Maria Almasara Cyd N. Tuaño-Amador, Mr. Wilfrido E. Sanchez and Mr. Domingo H. Yap were nominated as Independent Directors. He clarified that, as recommended by the Corporate Governance and Sustainability Committee, should any of the regulators not approve the independent directorship of any of the nominees, such nominee shall be deemed automatically elected as a regular director.

The Corporate Secretary further explained that the Revised Corporation Code of the Philippines required the presentation of a summary of the attendance report, the appraisal and performance reports of the members of the Board, and the criteria and procedure for assessing the performance of the directors, which could be found in the Bank's Amended Corporate Governance Manual provided in the Bank's website.

The Corporate Secretary proposed that, since there were only fifteen (15) nominees to the fifteen (15) available seats in the Board of Directors, and since each of the nominees received votes in their respective names, the fifteen (15) nominees be proclaimed as the duly elected Directors of the Bank, to serve as such until the election and qualification of their successors.

The Corporate Secretary presented the votes received by each of the nominees and the proposed resolution for the election of Directors for 2023-2024. Having received the requisite votes, the nominees were then declared as the duly elected Directors of the Bank for 2023–2024 to serve immediately as such until the election and qualification of their successors. The following resolution was, thus, proposed for approval and confirmation:

STOCKHOLDERS RESOLUTION NO. 03-23

RESOLVED, AS IT IS HEREBY RESOLVED, to approve and confirm the election of the following as members of the Board of Directors of the Bank for the year 2023-2024:

1. Mr. Felix Enrico R. Alfiler
2. Ms. Maria Almasara Cyd N. Tuaño-Amador (Independent Director)
3. Mr. Florido P. Casuela
4. Mr. Leonilo G. Coronel
5. Mr. Edgar A. Cua (Independent Director)
6. Mr. Estelito P. Mendoza
7. Ms. Isabelita M. Papa (Independent Director)
8. Ms. Sheila T. Pascual
9. Mr. Wilfrido E. Sanchez (Independent Director)
10. Ms. Carmen K. Tan
11. Mr. Lucio C. Tan
12. Mr. Lucio C. Tan III
13. Mr. Michael G. Tan
14. Ms. Vivienne K. Tan; and
15. Mr. Domingo H. Yap (Independent Director)

The Corporate Secretary was also instructed to reflect in the Minutes the votes received by each of the nominees, as follows:

NOMINEE	NO. OF VOTES
Mr. Felix Enrico R. Alfiler	1,188,557,829
Ms. Maria Almasara Cyd N. Tuaño-Amador	1,188,631,150
Mr. Florido P. Casuela	1,188,814,000
Mr. Leonilo G. Coronel	1,188,583,100
Mr. Edgar A. Cua	1,188,632,050
Mr. Estelito P. Mendoza	1,188,579,345
Ms. Isabelita M. Papa	1,188,493,557
Ms. Sheila T. Pascual	1,188,585,645
Mr. Wilfrido E. Sanchez	1,188,631,985
Ms. Carmen K. Tan	1,188,413,446
Mr. Lucio C. Tan	1,188,420,291
Mr. Lucio C. Tan III	1,188,413,776
Mr. Michael G. Tan	1,188,245,236
Ms. Vivienne K. Tan	1,188,413,486
Mr. Domingo H. Yap	1,188,630,855

Chairman Federico Pascual thanked the stockholders for their continuing support to the PNB Board of Directors. He also took the opportunity to express his gratitude for being able to serve the stockholders and the Bank as the Bank's Chairman for two (2) years and Director for nine (9) years. He said that it had been his honor and pleasure to have served in such capacity all these years. He wished the Board of Directors continuous success in leading the Bank to becoming the best bank in the Philippines.

VIII. APPOINTMENT OF EXTERNAL AUDITOR

Mr. Edgar A. Cua, Vice Chairman of the BACC, explained that the appointment of the Bank's External Auditor underwent a process mandated by the Bank's Amended Corporate Governance Manual, which was in compliance with the requirements of the SEC.

According to Mr. Cua, the BACC was responsible for the selection, evaluation, appointment, dismissal, replacement and reappointment of the External Auditor, which was endorsed to the Board of Directors and thereafter presented to the stockholders for approval. The Committee took into consideration the following factors in selecting an External Auditor for the Bank, viz.:

- size of the auditing firm;
- reputation and professionalism of the partners;
- track record;
- knowledge of current auditing and accounting practices;
- integrity and competencies of their staff;
- resources and facilities; and,
- the Bank's trust and confidence in their skills.

Mr. Cua reported that, after careful deliberations and compliance with the Bank's rules and procedures for the appointment of External Auditor, the BACC recommended and endorsed the appointment of SGV & Co. as External Auditor of the Bank. The partner-in-charge of the Bank's account, Ms. Vicky B. Lee-Salas, was appointed on September 1, 2020. As such, there was no need to request for a change in the partner-in-charge of the Bank's account. The appointment of SGV & Co. as External Auditor of the Bank was approved by the Board of Directors on February 27, 2023 and, thus, presented for the ratification of the stockholders.

Mr. Cua discussed that, in compliance with Section 49 of the Revised Corporation Code, the total engagement fees billed and paid for the professional services rendered by SGV & Co. in 2022 (inclusive of out-of-pocket expenses and value-added tax) amounted to ₱35.673M.

The Corporate Secretary reported that, based on the total votes received by proxy and via remote communication, a total of 1,188,648,616 shares of the Bank voted in favor of the appointment of SGV & Co. as External Auditor of the Bank.

The Chairman said that, with the shareholders voting in favor of the matter, SGV & Co. was appointed as External Auditor of the Bank for the ensuing year. Thus, the Corporate Secretary presented the proposed resolution for the appointment of the External Auditor for the ensuing year, as follows:

STOCKHOLDERS' RESOLUTION NO. 04-23

RESOLVED, AS IT IS HEREBY RESOLVED, to approve the appointment of SGV & Co. as the External Auditor of the Bank for the fiscal year 2023 to 2024.

The Corporate Secretary was then instructed to reflect in the Minutes the votes received, as follows:

	No. of Shares	%
Approving	1,188,648,616	77.91%

Dissenting	0	0.00%
Abstaining	376	0.00%

IX. OTHER MATTERS

The Chairman then requested Mr. Claro P. Fernandez, Public Affairs Group Head and OIC of the Investor Relations Unit, to read and relay the questions received from the stockholders, to be addressed by the PNB Management.

Mr. Fernandez read the first question sent via email by Mr. Ernest Uy, stockholder. Mr. Uy asked what the factors that contributed to the Bank's sustained net income in 2022 were. He further asked if the Bank would achieve better results this year.

In reply, Acting President Casuela said that, as reported by the Bank's Acting CFO, despite the challenging macroeconomic environment in 2022, the Bank's pre-tax income, without the impact of the one-off gain in 2021, increased by 3.5 times year-on-year. Acting President Casuela said that he was happy to report that this was a result of the sustained growth in the income from the Bank's core business, augmented by the Bank's success in monetizing its low-earning foreclosed properties.

Acting President Casuela also reported that Management expected the Bank's net income to be higher this year, boosted by the stronger core income with the continued economic expansion. The Bank's Net Interest Margin (NIM) would remain stable at above 3.5%, supported by higher yield rates on interest-earning assets coupled with well-managed cost rates on deposits. Likewise, the Bank would go on with its strategic initiative to sell foreclosed properties which was expected to bring in additional revenues.

Mr. Fernandez read the second question sent via email by Ms. Maria Soledad Cosuco, stockholder. Ms. Cosuco asked if the Bank had any significant update on the Bank's property distribution. She further asked if the Bank had any plans of declaring cash dividends this year.

Mr. Jonathan Uy, Strategy Division Head, answered that the Bank was closely coordinating with the remaining regulator involved in the subject transaction so that the Bank can distribute the PNB Holdings Corporation (PHC) shares to entitled PNB shareholders as of record date. He said that, through constant follow-up, the Bank was able to receive feedback from the regulator and thereafter the Bank provided the additional information requested by said regulator. Mr. Uy said that, as the Bank waited for the assessment and comments from the regulator, PNB was also working on the internal processes necessary for the distribution of the property dividend shares. He said that he wanted to assure the shareholders that the Bank would release disclosures and/or advisories through the Philippine Stock Exchange for any development on this transaction, including the approvals secured, guidance or steps on the distribution of the property dividend shares and other relevant information for the shareholders' reference.

In response to the query on cash dividends, Mr. Aidell Amor Gregorio, Acting Chief Financial Officer, said that since PNB was a publicly listed company, the Bank was unable to provide definitive, forward-looking statements. He said that it was to be noted that in declaring cash dividends, the Bank must take into consideration the Bank's compliance with regulations on capital adequacy as well as capital build up necessary for the Bank's business growth, while taking into account the shareholders' interest. Nonetheless, the Bank would like to assure the shareholders that PNB's Senior Management and its Board of Directors recognize shareholders' interests and concerns and had been working very hard to sustain the growth in the Bank's profitability which would eventually allow declaration of cash dividends on a regular and sustainable basis without compromising its growth trajectory.

For the third question, Mr. Fernandez said that it was from Ms. Ma. Socorro Unas, stockholder, sent via the MS Live Chatbox. Ms. Unas asked what the Bank did to improve its Digital Application so that customers like her were assured that their transactions were safe.

Mr. Damasen Cid, Digital Innovations Group Head, said that the Bank had focused all the Bank's funds transfer transactions into the PNB Digital App. With the device linking of PNB Digital key and biometrics capability of the mobile phone, it was more secure to transact through the PNB Digital App compared to a web-based internet banking channel. Moreover, he said that financial transactions could only be conducted on the registered mobile device of legitimate clients, making it nearly impossible for fraudsters to make unauthorized transfers even if the username and password of the client were captured through phishing.

According to Mr. Cid, the digital security feature would be further strengthened once the Bank would launch the Enterprise Fraud Management System. This system would detect and prevent anomalous transactions being attempted in the PNB Digital App, based on rules and the historical behavior of the legitimate account holders.

For the next question, Mr. Fernandez mentioned that this was stockholder Mr. Danny Ponay. Mr. Ponay asked what the latest NPL Ratio of the Bank in 2022 and what its outlook on NPL Ratio this year were. Mr. Aidell Amor Gregorio, Acting Chief Financial Officer, replied that the gross NPL Ratio declined to 6.19% as of end-December 2022 from 9.97% a year ago, as gross NPLs decreased by ₱23.9B or down by 36% due to improvement in accounts previously affected by the pandemic. For this year, the Bank's gross NPL ratio was projected to remain at single digit, supported by the continued efforts to reduce the NPL level combined with the anticipated increase in loan portfolio.

Mr. Gregorio commented that the Bank had an NPL stabilization strategy that focused on restructuring accounts, including follow-through on observation period for those with approved and implemented restructuring plans. For those that would be restructured, repayment plans were aligned with borrower's cash flows and industry recovery. The Bank expected that NPLs would be reduced over time as several loan accounts were expected for stage upgrade with the reopening of the Philippine economy. While the rising interest rates pose a challenge to the borrowers, the Bank was proactive in identifying accounts with potential payment risk with its periodic rapid portfolio review and addressing these.

According to Mr. Fernandez, the next question was from Ms. Emma See, stockholder, via MS Live Chatbox. Ms. See asked if the Bank had a sustainability policy in place.

Ms. Mariamel Cordova, PNB Sustainability Officer, replied in the affirmative. She said that PNB had a sustainability policy that was approved by the Board of Directors and submitted to the *Bangko Sentral ng Pilipinas* in December 2020. It was the Bank's aspiration to make sustainability "business as usual" for the Bank as the Bank focused on helping improve the quality of life of the stakeholders, protecting the planet, and ensuring that by 2030, PNB would have made a significant contribution to building a sustainable world. Ms. Cordova said that the Bank's sustainability policy statement, which basically highlighted the Bank's sustainability agenda, was accessible through the Bank's website.

The last question, according to Mr. Fernandez, was sent in via the Chatbox by Ms. Judie Recuenco, a stockholder, who asked what actions were being undertaken by the Bank considering that, in the newspapers, it was said that other banks were competing aggressively against PNB. Acting President Casuela replied that faced with fierce competition from peer banks amidst the challenging operating environment, the Bank's focus would be on the following strategic initiatives which would fortify PNB's position as one of the leading banks in the Philippines. Thus, according to Acting President Casuela:

"We will shift our marketing focus from large institutional accounts to small- and medium-sized enterprises (SMEs) and retail customers to ensure that our lending activities will contribute a substantial portion to the Bank's revenues as these market segments have relatively higher yield rates. We will tap PNB's extensive customer base and branch network to expand and strengthen the Bank's foothold on the SME and retail segments.

We will also capitalize on PNB's strong nationwide branch network to generate low-cost CASA deposits from its existing and growing customer base. Under the Bank's ecosystem of co-branded cash management and credit product offerings, deposits on operating accounts are expected to increase.

Likewise, we intend to maximize the potential of PNB's strong franchise to increase fee-based income. We will intensify our cross-selling efforts to existing customers, including our OFW customers. Marketing efforts will be focused on offering a wide array of products and services in the enhanced PNB Digital App, cash management solutions and bancassurance products, among others.

Digital banking will be a cornerstone of PNB's long-term strategy. The Bank's digital transformation is aimed at offering a complete end-to-end online products and services for all consumer and corporate clients. Along this line, we will leverage on the use of technology to provide better products and be more efficient in terms of how we deliver these products to our customers."

Moreover, President Casuela said that, overall, the Bank would be dynamic in meeting evolving customer needs in an ever-changing operating environment to attain top of mind status among Philippine banks.

To conclude the Q&A segment of the meeting, Mr. Fernandez said that questions submitted during the live Q&A portion but were not answered due to time constraints would be answered by Management via email. He thanked the stockholders for their questions and for the opportunity given to the PNB Management Team to answer them.

X. ADJOURNMENT

After discussion of all the items in the Agenda, the Chairman, on behalf of PNB's Board of Directors, Advisors, and Senior Management, thanked everyone who joined the virtual meeting – especially those who had been joining the Bank's annual meetings.

Chairman Federico Pascual congratulated the Board of Directors, Advisors, Senior Management, and staff who made this Stockholders' Meeting a success. Chairman Pascual said that, on behalf of the aforementioned, he was again extending his heartfelt appreciation to all PNB stockholders and others who joined the annual meeting. He said that he hoped the shareholders found the gathering truly worth their time.

Chairman Pascual said that the Bank's theme for this year was "*Magkaisa sa Pagsulong Ng Bayan*" which was all about being united to drive the nation's progress. He said that this theme resonated well with PNB, as the Bank needed the support of everyone in the community to be able to fulfill the Bank's mission to be the banking institution that Filipinos could truly lean on. Chairman Pascual said that, through the Bank and its clients' success, the Bank enabled the country's progress. He said that he also hoped the shareholders would continue to support the Bank the same way the latter supported the nation's progress.

Chairman Pascual also took the opportunity to inform the shareholders that this year's annual meeting was his last stockholders' meeting as Chairman as he had reached his term limit as Independent Director. He said that he was elected as PNB Chairman in

2021, during a time full of uncertainties due to the COVID-19 pandemic, but it was also a time that tested PNB's ability to adapt and innovate. He said that he was proud of the way the Bank rose to the challenges and succeeded to be "Stronger, Better, and Younger".

With that, Chairman Pascual adjourned the meeting.

The 2023 Annual Stockholders' Meeting adjourned at 9:09 a.m.

CERTIFIED CORRECT:

(original signed)

RUTH PAMELA E. TANGHAL

Corporate Secretary

ATTESTED BY:

(original signed)

FEDERICO C. PASCUAL

Chairman of the Meeting



ANNUAL STOCKHOLDERS’ MEETING
Held on April 25, 2023
via Microsoft Live Events

NUMBER OF SHARES HELD BY SHAREHOLDERS:

Total Outstanding Shares	-	1,525,764,850
Total No. of Shares Represented by Proxy and Present Remotely or via Voting in Absentia	-	1,203,682,341
Percentage of the Total Shares Represented by Proxies and Present Remotely or via Voting in Absentia	-	78.89%

DIRECTORS PRESENT:

FELIX ENRICO R. ALFILER, Director
 FLORIDO P. CASUELA, Director
 LEONILLO G. CORONEL, Director
 EDGAR A. CUA, Independent Director
 ESTELITO P. MENDOZA, Director
 ISABELITA M. PAPA, Independent Director
 FEDERICO C. PASCUAL, Independent Director
 SHEILA T. PASCUAL, Director
 WILFRIDO E. SANCHEZ, Independent Director
 CARMEN K. TAN, Director
 LUCIO C. TAN, Director
 LUCIO C. TAN III, Director
 MICHAEL G. TAN, Director
 VIVIENNE K. TAN, Director
 DOMINGO H. YAP, Independent Director

ALSO PRESENT:

WILLIAM T. LIM, Board Advisor	HUMILDAD M. SANTELICES, Senior Vice President
CHESTER Y. LUY, Board Advisor	JOY JASMIN R. SANTOS, Senior Vice President
CHRISTOPHER J. NELSON, Board Advisor	TERESITA U. SEBASTIAN, Senior Vice President
FLORENCIA G. TARRIELA, Board Advisor	DON A. TAMAYO, Senior Vice President
RUTH PAMELA E. TANGHAL, Corporate Secretary	MARIA TERESA C. VELASCO, Senior Vice President
MICHELLE A. PAHATI-MANUEL, Asst. Corporate Secretary	KELVIN S. AQUILINO, First Vice President
ROBERTO D. BALTAZAR, Executive Vice President	NEIL B. CAMPOS, First Vice President
ISAGANI A. CORTES, Executive Vice President	DAMASEN PAUL C. CID, First Vice President
AIDA M. PADILLA, Executive Vice President	THERESA DEL ROSARIO, First Vice President
ALLAN L. ANG, First Senior Vice President	JOY H. LALICON, First Vice President
MANUEL C. BAHENA, JR., First Senior Vice President	MA. THERESA E. LIAO, First Vice President
ZACARIAS E. GALLARDO, JR., First Senior Vice President	MARIE GRACE P. MARCELO, First Vice President
MARIA ADELIA A. JOSON, First Senior Vice President	GERALDINE S. PUNZALAN, First Vice President
JOSE GERMAN M. LICUP, First Senior Vice President	RODERICK SORIANO, First Vice President
MARIA PAZ D. LIM, First Senior Vice President	ROBINA S. SY, First Vice President
NOEL C. MALABAG, First Senior Vice President	MARY LOURDES T. TENG, First Vice President
ROLAND V. OSCURO, First Senior Vice President	JONATHAN L. UY, First Vice President
MARIZA L. TIBURCIO, First Senior Vice President	ARLENE S. VIERNES, First Vice President
SOCORRO D. CORPUS, Officer-in-Charge of HRG	MELVAR C. BENEDICTO, Vice President
REYNALDO C. BURGOS, Senior Vice President	JOCELYN R. BRONIOLA, Vice President
CARLO S. DIMAALA, Senior Vice President	ANNA LIZA S. CALAYAN, Vice President
CLARO P. FERNANDEZ, Senior Vice President	RALPH BENEDICT B. CENTENO, Vice President
AIDELL AMOR R. GREGORIO, Senior Vice President & Acting CFO	SHIRLEY T. CHING, Vice President
ANA ROSE T. KWAN, Senior Vice President	JULIET S. DYTOC, Vice President
MA. LOURDES S. LIWAG, Senior Vice President	MA. CECILIA C. LACHICA, Vice President
JENNIFER Y. NG, Senior Vice President	ANALISA I. SAN PEDRO, Vice President
NIXON S. NGO, Senior Vice President	
BERNABE R. PUNSALAN, Senior Vice President	

SHAREHOLDERS/OTHER ATTENDEES:

VICKY L. SALAS, SGV & Co.
WILSON P. TAN, SGV & Co.
LESLIE ANNE G. HUANG, SGV & Co.
DANA DANIELLE U. SAMSON, SGV & Co.
MELISSA LICHAYTOO, Roxas de los Reyes
Laurel Rosario & Gonzales Law Offices
SHERLEEN MACATANGAY, Roxas de los
Reyes Laurel Rosario & Gonzales Law
Offices
BYRON FRANCIS YAO, Roxas de los Reyes
Laurel Rosario & Gonzales Law Offices
GERRY B. VALENCIANO, PNB Capital and
Investment Corporation
YOLANDA M. ALBANO, Allied Integrated
Holdings, Inc.
PERFECTO M. DOMINGO, Alliedbankers
Insurance Corporation
LIMWEL M. CAPARROS, PNB-Mizuho
Leasing and Finance Corporation
JUANITA TAN-LEE, LT Group, Inc.
ANABELLE D. ARCEO, LT Group, Inc.
JOSE GABRIEL OLIVES, LT Group, Inc.
DIOSCORO TEODORICO L. LIM, LT Group,
Inc.
MA. CORAZON CRESENCIA L. CONTRERAS
MAYVEL A. SINO
ALAIN ALFRED I. ABELEDA
DEREINA LISSA R. ABIOG
CYNTHIA DOROTHY I. ACORDA
ARMIE MELLANY B. ACUISA
JANETTE Q. ADAMOS
JESSICA A. ADIAO
MA. CRISTINA M. ADVINCUA
VALERY S. AGAPITO
JUANA M. AGUINALDO
RICHARD V. ALBERTO
NANETTE M. ALCALDE
MARY MAE D. ARBOSO
RIZIEL GRACE R. ARCILLA
JENNIFER T. ASI
ANTHONY A. ASUNCION
EMYLYN P. AUDEMARD
JOANNA MARIE L. AVILES
MARILA S. BALAQUIOT
PAULO LORENZO G. BERNARDO
MARIVETH F. BORJA
GRACE C. BUMANLAG
ANALIN B. BUSTAMANTE
JESUS F. CACACHO
ANNE MICHELLE A. CANAPI
JASPER BRYAN S. CANERO
CARISSA S. CAPARAS
MARILOU CASUELA
SHARON N. CATA CUTAN
ERIC M. MATUBAY
KRITHSAN G. CHOI
RINA AZEL C. CINCO
WREN EMIL F. CINCO
MA. AGNES CRUZ
JOSENIA R. DE GUZMAN
LOUDY ANN M. DELA CRUZ
ANGELO S. DELA PAZ
LEILA A. DELOS REYES
ROSELA P. DEL ROSARIO
AGNES A. DIMATULAC
CHERRY N. DOMINGO
MARIA EMILY R. DOON
NICODEMUS C. ECLIPSE
JANET D. ANTONIO
GIRLIE L. ERIA
ERIKA ARMENTIA
VANESSA O. ESPINO
ILUMINADA M. ESPINOZA
DIGNA C. FERNANDEZ
JAIME B. FERNANDEZ
LITA VICTORIA C. FERNANDEZ
MANNY C. FERNANDEZ
CHERRY C. FORTUS
TRISTAN L. FRANCISCO
ELSIE E. GARCIA
DENNIS F. GASCON
MICHAEL D. UY
EZELLE THERESA A. GASCON
SHERYL JOY D. GENAVIA
JANICE R. GONZALES
MARY GERALDINE S. ANG
SHIENA B. JEREMIAS
JENNY LACRO
MARY ANN L. LABANDA
AMELIA R. LAUS
DONNABEL B. LEAL
GEMMA S. LIM
MARRITA G. LIM
LUDETTE R. LORETE
MARY GRACE B. LUMONGSOD
ANA MELISSA S. MAGPILI
LUZVIMINDA V. MAGSINO
MILANI T. MAMALAYAN
RANIEL T. MANIQUIZ
RHONA N. MANJARRES
MICHELLE E. MARCELINO
MARIANITO AMBAT
MICHAEL M. MARIANO
JAIME Q. MARISCAL
ARCHIE CEASAR C. MATULOY
MA. IRMA S. MAXINO
LIZA R. MEJIA
MARIA VICTORIA C. MENDOZA
ELIZABETH P. MILLAR
MYRNA L. VILLEGA
MARIA MERCEDITA T. NAKPIL
JOCELYN GRACE N. NAVATO
ROXANNE L. NIVERA
MONIQUE A. OCADO
JULIAN MIGUEL P. OCAMPO
MADELEINE PATRICIA LEAH M.
ONG
MICHELLE D. OROSCO
NIKKI ANGELA I. ORSOLINO
CLARENCE J. ORTIZ
CHRISTINA V. OSIAS
GRACE BEATRIX C. PANDES
MARIGOLD O. PASQUIN
PATRICIA SAN JOSE
CLARE C. PERDITO
REALYN M. POSTRADO-DELA
CRUZ
ROWENA V. PRADO
AMI T. PUA
JASON JOHN RAMOS
EDGIE P. RANES
JUDIE E. RECUENCO
EDUARDO JOSEPH F. REYES
MARIA SOLEDAD P. REYES
HILDA P. RIVADELO
RHONDO R. ROBERTO
WILLISON I. ROCES
LILIAN RUGA
CANDLE JOY D. RUGAS
MELISSA M. SALCEDO
ANNA MARIA RAYMUNDA A. SAN
JUAN
JOMER P. SANTOS
BELEN B. SAUCO
CESAR C. SEVILLAR
KAREN M. SEVILLA
CATHERINE T. SOLOMON
JESSIE Z. SUMAYA
HAROLD T. TAGUBA
RINA BLANCH W. TAN
EMMA SEE
SHIELLA S. TIANCHON
CHRISTINE JOY TOC
GENEVLN M. TORRANO
JOSE FERNANDO C. TORRES
CLARINDA B. ULOG
DANNY PONAY
MA. SOCORRO UNAS
ERNEST T. UY
MICHELLE ANNE B. VELAZCO
MARIA CARMEL M. VERGARA
MARIAMEL V. CORDOVA
NAOMI FE R. VICTORIA
MA. EDNA A. VIVAR
GENEVIEVE AMOR B. EDRADA
ROGELIO C. ESTRELLA, JR.
MARIA SOLEDAD A. COSUCO
RICHARD HERMOGENO
MARY VIANNEY B. JOCSON
SHEELA MAY ANN A. MALIMUTIN
APRIL ROSE D. UMADHAY



CERTIFICATION OF INDEPENDENT DIRECTOR

I, EDGAR A. CUA, Filipino, of legal age and a resident of [blank] after having duly sworn to in accordance with law, do hereby declare that:

- 1. I am a nominee for Independent Director of the Philippine National Bank and have been its Independent Director since May 31, 2016;
2. I am affiliated with the following companies or organizations:

Table with 3 columns: Company/Organization, Position/Relationship, Period of Service. Rows include PNB-Mizuho Equipment Rentals Corporation, Allied Integrated Holdings, Inc. (formerly PNB Savings Bank), PNB-Mizuho Leasing and Finance Corporation, PNB Capital and Investment Corporation, and Davao Unicar Corporation.

- 3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Philippine National Bank, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances;
4. I am not related to any director/officer/substantial shareholder of the Philippine National Bank, any of its related companies or any of its substantial shareholders;
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation proceeding;
6. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances; and
7. I shall inform the Corporate Secretary of the Philippine National Bank of any changes in the abovementioned information within five days from its occurrence.

Done on 07 MAR 2024 in Quezon City.

Signature of Edgar A. Cua
EDGAR A. CUA
Independent Director

SUBSCRIBED AND SWORN to before me this 07 MAR 2024 in PASAY CITY, affiant personally appeared before me and exhibited to me his TIN No.

Doc. No. 29;
Page No. 06;
Book No. X;
Series of 2024.

Notary Public information for Acty. Jamie O. Rea, 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.

Philippine National Bank
PNB Financial Center
Pres. Diosdado Macapagal Blvd.,
Pasay City, Metro Manila 1300, Philippines

Authorized Depository of the Republic of the Philippines
Member: PDIC



CERTIFICATION OF INDEPENDENT DIRECTOR

I, ISABELITA M. PAPA, Filipino, of legal age and a resident of after having been duly sworn to in accordance with law, do hereby declare that:

- 1. I am a nominee for Independent Director of the Philippine National Bank and have been its Independent Director since August 5, 2021;
2. I am affiliated with the following companies or organizations:

Table with 3 columns: COMPANY/ ORGANIZATION, POSITION/ RELATIONSHIP, PERIOD OF SERVICE. Rows include PNB Capital and Investment Corporation, PNB-Mizuho Leasing and Finance Corporation, and PNB-Mizuho Equipment Rentals Corporation.

- 3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Philippine National Bank, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances;
4. I am not related to any director/officer/substantial shareholder of the Philippine National Bank, any of its related companies or any of its substantial shareholders;
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation proceeding;
6. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances; and
7. I shall inform the Corporate Secretary of the Philippine National Bank of any changes in the abovementioned information within five days from its occurrence.

Done on 07 MAR 2024 in Mandaluyong City.

ISABELITA M. PAPA Independent Director

SUBSCRIBED AND SWORN to before me on at PASAY CITY, affiant personally appeared before me and exhibited to me her TIN

Doc. No. 27; Page No. 27; Book No. 8; Series of 2024.

Philippine National Bank PNB Financial Center Pres. Diosdado Macapagal Blvd. Pasay City, Metro Manila 1300, Philippines

Authorized Depository of the Republic of the Philippines Member: PDIC

Atty. Jamie O. Real Commission No. 23-15; Rol No. 68794 Notary Public in and for Pasay City until December 31, 2024 9th Floor PNB Financial Center Pres. Diosdado Macapagal Blvd., Pasay City T. (632) 8526-3431 to 70/8891-5040 to 70 P.O. Box 410 (Pasay City) www.pnb.com.ph



CERTIFICATION OF INDEPENDENT DIRECTOR

I, **PROTACIO T. TACANDONG**, Filipino, of legal age and a resident of _____, after having been duly sworn to in accordance with law, do hereby declare that:

- 1. I am a nominee for Independent Director of the Philippine National Bank;
2. I am affiliated with the following companies or organizations:

Table with 3 columns: COMPANY/ ORGANIZATION, POSITION/ RELATIONSHIP, PERIOD OF SERVICE. Rows include Reyes Tacandong & Co. Foundation, Inc. (President, 2014 to Present) and Reyes Tacandong & Co. (Co-Founder, Managing Partner and Chief Operating Officer, 2010 to Present).

- 3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Philippine National Bank...
4. I am not related to any director/officer/substantial shareholder of the Philippine National Bank...
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation proceeding;
6. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director...
7. I shall inform the Corporate Secretary of the Philippine National Bank of any changes in the abovementioned information within five days from its occurrence.

Done on March 7, 2024 in Makati City.

Signature of PROTACIO T. TACANDONG, Independent Director

SUBSCRIBED AND SWORN to before me this 07 MAR 2024 in PASAY CITY affiant personally appeared before me and exhibited to me his TIN No. _____

Doc. No. 29; Page No. 07; Book No. X; 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. Office: 5th Floor PNB Financial Center, Pres. Diosdado Macapagal Blvd., Pasay City. PTR No. 34501949, 2024. Notary License No. 018651/Dec. 11, 2017/Manila IV

Philippine National Bank, PNB Financial Center, Pres. Diosdado Macapagal Blvd., Pasay City, Metro Manila 1300, Philippines

Authorized Depository of the Republic of the Philippines Member: PDIC



CERTIFICATION OF INDEPENDENT DIRECTOR

I, **MARIA ALMASARA CYD N. TUAÑO-AMADOR**, Filipino, of legal age and a resident of after having duly sworn to in accordance with law, do hereby declare that:

- 1. I am a nominee for Independent Director of the Philippine National Bank and have been its Independent Director since April 25, 2023;
- 2. I am affiliated with the following company or organization:

COMPANY/ ORGANIZATION	POSITION/ RELATIONSHIP	PERIOD OF SERVICE
Radiowealth Finance Company Inc.	Independent Director	October 2023 to Present

- 3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Philippine National Bank, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances;
- 4. I am not related to any director/officer/substantial shareholder of the Philippine National Bank, any of its related companies or any of its substantial shareholders;
- 5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation proceeding;
- 6. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances; and
- 7. I shall inform the Corporate Secretary of the Philippine National Bank of any changes in the abovementioned information within five days from its occurrence.

Done on 07 MAR 2024 in Pasig City.

Maria Almasara Cyd N. Tuano-Amador

MARIA ALMASARA CYD N. TUAÑO-AMADOR
Independent Director

SUBSCRIBED AND SWORN to before me this 07 MAR 2024 in PASAY CITY, affiant personally appeared before me and exhibited to me her TIN

Doc. No. 26 ;
Page No. 07 ;
Book No. X ;
Series of 2023.

Atty. Jamie O. Real
Commission No. 29-15; 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. 8456119/Jan. 03, 2024/Pasay City
IBP Lifetime No. 018851/Dec. 11, 2017/Manila IV

Philippine National Bank
PNB Financial Center
Pres. Diosdado Macapagal Blvd.,
Pasay City, Metro Manila 1300, Philippines

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P.O. Box 1884 (Manila)
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CERTIFICATION OF INDEPENDENT DIRECTOR

I, DOMINGO H. YAP, Filipino, of legal age and a resident of after having duly sworn to in accordance with law, do hereby declare that:

- 1. I am a nominee for Independent Director of the Philippine National Bank and have been its Independent Director since September 1, 2019;
2. I am affiliated with the following companies or organizations:

Table with 3 columns: Company/Organization, Position/Relationship, Period of Service. Rows include Philippine Kang Ha Association, Inc., AllianceLand Development Corporation, Universal Paint & Coating Philippines, Inc., Colorado Chemicals Sales Corporation, DHY Realty and Development Inc., and H-Chem Industries, Inc.

- 3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Philippine National Bank, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances;
4. I am not related to any director/officer/substantial shareholder of the Philippine National Bank, any of its related companies or any of its substantial shareholders;
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation proceeding;
6. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances; and
7. I shall inform the Corporate Secretary of the Philippine National Bank of any changes in the abovementioned information within five days from its occurrence.

Done on 07 MAR 2024 in Makati City.

DOMINGO H. YAP
Independent Director
07 MAR 2024

SUBSCRIBED AND SWORN to before me this 07 MAR 2024 in PASAY CITY affiant personally appeared before me and exhibited to me his TIN No.

Doc. No. 28;
Page No. 07;
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Office of the Corporate Secretary

Direct Line: 8536-0540

Trunk Lines: 8891-6040 to 70

Local: 4582

SECRETARY'S CERTIFICATE

I, RUTH PAMELA E. TANGHAL, Corporate Secretary of the Philippine National Bank ("PNB"), a universal banking corporation organized and existing under the laws of the Republic of the Philippines, with principal office address at the PNB Financial Center, Pres. Diosdado Macapagal Boulevard, Pasay City, Metro Manila, do hereby certify that:

1. The following are the incumbent directors of PNB:

- Mr. Edgar A. Cua, Mr. Leonilo G. Coronel, Mr. Felix Enrico R. Alfiler, Mr. Florido P. Casuela, Mr. Chester Y. Luy, Mr. Estelito P. Mendoza, Ms. Isabelita M. Papa, Ms. Sheila T. Pascual, Mr. Wilfrido E. Sanchez, Mr. Eusebio V. Tan, Mr. Lucio C. Tan III, Mr. Michael G. Tan, Ms. Vivienne K. Tan, Ms. Maria Almasara Cyd N. Tuaño Amador, Mr. Domingo H. Yap

2. To the best of my knowledge, none of the above-mentioned directors are appointed officials or employees of any agency of the government of the Philippines.

IN WITNESS WHEREOF, I have hereunto affixed my signature this 07 MAR 2024 in Pasay City, Metro Manila.

RUTH PAMELA E. TANGHAL
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 07 MAR 2024 in Pasay City, affiant exhibited to me her TIN No.

Doc. No. 30;
Page No. 07;
Book No. X;
Series of 2024.

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