COVER SHEET

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S.E.C. Registration Number

P H I L I P P I N E N A T I O N A L B A N K

Company's Full Name)

9 t h F l o o r P N B F i n a n c i a l C e n t e r

M a c a p a g a l B l v d . , P a s a y C i t y

M e t r o M a n i l a

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

RUTH PAMELA E. TANGHAL
Corporate Secretary

Contact Person

8834-0780

Company Telephone Number

1 2 **3 1**

Month *Day*
Fiscal Year

Definitive Information Statement

FORM TYPE

April 27

Month *Day*
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

Remarks = pls. use black ink for scanning purposes

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 26, 2022
Time of meeting	:	8:00 a.m.
Place of meeting	:	The 2022 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	:	March 29, 2022

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**

PNB
you first.

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 26, 2022, 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 2021 Annual Stockholders' Meeting held on April 27, 2021
4. Report of the President on the Results of Operations for the Year 2021
5. Approval of the 2021 Annual Report
6. Ratification of All Legal Acts, Resolutions and Proceedings of the Board of Directors and Corporate Officers since the 2021 Annual Stockholders' Meeting
7. Election of Directors
8. Appointment of External Auditor
9. Other Matters
10. Adjournment

The details and rationale of each item of the Agenda is attached as Annex "A" of the Information Statement.

Stockholders of record as of March 28, 2022 shall be entitled to attend, and to vote at, the meeting.

In light of the COVID-19 pandemic, and to safeguard the health and ensure the safety of our stockholders and stakeholders, 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/asm2022 on or before April 19, 2022. The requirements and procedure for registration, participation and voting through remote communication are set out in Annex "B" of the Information Statement and published in PNB's website at www.pnb.com.ph/asm2022. 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 21, 2022. A sample proxy form may be downloaded at www.pnb.com.ph/asm2022. Validation of proxies will be on April 21, 2022 at 5:30 p.m.

Stockholders of record may send their queries and comments to pnb_asm@pnb.com.ph on or before April 22, 2022.

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/2022DIS. 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) In light of the continuing COVID 19 pandemic, and to safeguard the health and ensure the safety of the Stockholders and stakeholders, the Annual Stockholders' Meeting of the Philippine National Bank (hereafter "PNB" or the "Bank") will be conducted through remote communication on April 26, 2022, 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 March 29, 2022.

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 2021, 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 28, 2022 is 1,525,764,850 with a par value of ₱40.00 per share. Total foreign equity ownership is 23,626,339 common shares or 1.55%.

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 March 28, 2022 (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 28, 2022 the participation and voting at the 2022 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/asm2022.

(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 28, 2022)*

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
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 Common 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 Common 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 2022 meeting no later than April 21, 2022, 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 28, 2022)

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percentage of Ownership
Common	Federico C. Pascual Chairman/ Independent Director	39 shares ₱1,560.00 (R)	Filipino	0.0000025561
Common	Leonilo G. Coronel Vice Chairman/Director	1 share ₱40.00 (R)	Filipino	0.0000000655
Common	Florido P. Casuela Director	162 shares ₱6,480.00 (R)	Filipino	0.0000106176
Common	Edgar A. Cua Independent Director	100 shares ₱4,000.00 (R)	Filipino	0.0000065541
Common	Estelito P. Mendoza Director	1,150 shares ₱46,000.00 (R)	Filipino	0.0000753720
Common	Isabelita M. Papa Independent Director	1 share ₱40.00 (R)	Filipino	0.0000000655
Common	Sheila T. Pascual Director	110 shares ₱4,400.00 (R)	Filipino	0.0000072095
Common	Wilfrido E. Sanchez Independent Director	1 share ₱40.00 (R)	Filipino	0.0000000655
Common	Carmen K. Tan Director	5,000 shares ₱200,000.00 (R)	Filipino	0.0003277045
Common	Lucio C. Tan Director	14,843,119 shares ₱593,724,760.00 (R)	Filipino	0.9728313639
Common	Lucio C. Tan III Director	300 shares ₱12,000.00 (R)	Filipino	0.0000196623
Common	Michael G. Tan Director	62,250 shares ₱2,490,000.00 (R)	Filipino	0.0040799210
Common	Vivienne K. Tan Director	10 shares ₱400.00 (R)	Filipino	0.0000006554

Common	Jose Arnulfo A. Veloso Director	418,395 shares ₱16,735,800.00 (R)	Filipino	0.0274219845
Common	Domingo H. Yap Independent Director	1 share ₱40.00 (R)	Filipino	0.0000000655
Sub-total		15,330,639 shares ₱613,225,560.00 (R)		1.0047838629
Common	All Directors & Executive Officers as a Group	15,409,040 shares ₱616,361,600.00 (R)		1.0099223350

(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 2021.

Item 5. DIRECTORS AND EXECUTIVE OFFICERS

(a) <u>Directors and Executive Officers</u>

On April 27, 2021, the Bank reported to the Bangko Sentral ng Pilipinas (BSP) the election of fifteen (15) members of the Board of Directors at the 2021 Annual Stockholders' Meeting. Mr. Edgar A. Cua, Mr. Federico C. Pascual, Mr. Wilfrido E. Sanchez, Mr. Angelito M. Villanueva, 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 2021-2022 was exempted from confirmation by the Monetary Board (MB):

Federico C. Pascual
Leonilo G. Coronel
Florido P. Casuela
Edgar A. Cua
Estelito P. Mendoza
Sheila T. Pascual
Carmen K. Tan
Lucio C. Tan
Michael G. Tan
Vivienne K. Tan
Jose Arnulfo A. Veloso
Domingo H. Yap

On July 8, 2021, the Board accepted and confirmed the resignation of Mr. Villanueva as an Independent Director of the Bank, effective June 27, 2021, due to health reasons.

On August 5, 2021, the Board approved the election of Ms. Isabelita M. Papa as an Independent Director of the Bank to serve the unexpired term of Mr. Villanueva, effective August 5, 2021, subject to regulatory approval.

The MB, in its Resolution No. 1505 and 1505.A both dated November 4, 2021, confirmed the election of Mr. Lucio C. Tan III and Ms. Papa as Director and Independent Director, respectively.

On January 20, 2022, the MB, in its Resolution No. 29 confirmed the election of Mr. Wilfrido E. Sanchez as Independent Director 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 2022-2023 according to the prescribed qualifications and disqualifications. A total of fifteen (15) nominees were considered. On February 28, 2022, the Board of Directors confirmed the nomination of the following individuals for election to the Board of Directors for the year 2022–2023:

1. Mr. Federico C. Pascual;
2. Mr. Leonilo G. Coronel;
3. Mr. Florido P. Casuela;
4. Mr. Edgar A. Cua;
5. Mr. Estelito P. Mendoza;
6. Ms. Isabelita M. Papa;
7. Ms. Sheila T. Pascual;
8. Mr. Wilfrido E. Sanchez;
9. Ms. Carmen K. Tan;
10. Mr. Lucio C. Tan;
11. Mr. Lucio C. Tan III;
12. Mr. Michael G. Tan;
13. Ms. Vivienne K. Tan;
14. Mr. Jose Arnulfo A. Veloso; and
15. Mr. Domingo H. Yap.

(Please refer to pages 11 to 25 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. Federico C. Pascual, Mr. Wilfrido E. Sanchez and Mr. Domingo H. Yap are 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 28, 2022. The information below addresses the requirements of Section 49 of the Revised Corporation Code.

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

Name	**FEDERICO C. PASCUAL**
Age	79
Nationality	Filipino
Education	* Bachelor of Arts, Ateneo de Manila University * Bachelor of Laws (Member, Law Honors Society), University of the Philippines * Master of Laws, Columbia University
Current Position in the Bank	* Chairman/Independent Director
Date of First Appointment	* May 27, 2014 (as Independent Director) * April 27, 2021 (as Chairman of the Board)
Directorship in Other Listed Companies	* None
Other Current Positions	* Independent Director of Allianz PNB Life Insurance, Inc., PNB-Mizuho Leasing and Finance Corporation, PNB-Mizuho Equipment Rentals Corporation, PNB International Investments Corporation and PNB Capital and Investment Corporation * Chairman of Bataan Peninsula Educational Institution, Inc * 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	* Chairman/Independent Director of PNB General Insurers Co., Inc. * Independent Director of PNB Holdings Corporation and Allied Integrated Holdings Inc. (formerly PNB Savings Bank) * President and General Manager of Government Service Insurance System * President and CEO of Allied Banking Corporation and PNOC Alternative Fuels Corporation * Director of Global Energy Growth System * Various positions with PNB for 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	**LEONILO G. CORONEL**
Age	75
Nationality	Filipino
Education	* 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	* May 28, 2013 (as Director) * April 27, 2021 (as Vice Chairman)
Directorship in Other Listed Companies	* None
Other Current Positions	* Independent Director of Citicore Real Estate Investment Trust * Independent Director of DBP-Daiwa Capital Markets Phil. * Director of Software Ventures International * Director of Toyota Pasong Tamo, Toyota Global City, and Toyota Angeles * Director of M2 Car Accessories Corp.
Other Previous Positions	* Chairman of PNB-IBJL Leasing and Finance Corporation and PNB-IBJL Equipment Rentals Corporation * Independent Director of Megawide Construction Corporation * 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, USAID, Bankers Association of the Philippines and Economic Development Corporation * Country Corporate Officer of Citibank Sri Lanka * Worked with Citibank, Manila for twenty (20) years, occupying various positions.
Awards/Citations	* Fellow of the Australian Institute of Company Directors in 2002

Name	**FLORIDO P. CASUELA**
Age	80
Nationality	Filipino
Education	* Bachelor of Science in Business Administration, Major in Accounting from the University of the Philippines * Masters in Business Administration from the University of the Philippines * Advanced Management Program for Overseas Bankers from the Philadelphia National Bank in conjunction with Wharton School of the University of Pennsylvania * Study Tour (Micro Finance Program and Cooperatives), under the Auspices of the United States Agency for International Development
Government Civil Service Eligibilities	* Certified Public Accountant, Economist, Commercial Attaché
Current Position in the Bank	* Director
Date of First Appointment	* May 30, 2006
Directorship in Other Listed Companies	* None
Other Current Positions	* Chairman of PNB Securities, Inc. * Chairman of Casuela Equity Ventures, Inc. * Director of PNB International Investments Corporation, PNB RCI Holdings Co., Ltd., and Surigao Micro Credit Corporation * Senior Consultant of the Bank of Makati (a Savings Bank), Inc.
Other Previous Positions	* Vice Chairman of Allied Integrated Holdings Inc. (formerly PNB Savings Bank) * President of Land Bank of the Philippines, Maybank Philippines, Inc., and Surigao Micro Credit Corporation * Vice-Chairman of Land Bank of the Philippines and Maybank Philippines, Inc. * Director of PNB Life Insurance, Inc. * Director, Meralco * Trustee of Land Bank of the Philippines Countryside Development Foundation, Inc. * Director of Sagittarius Mines, Inc. * Senior Adviser in the Bangko Sentral ng Pilipinas * Senior Executive Vice President of United Overseas Bank (Westmont Bank) * Executive Vice President of PDCP (Producers Bank) * Senior Vice President of Philippine National Bank * Special Assistant to the Chairman of the National Power Corporation * First Vice President of Bank of Commerce * Vice President of Metropolitan Bank & Trust Co. * Staff Officer, BSP * Audit Staff of Joaquin Cunanan, CPAs (Isla Lipana & Co.)
Awards/Citations	* One of the ten (10) awardees of the 2001 Distinguished Alumni Award of the UP College of Business Administration * Most Outstanding Surigaonon in the field of Banking and Finance, awarded by the Rotary Club – Surigao Chapter

Name	**EDGAR A. CUA**
Age	66
Nationality	Filipino
Education	* Bachelor of Arts in Economics degree (Honors Program) from the Ateneo de Manila University * Masters of Arts in Economics degree from the University of Southern California * Masters 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	* Independent Director
Date of First Appointment	* May 31, 2016
Directorship in Other Listed Companies	* None
Other Current Positions	* Chairman/Independent Director of Allied Integrated Holdings Inc. (formerly PNB Savings Bank) * Independent Director of PNB Capital and Investment Corporation, Allied Commercial Bank, Xiamen, and PNB-Mizuho Leasing and Finance Corp. * Director of Davao Unicar Corporation
Previous Positions	* Held various managerial and staff positions at the Asian Development Bank (ADB) during a 30-year professional career. * Retired in 2015 as Senior Advisor, East Asia Department of the 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	**ESTELITO P. MENDOZA**
Age	91
Nationality	Filipino
Education	* 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	* Chairman of Prestige Travel, Inc. * Practicing lawyer for more than sixty (60) years
Other Previous Positions	* Professorial Lecturer of law at the University of the Philippines * Undersecretary of Justice, Solicitor General and Minister of Justice * Member of the Batasang Pambansa and Provincial Governor of Pampanga * Chairman of the Sixth (Legal) Committee, 31st Session of the UN General Assembly and the Special Committee on the Charter of the United Nations and the Strengthening of the Role of the Organization.
Awards/Citations	* Doctor of Laws degree (honoris causa) by Central Colleges of the Philippines, Hanyang University (Seoul, Korea), University of Manila, Angeles University Foundation and the University of the East * Doctor of Humane Letters degree by the Misamis University * Recipient of a Presidential Medal of Merit as Special Counsel on Marine and Ocean Concerns * University of the Philippines Alumni Association's 1975 "Professional Award in Law" and 2013 "Lifetime Distinguished Achievement Award"

Name	**ISABELITA M. PAPA**
Age	73
Nationality	Filipino
Education	* Bachelor of Science in Commerce – Banking & Finance from the University of Santo Tomas
Current Position in the Bank	* Independent Director
Date of First Appointment	* August 5, 2021
Directorship in Other Listed Companies	* None
Other Current Positions	* Independent Director of PNB-Mizuho Leasing and Finance Corporation and PNB-Mizuho Equipment Rentals Corporation * Consultant of Bankers Association of the Philippines * Co-Chairperson for the Task Force of the ISO 20022 Migration Project * Resource Person for Corporate Governance of the Bankers Institute of the Philippines
Previous Positions	* Executive Vice President for Operations and Information Technology – Asia United Bank * Director: Rural Bank of Angeles and Cavite United Rural Bank * Senior Vice President/Country Manager – Bank of America N.A. * Executive Vice President for Operations – United Overseas Bank Phils. * Senior Vice President for Operations: Solidbank Corporation and The International Corporate Bank * Assistant Vice President for International Division – Family Bank & Trust Co. * Unit Head/Account Officer – Citibank N.A. * Chairperson – SWIFT Users Group, Philippines * Chairperson, Subcommittee on Payments and Funds Transfer – Bankers Association of the Philippines * President / Resource Person for Corporate Governance – Bankers Institute of the Philippines * Member – Catholic Mass Media Awards Committee

Name	**SHEILA T. PASCUAL**
Age	59
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 and Zuma Holdings and Management Corporation * Business Development Manager of Allied Banking Corporation Hong Kong
Other Previous Position/s	* Marketing Development Officer of Asia Brewery Incorporated

Name	**WILFRIDO E. SANCHEZ**
Age	84
Nationality	Filipino
Education	* Bachelor of Arts degree from the Ateneo de Manila University * Bachelor of Laws from the Ateneo De Manila University * Master of Laws 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	* 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, Magellan Capital Holdings Corporation, EMCOR, Inc., K-Servico, Inc., J-DEL Investments and Management Corp., WODEL, Inc., KS Prime Financial Corp., Asiabest Group International Inc., and Trimotors Technology Corp. * Trustee of JVR Foundation, Inc., Gokongwei Brothers Foundation, and Asian Institute of Management
Other Previous Position/s	* Vice Chairman/Director of Antonelli Realty Holdings, Inc. * Trustee of NYK-TDG Friendship Foundation, Inc. * 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 and Joint Research and Development Corporation,

Name	**CARMEN K. TAN**
Age	80
Nationality	Filipino
Current Position in the Bank	* Director
Date of First Appointment	* May 31, 2016
Directorship in Other Listed Companies	* Vice Chairman of LT Group, Inc. * Director of MacroAsia Corporation and PAL Holdings, Inc.
Other Current Positions	* Director: Philippine Airlines, Inc., Air Philippines Corporation, Asia Brewery, Inc., Buona Sorte Holdings, Inc., Cosmic Holdings Corporation, The Charter House, Inc., Dominium Realty and Construction Corporation, Eton City, Inc., Foremost Farms, Inc., Fortune Tobacco Corporation, Himmel Industries, Inc., Lucky Travel Corporation, Manufacturing Services & Trade Corp., Progressive Farms, Inc., PMFTC, Inc., Shareholdings Inc., Sipalay Trading Corp., Tanduay Distillers, Inc., Tangent Holdings Corporation, Trustmark Holdings Corp., 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. * Vice Chairman of Alliedbankers Insurance Corporation
Major Affiliations	* Director of Tan Yan Kee Foundation * Member of Tzu Chi Foundation

Name	**LUCIO C. TAN**
Age	87
Nationality	Filipino
Education	* Bachelor of Science in Chemical Engineering degree from Far Eastern University * Doctor of Philosophy, Major in Commerce, from University of Sto. Tomas
Current Position in the Bank	* Director
Date of First Appointment	* December 8, 1999
Directorship in Other Listed Companies	* Chairman and CEO of LT Group, Inc., PAL Holdings, Inc. and MacroAsia Corporation
Other Current Positions	* Chairman and CEO of Philippine Airlines, Inc. Lucky Travel Corporation, and Tangent Holdings Corporation * Chairman: Allied Commercial Bank, Allied Banking Corporation (HK) Ltd., Allianz PNB Life Insurance, Eton Properties Philippines, Inc., Fortune Tobacco Corporation, PNB Holdings Corporation, Asia Brewery, Inc., PNB Savings Bank, Tanduay Distillers, Inc., Alliedbankers Insurance Corporation, and PMFTC Inc. * President of Basic Holdings Corporation, Himmel Industries, Inc., and Grandspan Development Corporation * Chairman Emeritus of the Federation of Filipino-Chinese Chambers of Commerce and Industry, Inc. * Founder and Vice Chairman of the Foundation for Upgrading the Standard of Education, Inc. * Founded the Tan Yan Kee Foundation, Inc., of which he is the Chairman and President
Other Previous Positions	* Chairman of Allied Banking Corporation, PNB Life Insurance, Inc. and Allied Leasing and Finance Corporation
Awards/Citations	* Honorary degrees from various universities * Lifetime Achievement Awardee by the Dr. Jose P. Rizal Awards for Excellence * Adopted to the Ancient Order of the Chamorri and designated Ambassador-at-Large of the U.S. Island-territory of Guam * Diploma of Merit by the Socialist Republic of Vietnam * Outstanding Manilan for the year 2000 * UST Medal of Excellence in 1999 * Most Distinguished Bicolano Business Icon in 2005 * 2003 Most Outstanding Member Award by the Philippine Chamber of Commerce and Industry (PCCI) * Award of Distinction by the Cebu Chamber of Commerce and Industry * Award for Exemplary Civilian Service of the Philippine Medical Association * Honorary Mayor and Adopted Son of Bacolod City; Adopted Son of Cauayan City, Isabela and Entrepreneurial Son of Zamboanga * Distinguished Fellow during the 25th Conference of the ASEAN Federation of Engineering Association * 2008 Achievement Award for service to the chemistry profession during the 10th Eurasia Conference on Chemical Sciences

Name	**LUCIO C. TAN III**
Age	29
Nationality	Filipino
Education	* 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	* Director of LT Group, Inc. * Director of PAL Holdings, Inc. * Director of MacroAsia Corporation
Other Current Positions	* Director of PNB Holdings Corporation, Philippine Airlines, Inc., Air Philippines Corporation, Lufthansa Technik Philippines, MacroAsia Airport Services Corp., MacroAsia Catering Services Inc., MacroAsia SATS Food Industries, MacroAsia SATS Inflight Services Corp., Prior Holdings Corporation, Belton Communities, Inc., Eton City, Inc., First Homes, Inc., ALI Eton Property Development Corp., Allied Club, Inc., PMFTC, Inc., and Fortune Landequities and Resources, Inc. * Vice Chairman and President of Sabre Travel Network (Philippines) Inc. * President and Chief Operating Officer of Tanduay Distillers, Inc. * Vice President of Dunmore Development Corp. * Member of Stanford Tau Beta Pi Engineering Honor Society
Other Previous Position/s	* Director of Victorias Milling Company, Inc.
Awards/Citations	* Stanford University Frederick E. Terman Award (2015), award given to engineering seniors who are at the top 5% of their class * Stanford University Tau Beta Pi Engineering Honor Society (2013), honor given to engineering juniors/seniors who are at the top 1/8 of their class * Stanford University President's Award for Academic Excellence Freshmen Year (2012), award given to freshmen who are at the top 3% of their class * Young Presidents' Organization (Local and International Chapters)

Name	**MICHAEL G. TAN**
Age	55
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, President and Chief Operating Officer of LT Group, Inc. * Director of Victorias Milling Company, Inc. and MacroAsia Corporation
Other Current Positions	* Director, President and Chief Operating Officer of Asia Brewery, Inc. * Director of the following companies: Absolut Distillers, Inc., Tanduay Distillers, Inc., Tanduay Brands International, Inc., Eton Properties Philippines, Inc., Shareholdings, Inc., PMFTC, Inc., Maranaw Hotel (Century Park Hotel), Pan Asia Securities, Inc., ALI-Eton Development Corporation, Asia's Emerging Dragon Corporation, Paramount Land Equities, Inc., Saturn Holdings, Inc., Tangent Holdings Corporation, Allied Commercial Bank, PNB Global Remittance and Financial Company (HK) Ltd., Allied Banking Corp. (Hong Kong) Limited, and Trustmark Holdings Corporation * Trustee of Philippine Airlines Foundation, Inc. * Member of ASEAN Business Advisory Council (ASEAN BAC) * Vice President of Federation of Filipino Chinese Chambers of Commerce and Industry, Inc. (FFCCCII)
Other Previous Positions	* Chairman of PNB Holdings Corporation * Director of Philippine Airlines Inc. Bulawan Mining Corporation, PNB Management and Development Corporation, Alliedbankers Insurance Corporation, PNB Forex, Inc., Allied Integrated Holdings Inc. (formerly PNB Savings Bank), Air Philippines Corp., Sabre Travel Network (Philippines), Inc., Lucky Travel Corporation, Allied Commercial Bank, PNB Global Remittance and Financial Company (HK) Ltd. and Allied Banking Corp. (Hong Kong) Limited * Director and Treasurer of Zuma Holdings and Management Corporation * Director and Treasurer of PAL Holdings, Inc. * Director of Allied Banking Corporation (ABC) from January 30, 2008 until the ABC's merger with PNB on February 9, 2013 * Honorary Advisor of the sixth edition of the Belt and Road Summit held on September 2021 in Hong Kong
Awards/Citations	* 2021 Stargate People Asia "People of the Year" * 2021 4th Mansmith Masters Awards

Name	**VIVIENNE K. TAN**
Age	53
Nationality	Filipino
Education	* Bachelor of Science - Double Degree in Mathematics and Computer Science from the University of San Francisco, U.S.A * Diploma in Fashion Design and Manufacturing Management from the Fashion Institute of Design and Merchandising, Los Angeles, U.S.A.
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	* Director of Eton Properties Philippines, Inc., * Executive Director of Dynamic Holdings Limited * Trustee of University of the East, University of the East Ramon Magsaysay Memorial Medical Center and College of Saint Benilde * Founding Chairperson of the Entrepreneurs School of Asia (ESA) * Founding Trustee of the Philippine Center for Entrepreneurship (Go Negosyo)
Other Previous Positions	* Board Advisor of LT Group, Inc. * Director of PAL Holdings, Inc. * Director/Executive Vice President/Treasurer/Chief Administrative Officer of Philippine Airlines, Inc. * Executive Vice President, Commercial Group and Manager, Corporate Development, of Philippine Airlines, Inc. * Director of Bulawan Mining Corporation and PNB Management and Development Corporation * Founder and President of Thames International Business School * Owner of Vaju, Inc. (Los Angeles, U.S.A.) * Systems Analyst/Programmer of Fallon Bixby & Cheng Law Office (San Francisco, U.S.A.) * Proponent/Partner of various NGO/social work projects like Gawad Kalinga's GK-Batya sa Bagong Simula, livelihood programs thru Teenpreneur Challenge spearheaded by ESA, Conserve and Protect Foundation's artificial reef project in Calatagan, Batangas, Quezon City, Sikap-Buhay Project's training and mentorship program for micro-entrepreneurs, and as Chairman of Ten Inspirational Entrepreneur Students Award
Awards/Citations	* Recipient of the Ten Outstanding Young Men (TOYM) Award for Business Education and Entrepreneurship (2006), UNESCO Excellence in Education and Social Entrepreneurship Award (2007), Leading Women of the World Award (2007), and "People of the Year", People Asia Award (2008)

Name	**JOSE ARNULFO A. VELOSO**
Age	55
Nationality	Filipino
Education	* Bachelor of Science in Commerce – Marketing Management from De La Salle University
Current Position in the Bank	* President and Chief Executive Officer
Date of First Appointment	* November 16, 2018
Directorship in Other Listed Companies	* None
Other Current Positions	* Director of Allianz PNB Life Insurance, Inc. * Director of Phil. Payments Management Inc. * Director of Philippine Dealing System and Holdings Corporation * Director of Depository & Trust Corp. * Director of Philippine Dealing and Exchange Corp. * Director of Philippine Securities Settlement Corp. * Chairman of Rafael Buenaventura Foundation * Council Member/Director of ASEAN Bankers Association * President of Bankers Association of the Philippines * Member of CIBI Foundation, Inc. * Member of Management Association of the Philippines
Other Previous Positions	* Chairman and Director of HSBC Insurance Brokers (Philippines), Inc. and HSBC Savings Bank (Philippines), Inc. * Director of PNB Global Remittance & Financial Co. (HK) Ltd. * Director and Chairperson of the Open Market Committee of the Bankers Association of the Philippines * Director of BancNet, Inc. * Director of the Philippine Dealing and Exchange Corporation * Director of the Philippine Securities Settlement Corporation * Director of the British Chamber of Commerce Philippines * President and Chief Executive Officer of HSBC Philippines * President of the Money Market Association of the Philippines * Managing Director, Treasurer and Head of Global Banking and Markets of HSBC Global Markets * Treasurer and Head of Global Markets of HSBC Treasury * Head of Domestic Treasury of PCI Bank/ PCI-Capital * Fixed Income Portfolio Head of Citibank * Fixed Income Trader of Asia Trust * Supervisor of Urban Bank * Chairman of the Council of Trustees of the British School Manila * Member of Assocacion Cambiste Internationale and CIBI Foundation Inc. * Member of the Asian Bankers Association * Director of European Chamber of Commerce of the Philippines

Name	**DOMINGO H. YAP**
Age	87
Nationality	Filipino
Education	* Bachelor of Science in Business Administration major in Business Management from San Sebastian College Recoletos
Current Position in the Bank	* Independent Director
Date of First Appointment	* August 23, 2019
Directorship in Other Listed Companies	* None
Other Current Positions	* President of H-Chem Industries, Inc., DHY Realty and Development Inc., Colorado Chemical Sales Corporation, Universal Paint & Coating Philippines, Inc., and AllianceLand Development Corporation
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	**RUTH PAMELA E. TANGHAL**
Age	53
Nationality	Filipino
Education	* Bachelor of Science in Mathematics from the Notre Dame University, Cotabato City * Bachelor of Laws (cum laude) 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 of Allied Integrated Holdings Inc. (Formerly: PNB Savings Bank) * Corporate Secretary of Genbancor Condominium Corporation * Corporate Secretary of PNB Foundation, Inc. * Director of E.C. Tanghal & Co., Inc.
Other Previous Positions	* Assistant Corporate Secretary of PNB * Documentation Lawyer, PNB Legal Group

Name	**MICHELLE A. PAHATI-MANUEL**
Age	49
Nationality	Filipino
Education	* AB Political Science, University of Sto. Tomas * Bachelor of Laws, 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, 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 of Advisors:

Name	**FELIX ENRICO R. ALFILER**
Age	72
Nationality	Filipino
Education	* Bachelor of Science and Masters in Statistics from the University of the Philippines
Current Position in the Bank	* Board Advisor
Date of First Appointment	* January 1, 2012 (as Independent Director) * April 27, 2021 (as Board Advisor)
Directorship in Other Listed Companies	* None
Other Current Positions	* Chairman/Independent Director of PNB RCI Holdings Co., Ltd. and PNB International Investments Corp. * Chairman/Independent Director of Summit General Insurance Corporation
Other Previous Positions	* Chairman/Independent Director of PNB General Insurers Co., Inc. * Independent Director of Philippine National Bank, PNB-IBJL Leasing and Finance Corporation and PNB Savings Bank * Senior Advisor to the World Bank Group Executive Board in Washington, D.C. * Special Assistant to the Philippine Secretary of Finance for International Operations and Privatization * Director of the BSP * Assistant to the Governor of the Central Bank of the Philippines * Senior Advisor to the Executive Director at the International Monetary Fund * Associate Director at the Central Bank * Head of the Technical Group of the CB Open Market Committee * Monetary Policy Expert in the Economics Sub-Committee of the 1985-1986 Philippine Debt Negotiating Team which negotiated with over 400 private international creditors for the rescheduling of the Philippines' medium- and long-term foreign debts * Advisor at Lazaro Bernardo Tiu and Associates, Inc. * President of Pilgrims (Asia Pacific) Advisors, Ltd. * President of the Cement Manufacturers Association of the Philippines (CeMAP) * Board Member of the Federation of Philippine Industries (FPI) * Vice President of the Philippine Product Safety and Quality Foundation, Inc. * Convenor for Fair Trade Alliance.

Name	**WILLIAM T. LIM**
Age	81
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. (formerly PNB Savings Bank), Allied Commercial Bank - Xiamen, BH Fashion Retailers, Inc., Concept Clothing, Co., Inc., and Genbancor Condominium Corporation * Advisor to the Chairman of the Board of Directors of Allianz PNB Life Insurance, Inc.
Other Previous Positions	* Board Advisor of Allied Integrated Holdings Inc. (formerly PNB Savings Bank) * Director of PNB Life Insurance, Inc. * Consultant of Allied Banking Corporation * Director of Corporate Apparel, Inc. * Director of Concept Clothing * Director of Freeman Management and Development Corporation * Worked with Equitable Banking Corporation for 30 years, occupying various positions, including as VP & Head of the Foreign Department

Name	**CHESTER Y. LUY**	
Age	53	
Nationality	Filipino	
Education	*	Bachelor of Science in Business Administration (Magna Cum Laude), 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	*	Board Advisor
Date of First Appointment	*	May 11, 2020
Other Current Positions	*	Director of Tanduay Distillers, Inc.
	*	Director of PNB Europe Plc and PNB Global Remittance and Financial Corporation (Hong Kong)
Other Previous Positions	*	Director of PNB-Mizuho Leasing and Finance Corporation
	*	EVP and Head of Strategy Sector and Wealth Management Group
	*	Senior Executive Vice President, Treasurer and Head for the Financial Advisory and Markets Group (comprised of the Treasury and the Wealth Management Group) of Rizal Commercial Banking Corporation
	*	He served in leadership roles as Managing Director across a variety of businesses including Investment Banking, Corporate Finance, Credit Risk Analysis, Investment Management, and Wealth Management with several international banks and was based in New York, Singapore and Manila. He worked with JPMorgan, Bank of America Merrill Lynch, Barclays Capital, HSBC, Julius Baer, Bank of Singapore and RCBC
	*	Member of the Singapore Institute of Directors
	*	Served on the Board of a Singapore-based Real Estate and Hospitality Entity
Awards/Citations	*	Men Who Matter Award (2017) by People Asia Magazine Survey
	*	Top Senior Analyst in the U.S by Institutional Investor Magazine Polls for several years
	*	Most Outstanding Business Administration Student for the Class of 1990 of University of the Philippines

Name	**CHRISTOPHER J. NELSON**
Age	62
Nationality	British
Education	* Bachelor of Arts and Masters 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	* 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	* Chairman of PNB Europe Plc * Director of the Philippine Band of Mercy and the Federation of Philippine Industries * Chairman/Trustee of the British Chamber of Commerce * Trustee of the American Chamber Foundation Philippines, Inc., and Dualtech Training Center * Member of the Society of Fellows of the Institute of Corporate Directors * Trustee of Dualtech Training Foundation as of March 2017
Other Previous Positions	* Director of Philippine National Bank * Director of PNB Holdings Corporation * Trustee of Tan Yan Kee Foundation * Director of the American Chamber of Commerce of the Philippines, Inc. * President of Philip Morris Philippines Manufacturing, Inc., a position he held for 10 years * Various management positions with Philip Morris International for 25 years including Area Director for Saudi Arabia, Kuwait, Gulf Cooperation Council, Yemen, and Horn of Africa

Name	**FLORENCIA G. TARRIELA**
Age	75
Nationality	Filipino
Education	* Bachelor of Science in Business Administration degree, Major in Economics, University of the Philippines * Masters in Economics degree from the University of California, Los Angeles, where she topped the Masters Comprehensive Examination
Current Position in the Bank	* Board Advisor
Date of First Appointment	* May 29, 2001 (as Director) * May 24, 2005 (as Chairman of the Board) * May 30, 2006 (as Independent Director) * April 27, 2021 (as Board Advisor)
Directorship in Other Listed Companies	* Independent Director of LT Group, Inc.
Other Current Positions	* Director of PNB Capital and Investment Corporation * Independent Director of PNB International Investments Corp. * Director of Eton Properties Philippines Inc. * 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, Philippine Bible Society * Director of Financial Executive Institute of the Philippines (FINEX)
Other Previous Positions	* Chairman/Independent Director of Philippine National Bank, PNB Capital and Investment Corporation, PNB-Mizuho Leasing and Finance Corporation, and PNB-Mizuho Equipment Rentals Corporation * Independent Director of PNB Life Insurance, Inc. * Director of Bankers Association of the Philippines * Undersecretary of Finance * Alternate Monetary Board Member of the BSP, Land Bank of the Philippines and the Philippine Deposit Insurance Corporation * Deputy Country Head, Managing Partner and first Filipina Vice President of Citibank N. A. * Country Financial Controller of Citibank NA Philippines for 10 years * President, Bank Administration Institute of the Philippines
Awards/Citations	* 2014 Most Outstanding Citibank Philippines Alumni awardee for community involvement * 2018 Go Negosyo Woman Intrapreneur Awardee

The following constitute the Bank's Corporate Governance and Sustainability Committee for the year 2021-2022:

Federico C. Pascual*	-	Chairman
Wilfrido E. Sanchez*	-	Vice Chairman
Isabelita M. Papa*	-	Member
Domingo H. Yap*	-	Member

* *Independent Director*

The following constitute the Bank's Board Audit and Compliance Committee (BACC) for the year 2021-2022:

Isabelita M. Papa*	-	Chairman
Edgar A. Cua*	-	Vice Chairman
Michael G. Tan	-	Member

* *Independent Director*

The following are the Executive Officers of the Bank:

JOSE ARNULFO A. VELOSO
(Please refer to page 24 of this Information Statement)

CENON C. AUDENCIAL, JR., 63, Filipino, Executive Vice President, is the Head of the Institutional Banking Sector. He currently sits as Board Advisor in PNB Capital and Investment Corporation. Before joining the Bank in 2009, he headed the Institutional and Corporate Bank of ANZ, prior to which he was a Senior Relationship Manager of Corporate Banking and Unit Head of Global Relationship Banking for Citibank N.A. He previously served as a Vice President and Unit Head of Standard Chartered Bank's Relationship Management Group, and was a Relationship Manager in Citytrust Banking Corporation. Before his 25-year stint as a Relationship Manager, he was a Credit Analyst for Saudi French Bank and AEA Development Corporation. Mr. Audencial obtained his Bachelor of Arts degree in Economics from the Ateneo de Manila University.

ROBERTO D. BALTAZAR, 58, Filipino, Executive Vice President, currently the Head of Global Banking and Markets Sector which includes the Global Markets Group, Wealth Management Group, Financial Institutions Division and Multinationals Division. 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 OMC specifically in the FX subcommittee. He obtained his Bachelor of Arts degree in Economics from the Ateneo de Manila University and Masters in Business Administration Degree from the University of North Carolina at Chapel Hill, USA.

ISAGANI A. CORTES, 54, 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, 72, Filipino, Executive Vice President and Head of Enterprises Services Sector, is the Chief Strategist on the work out of distressed loan accounts and resolution of non-performing assets, the Overseer of the Security Group, and the Principal Administrator of Bank-owned and controlled operating assets. Ms. Padilla is also a member of various management committees and attends Board Committee meetings as an observer. She is a seasoned professional who started her banking career from the ranks in the branches of another bank. She earned her Bachelor of Science in Commerce degree major in Accounting from St. Theresa's College - Cebu.

MANUEL C. BAHENA, JR., 60, 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. 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.

MARIE FE LIZA S. JAYME, 59, Filipino, First Senior Vice President, is the Head of the Operations Group and has supervision over centralized operations of corporate, commercial and retail loans, trade services, overseas offices, treasury services, cash and clearing and business systems and support. She oversees the bank's COVID-19 Command Center which was operationalized at the onset of the COVID-19 pandemic in March 2020. Ms. Jayme graduated with a degree in Bachelor of Arts, Major in Communication Arts and Business Administration from the Assumption College and completed academic units in Masters in Business Administration from the Ateneo de Manila University. She joined PNB in 2007 as Head of Cash Product Management Division to establish the bank's cash management services. Ms. Jayme began her career in banking in 1990 as an account officer with Land Bank of the Philippines. From then on, she rose to expanded and multiple roles and responsibilities in account management as Senior Manager in United Coconut Planters Bank; risk management; cash and trades sales, cash products as Assistant Vice President in Citibank, N.A.'s Global Transaction Services/E-business; and marketing and product management as Vice President and Head of Marketing and Product Management Group of Export and Industry Bank. Prior to joining the banking sector, Ms. Jayme held senior staff positions with the Office of the Secretary of Finance, the Department of Trade and Industry and the former Office of the Prime Minister of the Philippines.

MARIA ADELIA A. JOSON, 67, 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 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.

MARIA PAZ D. LIM, 61, Filipino, First Senior Vice President, is the Corporate Treasurer. She is also concurrently the Treasurer of PNB Capital and Investment Corporation. She obtained her Bachelor of Science degree in Business Administration, Major in Finance and Marketing, from the University of the Philippines, and Master 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.

ROLAND V. OSCURO, 58, Filipino, First Senior Vice President, is the Chief Information Security Officer and, in concurrent capacity, the Head of Enterprise Information Security Group. He obtained his Bachelor of Science in Electronics and Communications Engineering degree from Mapua Institute of Technology and took up units in Master 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, 61, 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 & 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, 63, 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 Masters 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.

MICHAEL MORALLOS, 53, Filipino, Senior Vice President, is the Head of the Information Technology Group. 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. His company trainings include Wharton Senior Executive Program, IBM Project Management, Ateneo Banking Principles and extensive systems training at the FIS Training Center, LR, Arkansas. He brings with him over twenty-seven (27) years of work experience and was a Senior FIS Systematics Consultant. 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.

SOCORRO D. CORPUS, 70, 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 35 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.

AIDELL AMOR R. GREGORIO, 39, Filipino. "Aidell" is First Vice President, Acting Chief Financial Officer and Officer-in-Charge of Financial Management Sector, and in concurrent capacity, the Head of Accounting and Controllership Group. Aidell joined PNB in August 2019 as the Bank's Controller. Prior to his employment in PNB, he rose from the ranks from an Audit Associate to Audit Senior Director in SyCip Gorres Velayo (SGV) & Co. engaged in auditing of financial statements of banks and other financial institutions for over 14 years. Aidell graduated from the University of Santo Tomas with a Bachelor of Science degree in Accountancy and is a Certified Public Accountant.

JOY JASMIN R. SANTOS, 48, Filipino, First 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 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 the Director in Charge for Fiduciary Products Development.

JULIET S. DYTOC, 51, Filipino, Vice President, is the Officer-in-Charge of the Risk Management Group. She obtained her Bachelor of Arts degree in European Languages and completed her Master in Business Administration from the University of the Philippines. She is also a Chartered Financial Analyst (CFA®) Charterholder. She earned the charter in 2005. She has 26 years of working experience in the banking and finance industry. She joined PNB in 2010 under the Trust Banking Group (TBG) as Trust Risk Division Head. In 2013, Trust Risk Division officially became part of the Risk Management Group in accordance with regulatory requirements. As Trust Risk Division Head, Ms. Dytoc institutionalized the Trust Risk Management framework. She ensured comprehensive coverage of all risk areas for the TBG including, among others, credit, market, operational, strategic and reputational risk. Her other accomplishments include creation of bank-wide training programs on Trust Risk, enhancement of risk monitoring tools used by the division, continuously providing sound risk perspectives to each policy that TBG crafts, and the development of strategic model funds for Allianz PNB Life in support of their product launches, as well as in-house strategic model funds for PNB TBG. PNB came out with the first dividend model fund in the trust industry. In September 2020, Ms. Dytoc was appointed as Head of the Market and ALM Division which manages the Bank's risks on Market, Asset/Liability and Interest Rate exposures. Prior to joining PNB, Ms. Dytoc started her career as a Management Development Program Trainee for PCIBank (now BDO Unibank). After the training program, she took on the role of an Investment Analyst for PCIB Securities (now BDO Nomura Securities) then moved to Equitable PCI Bank (now BDO Unibank) as a Portfolio Officer of the Trust Banking Group. She then held various positions in Product Management and Trust Credit & Risk Management, and Market Risk Management for Standard Chartered Bank, Metrobank and Sterling Bank of Asia.

ANALISA I. SAN PEDRO, 44, Filipino, Senior Assistant Vice President. In November 2021, she was appointed as Officer-in-Charge of the Internal Audit Group. Ana joined the Bank in 2002 as Management Specialist (now Audit Associate) and rose from the ranks to the position of SAVP. She is an active member of the Institute of Internal Auditors (IIA) – Philippines and the Association of Certified Anti-Money Laundering Specialists (ACAMS). She 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

Directors Lucio C. Tan and Carmen K. Tan are spouses. Directors Michael G. Tan, Sheila T. Pascual and Vivienne K. Tan are children of Director Lucio C. Tan, while Director Lucio C. Tan III is his grandson.

(d) Involvement in Certain Legal Proceedings

Mr. Lucio C. Tan, Director of the Bank, was elected as Director and CEO of Philippine Airlines, Inc. (PAL) on October 28, 2021.

On September 3, 2021, PAL filed a voluntary petition for relief under Title 11 of the United States (U.S.) Code ("Bankruptcy Code") with the Bankruptcy Court of the Southern District of New York (S.D.N.Y. Bankruptcy Court) docketed as Docket No. 1, in Case No. 21-11569 (SCC) to pursue confirmation of a pre-arranged plan of reorganization to effect the restructuring contemplated by various Restructuring Support Agreements.

Bankruptcy and rehabilitation/restructuring proceedings in the US are governed by the US Bankruptcy Code, which is found in Title 11 of the said code. Debtors seeking the protection of Chapter 11 of the US Bankruptcy Code are generally pursuing the reorganization of their business in an organized forum that provides for participation by all creditors and affords them the opportunity to confirm a plan of reorganization (POR) and emerge from Chapter 11 protection as a reorganized entity, with a stronger balance sheet and positioned to continue to operate and contribute to society by providing jobs, goods, and services.

The POR submitted by PAL which was overwhelmingly supported by the creditors was approved by the Southern District Court of New York on 17 December 2021 thereby enabling PAL to emerge from Chapter 11 on 31 December 2021 when it completed all the remaining requirements of the POR, including the issuance of loan notes and new PAL shares to impaired creditors.

Except as above-described, none of the other directors, nominees for directors, or any of the executive officers of the Bank has been, for the last five (5) years:

i. Involved in any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two (2) years prior to that time;

ii. Convicted by final judgment in a criminal proceeding, domestic or foreign, or is being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;

iii. Subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities; or

iv. Found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

(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, 2021 and 2020, 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 DOSRI is shown under Note 33 and Note 41 of the Audited Financial Statements of the Bank and Subsidiaries and Part II, Schedules B and C of the Supplementary Schedules Required by the Revised Securities Regulation Code 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: ₱50,000.00 for each board meeting and ₱25,000.00 for each committee meeting, provided that in no case shall the total per diem exceed ₱250,000.00 per month for committee meetings. No other emoluments are granted to non-executive directors of the Bank except for the aforementioned per diem. 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 2021 amounted to ₱67.375 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 2021.

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 top 4 executive officers, directors and other officers of the Bank.

Annual Compensation (In Pesos)					
Name and Principal Position	**Year**	**Salary**	**Bonus**	**Others (per diem)**	**Total**
Mr. Jose Arnulfo A. Veloso President & CEO					

Four 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 Four (4) Most Highly Compensated Executive Officers	Actual 2020	76,538,169	25,512,723	-	102,050,892
	Actual 2021	78,698,672	26,850,185	-	105,548,857
	Projected 2022	84,207,579	28,729,698	-	112,937,277
Directors	Actual 2020	-	-	53,025,000	53,025,000
	Actual 2021	-	-	67,375,000	67,375,000
	Projected 2022	-	-	72,091,250	72,091,250
All other officers (unnamed)	Actual 2020	3,862,056,697	1,235,361,383	-	5,097,418,080
	Actual 2021	3,701,703,315	1,219,785,109	-	4,921,488,424
	Projected 2022	3,960,822,547	1,305,170,067	-	5,265,992,614

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 Amended 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) is engaged as the external auditor of the Bank and its domestic subsidiaries for the calendar year 2021. 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 is the engagement partner of the Bank for the year 2021.

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 2022. 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 28, 2022 and will be presented for ratification of the Stockholders at the Bank's Annual Stockholders' Meeting to be held on April 26, 2022.

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 2021 Annual Stockholders' Meeting held on April 27, 2021

   Hereunder is a summary of the salient matters discussed at the Annual Stockholders' Meeting of the Bank in 2021:

   a. The Minutes of the 2020 Annual Stockholders' Meeting held on June 23, 2020 was approved;
   b. A Report of the President on the Results of Operations for the Year 2020 was presented;
   c. The 2020 Annual Report was approved;
   d. All Legal Acts, Resolutions and Proceedings of the Board of Directors and Corporate Officers since the 2020 Annual Stockholders' Meeting were confirmed and ratified;
   e. Fifteen (15) Directors were elected to serve for the term 2021-2022; and
   f. SGV was appointed as External Auditor of the Bank for 2021 - 2022.

   A copy of the Minutes of the 2021 Annual Stockholders' Meeting was uploaded in the Bank's website on April 30, 2021. 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 2021 Annual Report

   The 2021 Annual Report of the Bank may be viewed and downloaded from the Bank's website at www.pnb.com.ph/asm2022. The President will likewise render his report on the Bank's performance for the year 2021 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 2021 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. OTHER ACTIONS

(a) Election of Directors

Fifteen (15) directors will be elected for the year 2022 – 2023.

(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 2022 to the Board of Directors. The reappointment of SGV as external auditor of the Bank was approved by the Board of Directors on February 28, 2022 and will be presented for ratification of the Stockholders at the Bank's Annual Stockholders' Meeting to be held on April 26, 2022.

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 2021 and prior years.

Item 10. 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 Item 7 of the Agenda on the election of directors.

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 March 28, 2022. Only duly signed proxies and electronic votes submitted on or before 5:00 p.m. on April 21, 2022 shall be honored for purposes of voting.

   The requirements and procedure for voting through remote communication are reflected in Annex "B" 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 addresses 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 11. 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 "C" 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 23, 2022.

PHILIPPINE NATIONAL BANK

By:

RUTH PAMELA E. TANGHAL
Corporate Secretary

Annex "A"

AGENDA

DETAILS AND RATIONALE

1. **Call to Order**. The Chairman, Mr. Federico C. Pascual, will formally open the 2022 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 March 28, 2022 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 2021 Annual Stockholders' Meeting held on April 27, 2021.** The Minutes of the 2021 Annual Stockholders' Meeting of the Bank will be presented to the Stockholders for approval. Copies of the said Minutes was uploaded on the Bank's website on April 30, 2021 and may be accessed at https://pnb-website.s3-ap-southeast-1.amazonaws.com/uploads/docs/2021_ASM_Minutes.pdf

4. **Report of the President on the Results of Operations for the Year 2021.** The President, Mr. Jose Arnulfo A. Veloso, will present to the Stockholders the highlights of the Bank's performance for the year 2021.

5. **Approval of the 2021 Annual Report.** The 2021 PNB Annual Report, as well as the Audited Financial Statements (AFS) as of December 31, 2021, will be presented to the Stockholders for approval. A copy of the AFS is incorporated in the Information Statement.

6. **Ratification of All Legal Acts, Resolutions and Proceedings of the Board of Directors and Corporate Officers since the 2021 Annual Stockholders' Meeting.** The acts, resolutions and proceedings of the Board of Directors and Corporate Officers since the 2021 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.

7. **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.

8. **Appointment of External Auditor.** The appointment of SGV & Co. as the Bank's external auditor for the year 2022 will be presented to the Stockholders for confirmation and ratification.

9. **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.

10. **Adjournment.** Upon consideration of all matters included in the Agenda, the Chairman shall declare the meeting adjourned.

Annex "B"

REQUIREMENTS AND PROCEDURE FOR PARTICIPATION AND VOTING THROUGH REMOTE COMMUNICATION

A. Registration for the 2022 ASM and Voting through Remote Communication

1. Stockholders of record as of March 28, 2022, 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/asm2022 on or before April 19, 2022 ("Registration Period").

2. Stockholders are required to provide the following for validation and verification:

a. <u>For individual Stockholders</u>

- Scanned copy of the front and back portions of the Stockholder's valid government-issued **<u>photo ID</u>**. 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, and Senior Citizen ID;
- Valid and active e-mail address;
- Valid and active contact number (landline or mobile number).

b. <u>For Stockholders with Joint accounts</u>

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.

<u>c. For Corporate Stockholders</u>

- 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 **<u>photo ID</u>** 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, and Senior Citizen 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).

<u>d. For Stockholders represented by Proxy</u>

- 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 and Senior Citizen 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 2022 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 2022 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 21, 2022.

B. Other Information Regarding the 2022 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 22, 2022. 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 twenty-four (24) hours upon the adjournment of the ASM.

CORPORATE GOVERNANCE

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

Board Committees
The Board of Directors has created eight (8) committees to increase its efficiency and allow deeper focus in specific areas of our operations. The scope of authority, duties, and responsibilities of each Board committee are adequately defined, documented, and clearly communicated in their respective charters. The extent to which authorities are delegated and the corresponding accountabilities are regularly reviewed and approved by the Board.

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

The Chairman of the Board is Mr. Federico C. Pascual, who has held the position since 2021. He ensures the effective functioning of the Board, including maintaining a relationship of trust with individual directors. He makes certain that the meeting agenda focuses on strategic matters, including discussions on risk appetite, and key governance concerns.

The Vice Chairman is Mr. Leonilo G. Coronel. He has served as Vice Chairman since 2021. He acts as the Chairman of the Board, either in the absence of the Chairman or as required by the Chairman and carries out additional leadership duties.

The President and CEO is Mr. Jose Arnulfo “Wick” A. Veloso. He assumed the position in 2018. As President and CEO, he is the overall-in-charge for the management of the business and affairs of the Bank as governed by the strategic direction and risk appetite approved by the Board. He communicates and implements the Bank’s vision, mission, values, and overall strategy.

The complete profile of the Chairman, Vice Chairman, and President and CEO can be found on the Profiles of the Board of Directors.

Board Advisors
As provided for under the Corporate Governance Manual, the Bank may appoint Board Advisors with qualities that complement the existing competencies and skillsets of the Board which enables them to provide advisory support. PNB has five (5) Board Advisors, namely, Ms. Florencia G. Tarriela, Mr. Felix Enrico R. Alfiler, Mr. Christopher J. Nelson, Mr. William T. Lim, and Mr. Chester Y. Luy.

Board Advisors provide advice and guidance on strategic direction, governance matters, risk management, and other relevant issues that the Board is confronted with. As such, they may attend meetings of the Board and the eight (8) Board committees.

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

Corporate Secretary
The Corporate Secretary assists the Board of Directors and the Board committees in the conduct of their meetings. She plays a significant role in supporting the Board in discharging its responsibilities. Functions include safekeeping of 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.

Board members are given separate and independent access to the Corporate Secretary at all times.

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

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

Chief Risk Officer
The Chief Risk Officer (CRO) supervises the enterprise risk management (ERM) process and communicates the top risks and the status of implementation of risk management strategies and action plans to the Board. The Officer-in-Charge (OIC) of the Risk Management Group is Ms. 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, comprehensive program of internal auditing covering the Bank, its subsidiaries, and overseas businesses to provide the Board with independent assessment that key organizational and procedural controls and risk management systems are adequate, effective, and complied with. The OIC of the Internal Audit Group is Ms. Analisa I. San Pedro, who has held the position since 2021.

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 and CEO, supported by the Chief of Staff.

Legal Vehicles, Business, and Support Groups
As a large, diversified banking group, the Bank has two classifications of business vehicles: domestic subsidiaries, and foreign branches, subsidiaries, and offices.

PNB has different business and support groups that work in unison to achieve the Bank's shared mission of becoming a leading provider of financial solutions. Each of the major groups is led by a Sector or Group Head who reports directly to the President and CEO.

BOARD MATTERS

Board Composition
The Bank has fifteen (15) Board members with a broad range of experience and deep industry expertise. They are elected by the Stockholders during the annual meeting of the Stockholders and hold office for the ensuing year until their successors are elected and qualified. The Bank's directors possess all the qualifications and none of the disqualifications under existing laws and BSP regulations.

The President and CEO, who has executive responsibility of day-to-day operations, is elected as the sole executive director while the other members are non-executive directors (NEDs) who do not perform any work related to the operations of the Bank.

Among the Board members are five (5) independent directors. They are independent of management and free from any business or other relationship which could materially interfere with the exercise of independent judgment in fulfilling their responsibilities as directors.

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

At the Annual Stockholders' Meeting (ASM) in 2021, the following changes in the Board composition were approved by the Stockholders:

- Ms. Florencia G. Tarriela and Mr. Felix Enrico R. Alfiler stepped down as Chairman and Vice Chairman, respectively, of the Board in compliance with the nine (9)–year term limit for independent directors prescribed under the MORB.
- Mr. Christopher J. Nelson also stepped down as Board member effective April 27, 2021.
- Mr. Wilfrido E. Sanchez, Mr. Angelito M. Villanueva, and Mr. Lucio C. Tan III joined the Board effective April 27, 2021.

During the year, Mr. Angelito M. Villanueva stepped down from the Board due to health reasons effective June 27, 2021. He was the former Chairman of the Board Audit and Compliance Committee, Vice Chairman of the Risk Oversight Committee, and member of the Corporate Governance and Sustainability Committee and Board Strategy and Policy Committee.

Subsequently, Ms. Isabelita M. Papa joined the Board to serve the unexpired term of Mr. Angelito M. Villanueva effective August 5, 2021.

Following the ASM held in April 2021 and the appointment of Ms. Isabelita M. Papa in August 2021, the Board of Directors conducted a series of organizational reviews of the chairmanship, membership and overall composition of the board committees. The composition of the eight (8) board committees remained compliant with the applicable BSP and SEC regulations, as well as the standards of the ASEAN Corporate Governance Scorecard. The latest composition can be found under the Board Committees section of this report.

Skills, Competency, and Diversity

PNB 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 shall also strive to ensure 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 the Bank'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 (1) female independent director.

By December 31, 2021, the Bank met the above–mentioned diversity targets. PNB has four (4) female directors in the Board, one of whom is independent. The Board members also have diverse educational background, expertise, corporate qualifications, and professional experience including accounting, auditing, aviation and travel, banking and finance, business acumen, consumer goods, economics, general management expertise, legal expertise, manufacturing, real estate, and tobacco.

Nomination and Election of Directors

The criteria for the nomination and election of Board members comprise of knowledge, skills, experience, a record of integrity and good reputation and the ability to promote smooth interaction between Board members. Further, in the case of non-executive directors, the criteria include independence of mind, given their responsibilities to the Board and in light of the Bank's business and risk profile.

External sources were consulted in sourcing potential and qualified directors, including the Institute of Corporate Directors (ICD) and annual reports of other listed companies. As a matter of practice, all Stockholders were also invited to recommend nominees for election as a director of the Bank.

The Corporate Secretary presented all nominations to the Corporate Governance and Sustainability Committee, together with the profiles of each nominee that included, among others, their qualifications and experiences, academic and professional backgrounds, and expertise relevant and beneficial to the business of the Bank.

Prior to the ASM, the Committee pre-screened the qualifications of the nominees, conducted the nomination procedure, and prepared the final list of all qualified candidates.

Meetings and Attendance
Board meetings are held monthly, and the schedule is set before the start of the financial year. The Corporate Secretary issues the annual Board calendar every December for the ensuing year.

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

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

In 2021, the Board held a total of twenty-six (26) meetings: twelve (12) regular meetings, thirteen (13) special meetings, and one (1) organizational meeting. Each Board member complied with the SEC's minimum attendance requirement of 50%.

Name	No. of Meetings Attended	% Present
Federico C. Pascual	26	100
Leonilo G. Coronel	26	100
Florido P. Casuela	26	100
Edgar A. Cua	26	100
Estelito P. Mendoza	16	61.54
Isabelita M. Papa	10 [a]	100
Wilfrido E. Sanchez	18 [b]	100
Carmen K. Tan	25	96.15
Lucio C. Tan	23	88.46
Lucio C. Tan III	18 [c]	100
Michael G. Tan	26	100
Sheila T. Pascual	25	96.15
Vivienne K. Tan	26	100
Wick A. Veloso	26	100
Domingo H. Yap	26	100

[a] 10 out of 10, from her election as member of the Board effective August 5, 2021
[b] 18 out of 18, from his election as member of the Board effective April 27, 2021
[c] 18 out of 18, from his election as member of the Board effective April 27, 2021

In addition to the regular and special meetings of the Board, non-executive directors also meet regularly, other than in meetings of the audit, risk oversight, corporate governance, and related party transactions committees, in the absence of senior management, with the external auditor and heads of the internal audit, compliance and risk management functions. The non-executive directors' meeting was held on September 27, 2021 to tackle the audit planning presentation of the Bank's external auditor.

On October 28, 2021, the independent directors met without the presence of any executives to discuss the performance of management, emerging and top risks faced by the Bank, and corresponding strategies or action plans to effectively manage and mitigate those risks.

Remuneration
The remuneration and fringe benefits of Board members consisted of per diem for every Board and Board committee meeting and non-cash benefits such as healthcare plan, group life insurance, and group accident insurance.

The total per diem given to the Board, the total compensation of the President and CEO, and the list of the four (4) most highly compensated executive officers are disclosed in the Information Statement distributed to all stockholders.

No proposal on remuneration for directors was presented to the Stockholders for approval in the 2021 ASM.

Retirement and Term Limit
As a matter of policy, a Board member is expected to remain fit and proper for the position of a director for the duration of his term, in accordance with the requirements and qualifications set out under the Bank's Corporate Governance Manual, Manual of Regulations for Banks (MORB), and other applicable requirements under existing laws and BSP regulations. Towards this end, the Bank believes that adopting a fixed limit on director tenure is counterproductive as it may lead to retirement of qualified and well-seasoned directors.

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

As for the term limit, an independent director of the Bank may only serve as such for a maximum cumulative term of nine (9) years. After which, the independent director shall be perpetually barred from serving as independent director of the Bank, but may continue to serve as regular director. The nine (9) year maximum cumulative term for independent directors shall be reckoned from 2012. As of December 31, 2021, 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 Board of Directors participates in an annual self-assessment exercise to assess their individual and collective performance. This exercise is also designed to determine and measure the adherence of Management to corporate governance practices.

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, and internal controls.

The Board performance evaluation is facilitated by the CCO. He consolidates and reviews the responses and presents the summary of results and significant findings to the Corporate Governance and Sustainability Committee.

The Corporate Governance and Sustainability Committee shall then ensure that the results of the Board performance evaluation are shared, discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement.

In compliance with the SEC's Code of Corporate Governance for Publicly Listed Companies, the Bank has engaged the Institute of Corporate Directors (ICD) to assess the structure, processes, dynamics, roles, and overall performance of the Board and further align the Bank's governance framework with best practices. The engagement culminated in May 2021 with favorable results and feedback from ICD facilitators, Mr. Geocel Olanday and Ms. Rose Javier. The results of the performance evaluation confirmed that PNB is considered as one of the model enterprises for corporate governance in the Philippines and that the Bank indeed has effective systems and policies in place that ensure its successful governance.

Orientation and Continuing Education
The Board of Directors values ongoing professional development and actively participates in training programs annually to keep abreast of key issues and developments in the industry. Professional development may relate to a particular subject area, committee membership, or key developments in PNB's external environment, market or operations.

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

As of December 31, 2021, all fifteen (15) directors complied with the four (4)–hour annual continuing training requirement. On top of the annual Corporate Governance Seminar conducted by SGV & Co. and hosted by the Lucio Tan Group of Companies, directors have also attended online courses on various topics provided by industry experts, including ICD and the Association of Bank Compliance Officers. Certificates of Attendance have been submitted to SEC and disclosed to PSE.

The CCO likewise organized an in–house orientation program for new directors covering SEC-mandated topics on corporate governance to ensure that they are properly oriented upon joining the Board and that they are appropriately apprised of their duties and responsibilities, at the start of their directorships.

Name	Program	Date	Host / Training Institution
Federico C. Pascual	Corporate Governance Seminar	August 26, 2021	SGV & Co.
Leonilo G. Coronel	Corporate Governance Seminar	August 26, 2021	SGV & Co.
Florido P. Casuela	Corporate Governance Seminar	August 26, 2021	SGV & Co.
Edgar A. Cua	Corporate Governance Seminar	August 26, 2021	SGV & Co.
Estelito P. Mendoza	Corporate Governance Seminar	August 26, 2021	SGV & Co.
Isabelita M. Papa	Corporate Governance Seminar	August 26, 2021	SGV & Co.
Wilfrido E. Sanchez	Corporate Governance Seminar	August 26, 2021	SGV & Co.
Carmen K. Tan	Corporate Governance Seminar	August 26, 2021	SGV & Co.
Lucio C. Tan	Corporate Governance Seminar	August 26, 2021	SGV & Co.
Lucio C. Tan III	Corporate Governance Seminar	August 26, 2021	SGV & Co.
Michael G. Tan	Corporate Governance Seminar	August 26, 2021	SGV & Co.
Sheila T. Pascual	Corporate Governance Seminar	August 26, 2021	SGV & Co.
Vivienne K. Tan	Corporate Governance Seminar	August 26, 2021	SGV & Co.
Wick A. Veloso	Corporate Governance Seminar	August 26, 2021	SGV & Co.
Domingo H. Yap	Corporate Governance Seminar	August 26, 2021	SGV & Co.
Ruth Pamela E. Tanghal	Corporate Governance Seminar	August 26, 2021	SGV & Co.

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	Shareholdings as of December 31, 2020	% of Shares Held to Total Outstanding Shares of Bank	Shareholdings as of December 31, 2021	% of Shares Held to Total Outstanding Shares of Bank
Federico C. Pascual	39	0.0000025561	39	0.0000025561
Leonilo G. Coronel	1	0.0000000655	1	0.0000000655
Florido P. Casuela	162	0.0000106176	162	0.0000106176
Edgar A. Cua	100	0.0000065541	100	0.0000065541
Estelito P. Mendoza	1,150	0.0000753720	1,150	0.0000753720
Isabelita M. Papa	0	0	1	0.0000000655
Wilfrido E. Sanchez	0	0	1	0.0000000655
Carmen K. Tan	5,000	0.0003277045	5,000	0.0003277045
Lucio C. Tan	14,843,119	0.9728313639	14,843,119	0.9728313639
Lucio C. Tan III	0	0	300	0.0000196623
Michael G. Tan	62,250	0.0040799210	62,250	0.0040799210

Sheila T. Pascual	110	0.0000072095	110	0.0000072095
Vivienne K. Tan	10	0.0000006554	10	0.0000006554
Wick A. Veloso	418,395	0.0274219845	418,395	0.0274219845
Domingo H. Yap	1	0.0000000655	1	0.0000000655

Concurrent Directorships
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, 2021, all fifteen (15) directors have complied with the prescribed limit on concurrent directorships.

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

BOARD COMMITTEES
The Board of Directors has delegated certain functions to eight (8) committees to enable a more focused and specialized attention on specific areas. These are the Board Audit and Compliance Committee (BACC), Board IT Governance Committee (BITGC), Board Oversight RPT Committee (BORC), Board Strategy and Policy Committee (BSPC), Corporate Governance and Sustainability Committee, Executive Committee (EXCOM), Risk Oversight Committee (ROC), and Trust Committee.

Name	Board Audit and Compliance	Board IT Governance	Board Oversight RPT	Board Strategy and Policy	Corporate Governance	Executive	Risk Oversight	Trust
Federico C. Pascual			M	VC	C	M (Non-voting)		M (Non-voting)
Leonilo G. Coronel				C		C	M	M
Florido P. Casuela		M		M		VC	M	C
Edgar A. Cua	VC	M	VC	M			C	
Estelito P. Mendoza								
Isabelita M. Papa	C	M		M	M		VC	
Wilfrido E. Sanchez				M	VC	M (Non-voting)	M	M (Non-voting)
Carmen K. Tan								
Lucio C. Tan								
Lucio C. Tan III		VC		M		M		
Michael G. Tan	M			M		M		
Sheila T. Pascual				M		M		VC
Vivienne K. Tan		C		M		M	M	M
Wick A. Veloso		M		M		M		M
Domingo H. Yap			C		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 two independent directors and one non-executive director
- The membership, composition, and independence of the BACC meets the requirements under existing laws, BSP and SEC regulations, and the ASEAN Corporate Governance Scorecard.

Meetings and Attendance:
- In 2021, BACC held a total of twenty-one (21) 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.

Name	Role	No. of meetings attended	% Present
Isabelita M. Papa	Chairman, Independent Director	8 [a]	100.00
Edgar A. Cua	Vice Chairman, Independent Director	21	100.00
Michael G. Tan	Member, Non-executive Director	14 [b]	100.00

[a] 8 out 8, from her appointment as Chairman effective August 27, 2021
[b] 14 out 14, from his appointment as member effective April 27, 2021

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 members: three (3) non-executive directors, two (2) independent directors, and one (1) executive director

Meetings and Attendance:
- In 2021, BITGC held a total of twelve (12) meetings.
- The committee charter stipulates that meetings shall be held at least every month. Meetings can only be held if attended by a majority of the members less one (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.

Name	Role	No. of meetings attended	% Present
Vivienne K. Tan	Chairman, Non-executive Director	12	100.00
Lucio C. Tan III	Vice Chairman, Non-executive Director	4 [a]	50.00
Florido P. Casuela	Member, Non-executive Director	12	100.00
Edgar A. Cua	Member, Independent Director	7 [b]	100.00
Isabelita M. Papa	Member, Independent Director	4 [c]	100.00
Wick A. Veloso	Member, Executive Director	11	91.67

[a] 4 out of 8, from his election as Vice Chairman effective April 27, 2021
[b] 7 out of 7, from his election as member effective May 28, 2021
[c] 4 out of 4, from her election as member effective August 27, 2021

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 2021, BORC held a total of fourteen (14) meetings.
- The committee charter stipulates that BORC shall conduct monthly meetings or as necessary. Meetings can only be held if attended by a majority of the members; but the vote of the majority of the quorum which in no case is less than two (2) members is required to approve any act in all the meetings of the committee.

Name	Role	No. of meetings attended	% Present
Domingo H. Yap	Chairman, Independent Director	14	100.00
Edgar A. Cua	Vice Chairman, Independent Director	14	100.00
Federico C. Pascual	Member, Independent Director	14	100.00
Isagani A. Cortes	Non-voting Member	14	100.00
Samuel G. Lazaro	Non-voting Member	12 [a]	100.00
Analisa I. San Pedro	Non-voting Member	2 [b]	100.00

[a] 12 out of 12; stepped down as Officer-in-Charge of Internal Audit Group effective November 1, 2021
[b] 2 out of 2; appointed as Officer-in-Charge of Internal Audit Group effective November 2, 2021

Board Strategy and Policy Committee (BSPC)
Mandate:
- Serves as the governing Board committee in exercising authority and delegating to Management the implementation of the Board-approved strategic plans and policies

Structure and membership:
- BSPC consists of eleven (11) members: four (4) independent directors, six (6) non-executive directors and one (1) executive director.

Meetings and Attendance:
- In 2021, BSPC held a total of thirty-nine (39) 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.

Name	Role	No. of meetings attended	% Present
Leonilo G. Coronel	Chairman, Non-executive Director	39	100.00
Federico C. Pascual	Vice Chairman, Independent Director	39	100.00
Florido P. Casuela	Member, Non-executive Director	38	97.44
Edgar A. Cua	Member, Independent Director	39	100.00
Isabelita M. Papa	Member, Independent Director	16 [a]	100.00
Sheila T. Pascual	Member, Non-executive Director	39	100.00
Wilfrido E. Sanchez	Member, Independent Director	28 [b]	100.00
Lucio C. Tan III	Member, Non-executive Director	23 [c]	82.14
Michael G. Tan	Member, Non-executive Director	39	100.00
Vivienne K. Tan	Member, Non-executive Director	39	100.00
Wick A. Veloso	Member, Executive Director	39	100.00

[a] 16 out of 16, from her election as member effective August 27, 2021
[b] 28 out of 28, from his election as member effective April 27, 2021
[c] 23 out of 28, from his election as member effective April 27, 2021

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 2021, the committee held a total of fifteen (15) meetings.
- The committee charter stipulates that meetings shall be held at least every month. Meetings can only be held if attended by a majority of the members; but the vote of the majority of the quorum which in no case is less than two (2) members is required to approve any act in all the meetings of the committee.

Name	Role	No. of meetings attended	% Present
Federico C. Pascual	Chairman, Independent Director	15	100.00
Wilfrido E. Sanchez	Vice Chairman, Independent Director	9 [(a)]	100.00
Isabelita M. Papa	Member, Independent Director	4 [(b)]	100.00
Domingo H. Yap	Member, Independent Director	15	100.00

[(a)] 9 out of 9, from his election as Vice Chairman effective April 27, 2021
[(b)] 4 out of 4, from her election as member effective August 27, 2021

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 2021, the Executive Committee held a total of fifty-two (52) 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.

Name	Role	No. of meetings attended	% Present
Leonilo G. Coronel	Chairman, Non-executive Director	52	100.00
Florido P. Casuela	Vice Chairman, Non-executive Director	52	100.00
Sheila T. Pascual	Member, Non-executive Director	50	96.15
Lucio C. Tan III	Member, Non-executive Director	28 [(a)]	77.78
Michael G. Tan	Member, Non-executive Director	51	98.08
Vivienne K. Tan	Member, Non-executive Director	52	100.00
Wick A. Veloso	Member, Executive Director	48	92.31
Federico C. Pascual	Non-voting Member, Independent Director	36 [(b)]	100.00
Wilfrido E. Sanchez	Non-voting Member, Independent Director	36 [(c)]	100.00

[(a)] 28 out of 36, from his election as member effective April 27, 2021
[(b)] 36 out of 36, from his election as non-voting member effective April 27, 2021
[(c)] 36 out of 36, from his election as non-voting member effective April 27, 2021

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 six members: three (3) independent and three (3) 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 2021, ROC held a total of thirty-two (32) 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.

Name	Role	No. of meetings attended	% Present
Edgar A. Cua	Chairman, Independent Director	32	100.00
Isabelita M. Papa	Vice Chairman, Independent Director	17 [a]	100.00
Florido P. Casuela	Member, Executive Director	31	96.88
Leonilo G. Coronel	Member, Executive Director	32	100.00
Wilfrido E. Sanchez	Member, Independent Director	24 [b]	100.00
Vivienne K. Tan	Member, Executive Director	32	100.00

[a] 17 out of 17, from her election as Vice Chairman effective August 27, 2021
[2] 24 out of 24, from his election as member effective April 27, 2021

Trust Committee
Mandate:

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

Structure and membership:

- The committee consists of eight members: two (2) independent directors, four (4) 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 2021, the Trust Committee held a total of twelve (12) meetings.
- As stipulated in its charter, the committee shall meet at least once every quarter. The presence of a majority of the members of the committee less one (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.

Name	Role	No. of meetings attended	% Present
Florido P. Casuela	Chairman, Non-executive Director	5 [a]	100.00
Sheila T. Pascual	Vice Chairman, Non-executive Director	12	100.00
Leonilo G. Coronel	Member, Non-executive Director	6 [b]	100.00
Vivienne K. Tan	Member, Non-executive Director	12	100.00
Federico C. Pascual	Non-voting Member, Independent Director	11 [c]	100.00
Wilfrido E. Sanchez	Non-voting Member, Independent Director	7 [d]	100.00
Wick A. Veloso	Ex–officio, Executive Director	11	91.67
Joy Jasmin R. Santos	Ex–officio, Chief Trust Officer	12	100.00

[a] 5 out of 5, from his election as Chairman effective July 23, 2021
[b] 6 out of 6, from his election as Chairman on May 28, 2021, stepped down as Chairman on July 23, 2021 and was reappointed as member effective August 27, 2021
[c] 11 out of 11, stepped down as non-voting member on April 27, 2021 and was reappointed as non-voting member effective May 28, 2021
[d] 7 out of 7, from his election as non-voting member effective May 28, 2021

MANAGEMENT COMMITTEE

As the highest-ranking officer in the organization, the President and CEO 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 and CEO 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 for or against the Bank and renders opinions and advice on questions of law. He plays a significant and indispensable role in the management of legal risk. The Chief Compliance Officer (CCO), on the other hand, oversees the design of an appropriate compliance system, promotes its effective implementation, and addresses breaches that may arise. He liaises with government regulatory bodies regarding relevant compliance matters.

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

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.

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

COMPLIANCE

The Bank believes that a sound and effective compliance regime is the cornerstone of PNB's strength and market presence, backed by over a century of stability and excellence. PNB adheres to the values of integrity, ethics, and good governance in the conduct of its business and affairs, exercising prudence in arriving at decisions, and upholding transparency and accountability to our 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 as a result of its failure to comply with laws, rules, related self-regulatory organization standards, and codes of conduct applicable to PNB's operations. Compliance risk management is an integral part of the Bank's culture and risk governance framework.

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 six (6) divisions: Financial Crime Risk, Regulatory Compliance Risk, Compliance International, 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 likewise 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

In an age when money laundering, bribery, and corruption have become rampant, mitigation of financial crime risks is crucial in preserving the integrity of the financial system.

The Financial Crime Risk Division encompasses five (5) key areas: anti-money laundering, counter terrorist financing, sanctions, anti-bribery and corruption, and tax transparency. The Division's mandate was expanded to cover not only money laundering, but also other forms of financial crime. The Division ensures that all operating units of the Bank comply with the requirements and obligations set out in legislation, rules, regulations, banking guidance, global best practices; and that adequate systems and controls are in place to mitigate the risk of the Bank being used as a conduit to facilitate financial crime.

Regulatory Compliance Risk

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

Compliance Assurance

The Compliance Assurance Division reviews and assesses the level of compliance on applicable rules and regulations of the business and examines the appropriateness and reliability of existing processes and adequacy of controls to mitigate risks that may erode the franchise value of PNB.

Compliance Operations
The Compliance Operations Division is responsible for data governance to ensure the accuracy and authenticity of data handled by the GCG and its data analytics to develop compliance risk insights and intelligence on the Bank's clients and their transactions.

Compliance International
PNB boasts of having the most extensive international footprint among Philippine banks with seventy (70) overseas branches and offices across Asia, Europe, Middle East, and North America. The Compliance International Division performs oversight and management of overseas branches, offices, and subsidiaries to ensure consistent compliance to the local and host country's relevant laws, rules, and regulations and alignment with the corporate standards established by the Bank.

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

IAG maintains independence from the business lines and reports directly 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.

On the other hand, 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 Stockholders. 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 which shall be subject to the ratification of the Stockholders, 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.

RIGHTS OF STOCKHOLDERS
PNB's Stockholders 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 Stockholders have the right to nominate and elect candidates for 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 of the Bank's Articles of Incorporation and By-Laws, (ii) increase in authorized capital stock, and (iii) transfer of all or substantially all assets of the Bank. The rights and responsibilities of Stockholders are discussed in detail in the Bank's Corporate Governance Manual and By-Laws, accessible through PNB's website.

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

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

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

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

In light of the COVID-19 pandemic, and to safeguard the health and ensure the safety of the Stockholders and stakeholders of the Bank, the ASM was held virtually on April 27, 2021.

Before the 2021 ASM
On February 26, 2021, the Board of Directors approved the holding of the ASM on April 27, 2021 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 30, 2021 to March 31, 2021 in The Philippine Star and in the BusinessWorld, and from April 11, 2021 to April 17, 2021 in The Manila Bulletin, The Philippine Star, and the BusinessWorld.

During the ASM
The Bank conducted its 2021 ASM via remote communication and implemented electronic voting *in absentia* to provide the Directors, Senior Management, Stockholders, and other stakeholders a safer mode of attendance and participation in the ASM and to comply with the Revised Corporation Code of the Philippines and SEC Memorandum Circular No. 6, series of 2020.

Fourteen (14) out of the fifteen (15) members of the Board, the Chairperson of the Board, the President and Chief Executive Officer (CEO), the Chairman of the Board Audit and Compliance Committee (BACC), the Chief Compliance Officer (CCO), the Investor Relations Officer, representatives of the external auditors, and other key officers attended the virtual ASM.

The Chairperson of the Board formally opened the 2021 ASM. The Corporate Secretary certified the existence of a quorum for a valid transaction of business at the meeting. Every Stockholder 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.

Stockholders voting in absentia and through proxy voted on the following matters at the 2021 ASM: (a) approval of the Minutes of Stockholders' meeting held the previous year; (b) approval of the Annual Report and the Audited Financial Statements (AFS); (c) election of directors; and (d) appointment of the External Auditor. All legal acts, resolutions and proceedings of the Board, including approvals on Related Party Transactions (RPTs) endorsed by the Board Oversight RPT Committee (BORC), were also included on the agenda of the ASM for ratification of the Stockholders.

The Stockholders were allowed to elect directors individually. Each resolution deals with only one item; there is no bundling of several items into the same resolution.

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

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

After the ASM
The results of the meeting were disclosed to the PSE Edge and on the Bank's website on April 27, 2021. The Minutes of the ASM were uploaded to the Bank's website on April 30, 2021. The Minutes contained the voting results including approving, dissenting, and abstaining votes for all resolutions/each agenda item, questions raised by the Stockholders, 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, Stockholders, and various stakeholder groups. As such, the Bank aspires to promote transparency and open communication to the public by ensuring timely and accurate disclosure of relevant and material information including financial statements and reports, materials provided in briefings to analysts and media (i.e., investor presentation materials and briefing notes), downloadable Annual Report, Notice and Minutes of the Annual Stockholders' Meeting, and the company's constitution (Articles of Incorporation and By-Laws).

Annual and Quarterly Reports

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 being disclosed in accordance with the reportorial requirements of the SEC and PSE.

Press Releases and Media Briefings

PNB embraces print, broadcast and online media as relevant communication channels due to their extensive reach and accessibility. Management regularly engages with various journalists and media outlets to discuss the Bank's views, programs and efforts. Since the pandemic, these press engagements were done through teleconferences and online discussions. The conversation likewise focused on how COVID-19 is changing the business of banking and how bankers are preparing and pivoting towards new opportunities.

Investor Relations

Investor relations enable the Bank to keep the communication and information open with investors and helps to maintain the Bank's foothold in the financial market. Despite the prolonged pandemic, the Bank continued its efforts in deepening its engagement with its Stockholders, investors, analysts, and the media through virtual conferences and briefings.

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

The Investor Relations Program is anchored on three (3) main principles:

- Accuracy and Timeliness: PNB is committed to provide analysts, credit rating agencies, investors, and Stockholders with correct and up-to-date information on developments in the Bank;
- Transparency: The Bank is committed to disclose relevant information to investors and Stockholders in accordance with the prescribed standard of disclosure by regulatory agencies; and
- Consistency and Impartiality: The Bank is committed to prepare the same, unbiased information and to make said information accessible to all interested analysts, credit rating agencies, investors, and existing Stockholders through various modes of communication.

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

In 2021, PNB also actively participated in various virtual investor events and conferences sponsored by investment bank and financial services companies with discussions focused on PNB's operating results and outlook on growth and asset quality, overall strategy amid the dynamically evolving business environment.

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 19, 2021	Virtual Analysts' Briefing on the LTG Companies' 2020 Full-Year Financial Results
May 11, 2021	Virtual Analysts' Briefing on the LTG Companies' 2021 Three-Month Financial Results
August 11, 2021	Virtual Analysts' Briefing on the LTG Companies' 2021 Six-Month Financial Results
November 12, 2021	Virtual Analysts' Briefing on the LTG Companies' 2021 Nine-Month Financial Results

Likewise, the Bank attended the following virtual conferences sponsored by investment companies:

Date of Investment Banks/Companies-sponsored Virtual Conferences	Key Discussion Points / Subject
January 27, 2021	15th J.P. Morgan Philippine Conference 2021
May 21, 2021	Virtual J.P. Morgan ASEAN Financial Day
June 23, 2021	Virtual Meeting with Sunlife Investment Team
August 20, 2021	Maybank Kim Eng Invest ASEAN 2021 (IA2021) Philippines Week

GOVERNANCE POLICIES AND PRACTICES

Corporate Governance Manual

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

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

Corporate Governance Confirmation Statement

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

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

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

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

Code of Ethics for Directors

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

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

Code of Conduct for Employees
The Code of Conduct for Employees is designed to prescribe a moral code for employees which would not only instill discipline but also yield higher productivity at the workplace and enhance and safeguard the corporate image of the Bank. The provisions of the Code apply to all employees including its overseas branches and offices and PNB's domestic and foreign subsidiaries.

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

Each individual accomplishes an Acknowledgement Receipt certifying therein that he/she has been furnished with a copy of the Code; that he/she has fully read and understood the provisions embodied in the Code; and that he/she promises to abide with the rules and regulations of the Code.

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

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

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

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

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

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

Anti-Bribery and Anti-Corruption
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;
- Accepting/receiving pecuniary benefits from clients, suppliers, and/or 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 the Bank's Whistleblower Policy.

Consumer Welfare
Embedding consumer protection practices across the organization is at the forefront of the Bank's corporate responsibility–from the Board of Directors who approves the policies and conducts oversight in the implementation of Bank's Consumer Protection Risk Management System (CPRMS) to the Management Committee who ensures that all consumer protection practices are aligned with the approved policies and risk management system and is consistently adhered to by relevant units.

Consumers have the right to be informed of the benefits as well as the risks involved regarding the products and services they availed from the Bank. Throughout the banking relationship, the following standards of conduct are observed: (a) disclosure and transparency, (b) protection of client information, (c) fair treatment, (d) effective recourse, and (e) financial awareness and education.

Consumer assistance mechanisms are made available in various forms, namely, 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. A monthly summary is reported to the Management Committee and to the Risk Oversight Committee for transparency and evaluation.

In 2021, the Bank strengthened the implementation of consumer protection policies with the revised Consumer Protection Policy and Implementing Guidelines and of the Enhanced Customer Relationship Management System (ECRM) (i.e., workflow manager and logging tool for customer concerns) with the revised Guidelines on the Recording, Monitoring, and Addressing Customer Concerns using the ECRM System and the Submission of BCCR to BSP.

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

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

The Bank provides its depositors with ready access to information that accurately represents the fundamental benefits and risks, as well as the terms and conditions of a financial product or service. Moreover, PNB is one with the Philippine Deposit Insurance Corporation (PDIC) in promoting public confidence and stability in the economy. As such, the Bank advertises PDIC's deposit insurance protection in appropriate and accurate manner by including the official PDIC Insurance Statement (Deposits are insured by PDIC up to ₱500,000 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.

Vendor and Supplier Selection
PNB works for the steadfast development and enrichment of its partnership with a broad spectrum of stakeholders. The Bank's reputation as a leading financial institution cannot be sustained without the unwavering support of its partners: suppliers, vendors, and third-party service providers.

The Bank takes outsourcing and vendor management seriously that appropriate committees have been established to guard the Bank from any exposure, loss, or risk. PNB also developed its Outsourcing and Vendor Management Policy consistent with existing statutory, regulatory, and supervisory requirements. This policy sets out the framework for engaging with suppliers, along with the responsibilities of the Board of Directors and Management Committee in the review and evaluation of all new and existing outsourcing arrangements and vendor relationships.

Each business unit has a dedicated Vendor Relationship Manager (VRM). VRM actively builds and maintains a commercial relationship with the vendors and service providers, employs a comprehensive onboarding process that encompasses risk assessment, elaborate due diligence procedures, contract structuring and review, and continuous monitoring and oversight. They are the arms of the committees to help oversee and monitor their vendors. As part of continuous improvement, the roles, responsibilities, and output of the appointed VRMs are monitored and assessed regularly. The VRMs are closely guided by the Vendor Risk Monitoring Department (Risk Management Group) and Accreditation and Vendor Management Department (Corporate Services Division) to maintain the effectiveness of the monitoring and oversight activities.

PNB believes that continuous monitoring and appraisal of performance is of paramount importance to evaluate the overall effectiveness of the vendor relationship and the consistency of the relationship with the Bank's strategic goals. Mechanisms are in place for the development of relevant performance metrics, vendor performance management, and competency evaluation. With the new process update which is soon to be launched in 2022, automation of vendor management will greatly improve and give ease on monitoring and oversight.

Selection Process for Senior Management

Employees are PNB's key asset and the Bank is consistent in its efforts to ensure a steady pool of qualified and competent talents who will sustain PNB's leadership in the industry. The Management team is composed of top-tier professionals who are well-accomplished in their respective fields.

Before a senior officer (with rank of Vice President and up) is appointed, suitable candidates are identified from various sources. Interviews will then be conducted by the recommending Group/Sector Head, Human Resource Group Head, President and CEO, and a Director of the Bank to determine the overall qualification of the candidates based on the factors for selection presented.

Once a candidate is selected, the approval of the Board of Directors, as endorsed by the President and the Corporate Governance and Sustainability Committee, will be sought.

Succession Management

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

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

(a) Identification of key management positions.
(b) Nomination of Candidates –based on results and past performance, competencies, and potential, subject to the initial evaluation of the Talent Board, the respective Sector or Group head nominates possible candidates who may be from within or outside of their respective Group/Sector subject to the acceptance of the concerned officer-candidate prior to processing.
(c) Conduct of Talent Screening – the process of evaluating and assessing the shortlisted nominees' competencies through online assessment, 360-degree feedback survey, and interviews with the members of the Talent Board or designated interviewers, if necessary. Those who qualify based on the evaluation of the Talent Board shall be recommended for inclusion in the Executive Talent Pool, subject to the approval of the President and 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
While the pandemic has permanently changed the workplace, the Bank's Learning and Development team have consistently strived and thrived throughout the year 2021.

As a testament to this commitment to the professional and personal growth of its employees, in April 2021, PNB was identified by professional networking platform, LinkedIn.com, as the #1 workplace in the Philippines to grow one's career. PNB was among the fifteen (15) best companies who, according to LinkedIn, "have put their employees first by implementing various policies around well-being and mental health and helped them get back on their feet through training and development programs."

The L&D team continued to hold its Virtual Instructor-Led Trainings (VILTs) for both its technical and essential skills training programs but was simultaneously shifting its approach to cater to a hybrid workplace.

In time for its anniversary, the Bank provided LinkedIn Learning access to all its employees. With over 8,000 learning courses available on-demand – anytime, anywhere – it better supports the new paradigm of "learning in the flow of work".

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.

In addition, programs on Bank product awareness, risk management, internal audit, digital fluency, and economic outlook were also provided to align with the Bank's sustainable transformation journey.

Remuneration Policy
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 consisting 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 consisting of healthcare plan for the officer and two (2) of his / her qualified primary dependents, group life insurance, group accident insurance, leave privileges, car plan, and loan facilities such as general purpose loan, motor vehicle loan, and housing loan.

Performance-based Remuneration
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 (3)–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:

- 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 eleven (11) 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 26, 2022. 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 2021 Annual Stockholders' Meeting held on April 27, 2021	☐	☐	☐
2. Approval of the 2021 Annual Report	☐	☐	☐
3. Ratification of All Legal Acts, Resolutions and Proceedings of the Board of Directors and Corporate Officers since the 2021 Annual Stockholders' Meeting	☐	☐	☐
4. Appointment of External Auditor (SGV & Co.)	☐	☐	☐

	VOTE FOR	NUMBER OF VOTES
5. Election of Directors		
Florido P. Casuela	☐	
Leonilo G. Coronel	☐	
Edgar A. Cua (Independent)	☐	
Estelito P. Mendoza	☐	
Isabelita M. Papa (Independent)	☐	
Federico C. Pascual (Independent)	☐	
Sheila T. Pascual	☐	
Wilfrido E. Sanchez (Independent)	☐	
Carmen K. Tan	☐	
Lucio C. Tan	☐	
Lucio C. Tan III	☐	
Michael G. Tan	☐	
Vivienne K. Tan	☐	
Jose Arnulfo A. Veloso	☐	
Domingo H. Yap (Independent)	☐	

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, 2021, the Bank has a distribution network of 670 domestic branches and offices and 1,731 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 $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, the PNB Board of Directors 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 April 2019, PNB acting through its Tokyo branch successfully closed and signed a US$250 million 3-year syndicated term loan facility with a group of international and regional Japanese banks. The facility was launched originally at US$200 million and attracted total commitments of US$370 million at close of syndication, representing an oversubscription of about 2.7x with lending commitments received from 14 Japanese and international banks with operations in Japan. The diversity of the syndicate of lenders is an affirmation of the growing international market's appetite for assets from the Philippines. The success of the transaction is a strong acknowledgment of the capital market's confidence in the credit strength of the Bank.

In May 2019, PNB listed on the Philippine Dealing and Exchange Corporation its maiden offering for fixed rate Philippine Peso bonds, which reached ₱13.87 billion, equivalent to an oversubscription of almost 3x the announced issue size of ₱5 billion.

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. The BODs of PNB and PNBSB approved the integration on September 28 and October 10, 2018, respectively. PNB secured the Monetary Board approval for the integration last August 29, 2019. 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. PNBSB has been renamed as Allied Integrated Holdings Inc. (AIHI) after the SEC approved the amendments to its Articles of Incorporation and By-Laws last February 23, 2021. The purpose of this company has changed from banking to that of a holding company. 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 Board of Directors 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. As of December 27, 2021, PNB received the Certificate of Filing the Notice of Property Dividend Declaration issued by the Securities and Exchange Commission on December 24, 2021.

Amidst the challenging COVID-19 pandemic and varying degrees of community lockdowns in 2020, the Bank set up a Command Center to oversee its operations and ensure that PNB continues to run business-as-usual providing uninterrupted financial services to its customers as it adjusted to the new business environment. The Bank had a dedicated skeletal workforce to make sure that critical support functions were not disrupted, and at the same time implemented a work-from-home arrangement for its employees with non-critical functions, supported by a robust digital infrastructure that allowed telecommuting.

To provide easy and convenient access to cash for its clients, PNB deployed its "Bank on Wheels" in Metro Manila and some provinces where travel was restricted. 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.

PNB Capital and Investment Corporation (PNB Capital), a wholly-owned subsidiary of the Bank, was also active in capital market transactions in 2020 and 2021 despite the pandemic. 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 the following companies, among others: MerryMart Consumer Corp; Ayala Land's AREIT Inc., the first real estate investment trust in the Philippines; Retail Treasury Bonds; Petron Corp.; Monde Nissin Corp; San Miguel Corp.; Cirtek Holdings Philippine Corp.; RL Commercial REIT, Inc.; AllDay Marts Inc.; Synergy Grid & Development Phils.; Megawide Construction Corp.; A Brown Co.; Medilines Distributors, Inc.; and Keepers Holdings.

In affirmation of the Bank's well-managed operations, PNB received awards from various organizations and other international award-giving bodies. In June 2019, PNB was recognized for the second straight year by the Institute of Corporate Directors (ICD) for being one of the awardees of its ASEAN Corporate Governance Scorecard. The Bank was also recognized as one of the Golden Arrow Awardees by the ICD last February 19, 2021.

As a clear demonstration of the Bank's commitment in offering competitive financing structures to clients while contributing to economic development and nation building, PNB and its subsidiaries were recognized internationally in January 2019 by The Asset Triple A Country Awards 2018 with three distinctions, viz: a) Best Syndicated Loan awarded to PNB and PNB Savings for the Bloomberry Resorts and Hotels' ₱73.5 billion syndicated term loan facility, b) Best Acquisition Financing awarded to PNB and PNB Capital as lender and lead arranger, respectively, for the Clark Global Corporation's US$690 million acquisition project, and c) Most Innovative Deal awarded to PNB Capital for being one of the lead underwriters and bookrunners for Ayala Land's ₱10.0 billion retail bonds.

In December 2019, PNB was awarded by the Bureau of Local Government Finance of the Department of Finance for its timely and complete submission of the quarterly report on LGU indebtedness for the fiscal year 2018-2019. The Bank was cited for being a strong partner of the government in ensuring the efficient and responsible borrowing of local government units.

With its proactive response amidst the Covid-19 pandemic, The Asian Banker awarded PNB with Best Managed Bank and Best CEO during its annual Leadership Achievement Awards held last 15 October 2020. PNB was also named Best Bank for Corporate Social Responsibility (CSR) in Asiamoney Best Bank Award for 2020. The Bank bested other domestic and international banks in the CSR category for pioneering a number of initiatives focused on financial literacy, sustainable environment and employee engagement. In addition, PNB was recognized in Asiamoney's Leader for Women Survey 2020. Among 60 banks in Asia, PNB was one of the banks with the highest percentage of women in the overall workforce, reflecting the Bank's culture of providing equal access to career advancement regardless of gender. Likewise, PNB became the first universal bank in the Philippines to be certified as gender-equal after receiving its Economic Dividends for Gender Equality (EDGE) Certification from DOLE in June 2020.

Last 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 last July 2021. PNB was likewise honored for "Transparency and Reporting" and gender equality initiatives in the UN Women 2021 Philippine Women's Empowerment Principles Awards.

B. Business Description

1. Product and Services

PNB, through its Head Office and 670 domestic branches/offices and 70 overseas branches, representative offices, remittance centers and subsidiaries, provides a full range of banking and financial services to large corporate, middle-market, small and medium enterprises (SMEs) and retail customers, including OFWs, as well as to the Philippine National Government, national government agencies (NGAs), local government units (LGUs) and Government Owned and Controlled Corporations (GOCCs) in the Philippines. 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. The Bank and its subsidiaries (collectively, the "Group") offer a wide range of financial services predominantly in the Philippines.

PNB's banking activities are undertaken through the following groups within its organization, namely:

Retail Banking Sector

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

Cards Banking Solutions Group
The Cards Banking Solutions Group (CBSG) under RBS provides convenient, safe, and secure cashless payment solutions in the form of card products. It likewise extends installment loans that caters to the Bank's diverse retail and corporate clients with varying payment needs. CBSG is also responsible in forging new partnerships, onboarding additional merchants and strengthening its relationship for in-store and online promotions as well as installment programs to ensure that the customers get the best experience in using PNB cards.

Retail Lending Group
The Retail Lending Group (RLG) was established in mid-2019 under the umbrella of RBS. It serves as the Bank's full consumer lending arm following the full integration of its wholly-owned thrift bank subsidiary, PNB Savings Bank, into the Bank in March 2020. RLG is at the forefront of providing housing loans, home flexi-loans, and auto/car loans to the retail clients of the Bank through its extensive domestic branch network. In addition, the group extends consumer financing solutions to the buyers of its accredited car dealers and real estate developers in the country.

International Banking & Remittance Group
The International Banking and Remittance Group (IBRG) covers the Bank's overseas offices across Asia, Middle East, North America, and Europe. As part of RBS, the Group ensures that overseas Filipinos are provided with an array of services to suit their needs - from convenient and safe remittance to full banking services in selected jurisdictions, bills payment, deposit account opening, corporate credit and trade, and consumer financing with the Own a Philippine Home Loan (OPHL), which makes it easier even for non-Filipinos to acquire their dream homes in the Philippines. IBRG is also responsible for establishing and strengthening partnerships with remittance agents and tie-ups to further extend the Bank's market reach beyond its brick and mortar presence worldwide.

Institutional Banking Sector
The Institutional Banking Sector (IBS) is responsible for the establishment, expansion, and overall management of banking relationships with large corporate clients and government entities under its Corporate Banking Group (CBG) as well as middle market and SME customers through its Commercial Banking Group (COMBG). IBS is also complemented by the Institutional Transaction Banking Group (ITBG) which assists the Sector in capturing the entire value chains of the Bank's anchor clients by offering a comprehensive network of tailor fit, end-to-end financial solutions. Through ITBG, clients are provided with cash management, innovative solutions, credit programs, and trade products.

In 2020, IBS repositioned its Deal Execution Team (DET) to the Structuring and Execution Division (SED) as the Sector's priorities shifted from deal-making to remedial management amidst the impact of the COVID-19 pandemic. SED's primary objectives are to triage COVID-impacted accounts, assist on accounts that require more intensive workouts and cashflow analysis, and serve as specialists for new regulations.

Global Banking and Markets Sector
The Global Banking and Markets Sector (GBMS) oversees the management of the Bank's liquidity and regulatory reserves as well as the risk positions on interest rates and foreign exchange arising from the daily inherent operations in deposit-taking and lending, and from proprietary trading. Likewise, GBMS provides a wide range of banking products and services to corporates, governments, financial institutions and high net worth individuals. Its functions also include carrying forward the Bank's wealth management proposition, providing corporate and middle market clients with access to the financial markets, and building partnerships with multinationals, financial institutions and non-bank financial institutions by offering them banking solutions to address their needs and help attain their objectives.

Trust Banking Group
The Trust Banking Group (TBG) provides a full range of Trust, Agency, and Fiduciary products and services designed to serve a broad spectrum of market segments. Its personal trust products and services include personal management trust, investment management, estate planning, guardianship, life insurance trust, and escrow. Corporate trust services and products include corporate trusteeship, securitization, portfolio management, administration of employee benefit plans, pension and retirement plans, and trust indenture services. Other fiduciary services include such roles as bond registrar, collecting and paying agent, loan facility agent, escrow agent, share transfer agent, and receiving bank. The TBG manages thirteen Philippine Peso- and US dollar-denominated Unit Investment Trust Funds

("UITFs"). These include money market funds, bond funds, balanced funds, local equity funds and global equity feeder funds.

Digital Innovations Group
The Digital Innovations Group is tasked to drive the consumer digital strategy of PNB, working with business lines and subsidiaries, support groups and the Information Technology Group (ITG) to provide innovative digital experiences and products for retail consumers. The group provides end-to-end digital business and product development, covering market scoping and assessment, ideation of business models, customer experience definition, and coordination with marketing and business groups to promote the acquisition of digital customers and usage of digital products. It is likewise tasked to execute, deliver and implement digital products and solutions, and manages and provides support to the Bank's mobile, internet banking and other digital platforms, in coordination with 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.) No. 7721 in 1994 and R.A. No. 10641 in 2014, as well as, the recent mergers and consolidations in the banking industry. Data from the BSP shows that as of December 2021, there were 46 universal and commercial banks, of which 17 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 with its government customers, as well as 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 30, 2021, the Bank has a distribution network of 670 domestic branches and offices and 1,731 ATMs nationwide. The Bank is one of the largest local private commercial banks in the Philippines in terms of consolidated total assets, net loans and receivables, capital and deposits as well as with regard to branch network. In addition, it has the widest international footprint among Philippine banks spanning Asia, Europe, the Middle East and North America with its overseas branches, representative offices, remittance centers and subsidiaries.

3. Revenue Derived from Foreign Operations

The percentage contributions of the Group's offices in Asia, Canada and USA, United Kingdom and Other European Union Countries to the Group's revenue, for the years 2021, 2020, 2019 are as follows:

	2021	2020	2019
Asia (excluding the Philippines)/ Middle East	2%	2%	3%
Canada and USA	1%	1%	1%
United Kingdom & Other European Union Countries	0.1%	0.4%	0.2%

4. New Products and Services

The Bank launched the following products and services in 2020 and 2021:

a. Auto Loan Calculator
The Auto Loan Calculator is a powerful tool that gives the potential auto loan borrower the information needed to assess their financial capacity before applying for a loan and submitting the required documents. Accessible via the PNB website, it computes for the amount to borrow and the estimated monthly payments.

b. **Appraisal Fee Payment via Mobile/Internet Banking**
This is an online payment channel for potential PNB Home Loan borrowers registered in PNB Mobile Banking to pay the Home Loan Appraisal Fee online instead of personally visiting a PNB branch to make payments.

c. **PNBayani**
PNBayani is a centralized platform where PNB provides solutions to our OFWs banking needs as well as their families and beneficiaries. A sub-section of the PNB website, it was redesigned with the customer experience in mind. Thus, this new Global Filipino hub comes with an intuitive user interface, seamless navigation and personalized content based on location. PNB goes beyond just showcasing its products and services as the hub aims to also promote financial literacy by providing helpful tips and other engaging content to its visitors

d. **PNB Ze-Lo Mastercard**
The PNB Ze-Lo Mastercard, a credit card with zero annual fee, zero over limit fee, and low finance charge, was launched last February 2020. This card aims to capture customers who want a basic credit card that offers flexibility for their daily finances.

e. **Mastercard Airport Experiences (MCAE)**
The MCAE program is a seamless, integrated solution that drives card usage and influence brand preference by connecting affluent customers to the largest network of airport lounges and collection of curated retail, dining, and spa offers. This program offers one free access to over 1,000 airport lounges per year to all principal PNB-PAL Mabuhay Miles World Mastercard cardholders.

f. **PNB Card Mastercard**
The PNB Card Mastercard is a virtual credit card launched in January 2021 which enables the cardholders to transact online immediately as their card details are sent securely via email.

g. **PNB Global Feeder Funds**
Two new global feeder funds, namely the PNB World Perspectives Equity Feeder Fund and the PNB US Equity Sustainability Leaders Feeder Fund will allow Filipino investors to invest in US and other globally-traded shares of stocks to further diversify their investments.

h. **PNB PERA Bond Fund**
In support of the BSP's bid to grow the Personal Equity Retirement Account (PERA), PNB, as a product provider, launched its first digital PERA fund, the PNB PERA Bond Fund. Established via R.A. No. 9505 (PERA Act of 2008), PERA is a voluntary retirement program that allows investors to accumulate additional funds for retirement. It supplements the national government's pension programs like the GSIS or SSS as well as the retirement programs of private companies.

i. **PNB Singapore Mobile App**
The PNB Singapore Mobile App makes banking easier for Filipinos in Singapore. 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. Users can register in three easy steps and send money to any Philippine-based bank account, to electronic money issuers (including GCash and other service providers), and to over 7,000 cash pick-up locations nationwide. Users can avail of real-time crediting to PNB accounts, authorized payout partners, and all major banks and non-banks in the Philippines.

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, electronic banking (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 2021, 2020 and 2019 totaled ₱748.8 million, ₱862.4 million and ₱622.3 million, respectively.

9. **Number of Employees**

The total employees of the Bank as of December 31, 2021 is 8,656, of which 4,644 are classified as Bank Officers and 4,012 as rank and file employees, broken down as follows:

	Total
Officers:	
Vice President and up	121
Assistant Manager up to Senior Assistant Vice President	4,523
Rank and file	4,012
Total	8,656

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 3,495 out of 4,012 rank and file employees or approximately 87% of the total rank and file population. The CBA has been renewed for a two (2)- year period from July 1, 2020 to June 30, 2022.

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 Organized Union.

10. **Risk Management**

As a financial institution with various allied undertakings with an international footprint, PNB continues to comply with an evolving and regulatory and legislative framework in each of the jurisdictions in which it operates. The nature and the impact of future changes in laws and regulations are not always predictable. These changes have implications on the way business is conducted and corresponding potential impact to capital and liquidity.

Effective risk management is essential to consistent and sustainable performance for all the Bank's stakeholders and is therefore a central part of the financial and operational management of the Group. PNB adds value to clients and therefore the communities in which it operates, generating returns for stockholders by taking and managing risk.

Through its Risk Management Framework, the Bank manages enterprise-wide risks, with the objective of maximizing risk-adjusted returns while remaining within its risk appetite. The BOD of the Bank plays a pivotal role and has the ultimate responsibility in bank governance through their focus on two factors that will ultimately determine the success of the Bank, viz.: (1) responsibility for the Bank's strategic objectives; and (2) assurance that such will be executed by choice of talents.

Strong independent oversight has been established at all levels within the Bank. The Bank's BOD has delegated specific responsibilities to various Board Committees, which are integral to PNB's risk governance framework and allow executive management, through management committees, to evaluate the risks inherent in the business and to manage them effectively.

There are eight (8) Board Committees:
1. Board Audit & Compliance Committee (BACC)
2. Board Information Technology Governance Committee (BITGC)
3. Board Oversight Related Party Transaction Committee (BORC)
4. Board Strategy & Policy Committee (BSPC)
5. Corporate Governance and Sustainability Committee (CorGov)
6. Executive Committee (EXCOM)
7. Risk Oversight Committee (ROC)
8. Trust Committee (TrustCom)

A sound, robust and effective Enterprise Risk Management (ERM) coupled with global best practices were recognized as a necessity and are the prime responsibility of the BOD and senior management. The approach to risk is founded on strong corporate governance practices that are intended to strengthen the enterprise risk management of PNB, while positioning the Group to manage the changing regulatory environment in an effective and efficient manner.

Approved by the BOD 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 properly determined and effectively executed.

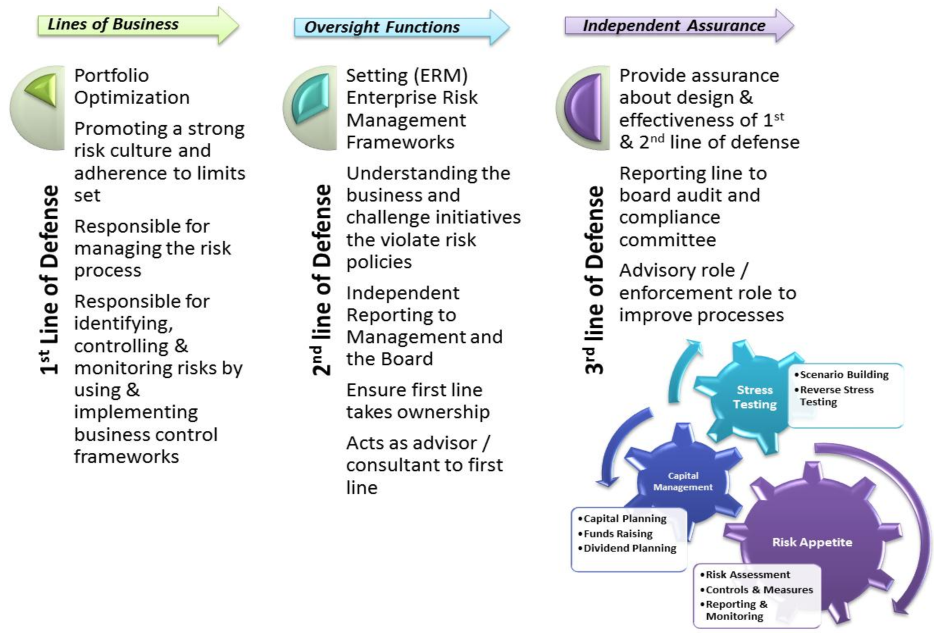
Mainly composed of the Bank's Sector and Group heads, the MRC will be responsible for reviewing and monitoring enterprise level risks and assessing risk responses proposed or taken by the relevant risk owner, and for providing inputs to the ERMF process. The committee shall periodically assess whether 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 ERMF, with regular reviews and updates, has served the Bank well and has been resilient through economic cycles. The organization has placed a strong reliance on this risk governance framework and the three lines-of-defense model, which are fundamental to PNB's aspiration to be world-class at managing risk.

While the first line of defense in risk management lies primarily on the Bank's risk taking units as well as the Bank's support units, the Risk Management Group is primarily responsible for the monitoring of risk management functions to ensure that a robust risk-oriented organization is maintained.

The risk management framework of the Bank is under the direct oversight of the Chief Risk Officer (CRO) who reports directly to the ROC. The CRO is supported by Division Heads with specialized risk management functions to ensure that a robust organization is maintained. The Risk Management Group is independent from the business lines and organized into the following divisions: Credit Risk Division, BASEL/ICAAP/Operational Risk Management Division, Market & ALM Division, Business Continuity Management and Vendor Risk Monitoring Division, Data Privacy & Technology Risk Management Division, Trust Risk Division, Business Intelligence & Warehouse Division, Model Validation Division and Administrative & Support Department.



Each division monitors the implementation of the processes and procedures that support the policies for risk management applicable to the organization. These board approved policies clearly define the kinds of risks to be managed, set forth the organizational structure and provide appropriate training necessary to manage and control risks.

The Bank's governance policies also provide for the validation, audits & compliance testing, to measure the effectiveness and suitability of the risk management structure. The Risk Management Group also functions as the Secretariat to both the ROC and the MRC which meets monthly to discuss the immediate previous month's total risk profile according to the material risks defined by the Bank in its internal capital adequacy assessment process (ICAAP) document.

Further, each risk division engages with all levels of the organization among its business and support groups. This ensures that the risk management and monitoring is embedded at 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 10 Material Risks (3 for Pillar 1 and 7 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; and
7. Information Technology Risk
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
We broadly classify and define risks into the following categories and manage the risks according to their characteristics. These are monitored accordingly under the enterprise ICAAP 2021 program:

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
Credit Risk (including Credit Concentration Risks and Counterparty Risks)	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. Credit concentration risk arises from excessive exposures to individual counterparties, groups of related counterparties and groups of counterparties with similar characteristics (e.g., counterparties in specific geographical locations, economic or industry sector). Its potential loss implications are large enough relative to a bank's capital, total assets, or overall risk level, to threaten a financial institution's health or ability to maintain its core operations. It is inherent in a bank's assets, liabilities or off-balance sheet items, through the execution or processing of transactions (either product or service), or through a combination of exposures across these broad categories. The potential for loss reflects the size of the position and the extent of loss given a particular adverse circumstance. (BSP MORB Sec 301.6, Series of 2009; BCBS)	▪ Loan Portfolio Analysis ▪ Credit Dashboards ▪ Credit Review ▪ Credit Model Validation	▪ Trend Analysis (Portfolio / Past Due and NPL Levels ▪ Regulatory and Internal Limits ▪ Stress Testing ▪ Rapid Portfolio Review ▪ CRR Migration ▪ Movement of Portfolio ▪ Concentrations and Demographics Review ▪ Large Exposure Report ▪ Counterparty Limits Monitoring ▪ Adequacy of Loan Loss Reserves Review ▪ Specialized Credit Monitoring (Power, Real Estate)
Market Risk	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)	▪ Value at Risk (VaR) Utilization ▪ Results of Marking to Market ▪ Risks Sensitivity/ Duration Report ▪ Exposure to Derivative/ Structured Products	▪ VaR Limits ▪ Stop Loss Limits ▪ Management Triggers ▪ Duration Report ▪ 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	Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from a financial institution's (FI) inability	▪ Funding Liquidity Plan ▪ Liquidity Ratios ▪ Large Fund	▪ MCO Limits ▪ Liquid Assets Monitoring ▪ Stress testing ▪ Large Fund Provider

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
	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).	Providers ▪ Maximum Cumulative Outflow (MCO) ▪ Liquid Gap Analysis	Analysis ▪ Contingency Planning
Interest Rate Risk in the Banking Books (IRRBB)	Interest rate risk is the current and prospective risk to earnings or capital arising from movements in interest rates. It arises from differences between the timing of rate changes and the timing of cash flows (repricing risk); from changing rate relationships among different yield curves affecting FI activities (basis risk); from changing rate relationships across the spectrum of maturities (yield curve risk); and from interest-related options embedded in FI products (options risk). The amount at risk is a function of the magnitude and direction of interest rate changes and the size and maturity structure of the mismatch position. (BSP Circ 1044, Series of 2019)	▪ Interest Rate Gap Analysis ▪ Earnings at Risk (EaR) Measurement ▪ Cashflow based Economic Value of Equity	▪ EAR Limits ▪ Balance Sheet Profiling ▪ Repricing Gap Analysis ▪ Cashflow based Economic Value of Equity (EVE) ▪ Stress testing ▪ BSP Uniform Stress Testing
Operational Risk	Operational Risk refers to the risk of loss resulting from inadequate or failed internal processes, people and systems; or from external events. This definition includes Legal Risk but excludes Strategic and Reputational Risk. Operational Risk is inherent in all activities, products and services, and cuts across multiple activities and business lines within the FI and across the different entities in a banking group or conglomerate where the financial institution belongs. *(BSP Circular 900, dated 18 January 2016)*	▪ Risk Identification ▪ Risk Measurement ▪ Risk Evaluation (i.e. Analysis of Risk) ▪ Risk Management (i.e. Monitor, Control or Mitigate Risk) Monitoring of Pillar II Risks fall under the purview of Operational Risk Management: Risk Identification – Risk Maps Risk Measurement and Analysis – ICAAP Risk Assessment	▪ Internal Control ▪ Board Approved Operating Policies and Procedures Manuals ▪ Board Approved Product Manuals ▪ Loss Events Report (LER) ▪ Risk and Control Self-Assessment (RCSA) ▪ Key Risk Indicators (KRI) ▪ Business Continuity Management (BCM) ▪ Statistical Analysis
Included in the Operational Risks:			
Reputational Risk	Reputational risk is the current and prospective impact on earnings or capital arising from negative public opinion. This affects the Bank's	▪ Risk Identification ▪ Risk Measurement ▪ Risk Evaluation (i.e. Analysis of	• Account Closures Report • Consolidated Complaints Report • Mystery Caller/Shopper

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
	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.	Risk) ▪ Risk Management (i.e. Monitor, Control or Mitigate Risk) Monitoring of Pillar II Risks fall under the purview of Operational Risk Management: ▪ Risk Identification – Risk Maps ▪ Risk Measurement and Analysis – ICAAP Risk Assessment Major Factors considered: ▪ Products ▪ Technology ▪ People ▪ Policies and Processes ▪ Stakeholders (including customer and regulators)	• 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
Strategic Business Risks	Strategic business risk is the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes. This risk is a function of the compatibility of the firm's strategic goals, the business strategies developed to achieve those goals, the resources deployed against these goals, and the quality of implementation. (BSP Cir. No. 510, dated 03 Feb 2006).		▪ Regular ALCO Financial Updates ▪ Seminars and Economic briefings ▪ Banking industry reports and industry research studies ▪ Research Division's economic reports and forecasting and equities reports ▪ Management Profitability Reports ▪ Compliance Updates on new, revised regulations ▪ Retail Bank / Corporate Bank / Retail Lending weekly updates on performance/ volume levels Annual Strategic Planning Exercise
Information Security/ Cyber Security Risk	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		▪ Incident Reporting Management ▪ Information Security Policy Formulation ▪ Risk Assessment ▪ Information Security Management System Implementation ▪ Continuous InfoSec / cyber risk awareness campaigns

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
	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)		▪ Network Security Protection ▪ Limits on Access Privileges ▪ Scanning of outbound and inbound digital traffic
Data Privacy Risk	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).		• Installation of firewalls, IPS/IDS, enterprise security solution (anti-virus for endpoint, email and internet). • Enterprise–wide Implementation of the Information Security Management Systems • Education / InfoSec Awareness is also constantly conducted • Conduct of internal and 3rd party vulnerability assessments and penetration testing (to include social engineering tests) and follow through on remediation of threats and risks • Implementing the enterprise-wide data privacy risk management framework which complies with both domestic and global requirements • Institutionalization of data protection culture within the group through regular awareness programs
Information Technology Risk	Information Technology Risk is any potential adverse outcome, damage, loss, violation, failure or disruption associated with the use of or reliance on computer hardware, software, devices, systems, applications and networks. (BSP 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-	▪ Risk Identification ▪ Risk Measurement ▪ Risk Evaluation (i.e. Analysis of Risk) ▪ Risk Management (i.e. Monitor, Control or Mitigate Risk)	▪ 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

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
	preservation of any or all of the domains of information security; that is, confidentiality, integrity and availability of information asset. (ISACA Risk IT Framework).		▪ IT Risk Monitoring ▪ IT Risk Assessment ▪ Project Risk Assessment
Human Resource Risk	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.	▪ Risk Identification ▪ Risk Measurement ▪ Risk Evaluation (i.e. Analysis of Risk) ▪ Risk Management (i.e. Monitor, Control or Mitigate Risk)	Institutionalize policies covering Talent Acquisition/Retention and Career Management; Remuneration Management; Performance Appraisal System covering the following main tools: • Sourcing and Screening of Candidates • General Qualification Requirements for Applicants • Screening and Pre-employment Assessment Exams • Selection Interviews • Candidate Matching – ensuring "job fit" through person/position review • Competitive compensation and employee benefits; • Compliance with Labor Law on payment of benefits and salaries • Institutionalize the Bank's Performance Appraisal System (e.g., targets versus achievements) • Provide training and/or issue guidelines to ensure that the process is done objectively.

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

The Bank's Capital Adequacy Ratio as of December 31, 2021 stood at 13.57% on a consolidated basis while the Risk Weighted Assets (RWA) as of the end of 2021 amounted to ₱804.259 billion composed of ₱677.060 billion (Credit Risk Weighted Assets – CRWA), ₱53.792 billion (Market Risk Weighted Assets – MRWA) and ₱73.407 billion (Operations Risk Weighted Assets – ORWA).

The Bank's total regulatory requirements for the four (4) quarters for 2021 are as follows:

Consolidated	Weighted Exposures (as of End of Every Quarter of 2021)			
(***Amounts in ₱ millions***)	**Dec 31**	**Sept 30**	**June 30**	**Mar 31**
CRWA	677,704	676,924	677,889	702,240
MRWA	53,792	64,442	58,107	47,445

ORWA	73,407	73,407	73,407	73,407
Total Risk-Weighted Asset	**804,903**	**814,773**	**809,403**	**823,092**
Common Equity Tier 1 Ratio	12.96%	12.06%	11.82%	14.11%
Capital Conservation Buffer	6.96%	6.06%	5.82%	8.11%
Total Capital Adequacy Ratio	**13.66%**	**12.75%**	**12.52%**	**14.77%**

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, 2021 attributable to the Bank (amounts in ₱ thousands):

Accounts	Balance in FRP	Accounting differences and other adjustments	Balance in audited financial statements
Capital stock	61,030,594	–	61,030,594
Additional paid-in capital	32,106,560	–	32,106,560
Surplus reserves	5,147,871	(431)	5,147,440
Surplus	59,842,132	2,327,261	62,169,393
Net unrealized loss on Available-for-Sale investments	3,847,727	(4,551,464)	(703,737)
Remeasurement losses on retirement plan	(3,014,084)	289,017	(2,725,067)
Accumulated translation adjustment	761,920	741,476	1,503,396
Other equity reserves	390,517	–	390,517
Share in aggregate reserves on life insurance policies	–	(626,394)	(626,394)
TOTAL	160,113,237	(1,820,535)	158,292,702

Credit Risk-Weighted Assets as of December 31, 2021

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	27,501	-	27,501	27,458	43.25	-	-	-	-
Due from BSP	160,957	-	160,957	160,957	-	-	-	-	-
Due from Other Banks	28,548	-	28,548	-	14,011	14,030	-	505.9	-
Financial Asset at FVPL	-	-	-	-	-	-	-	-	-
Available for Sale	1,428	-	1,428	-	-	-	-	1,428	-
Held to Maturity (HTM)	90,266	4,653	85,613	18,286	7,846	50,342	-	9,139	-
Unquoted Debt Securities	-	-	-	-	-	-	-	-	-
Loans & Receivables	628,720	4,806	623,914	621	70,013	54,626	-	471,232	27,421
Loans and Receivables Arising	15,801	-	15,801	15,801	-	-	-	-	-

In ₱ Millions	Exposure, Net of Specific Provision	Exposures covered by Credit Risk Mitigants*	Net Exposure	0%	20%	50%	75%	100%	150%
from Repurchase Agreements, Securities Lending and Borrowing Transactions									
Sales Contracts Receivable	4,470	-	4,470	-	-	-	-	4,074	396
Real & Other Properties Acquired	8,779	-	8,779	-	-	-	-	-	8,779
Other Assets	26,297	-	26,297	-	-	-	-	26,297	-
Total On-Balance Sheet Asset	992,769	9,459	983,309	223,123	91,913.25	118,999	-	512,678	36,597
Total Risk Weighted Asset - On-Balance Sheet	-	-	-	-	18,383	59,499	-	512,678	54,895
Total Risk Weighted Asset - Off-Balance Sheet Asset	-	-	-	-	-	609	-	28,480	-
Counterparty Risk Weighted Asset in Banking Book	-	-	-	-	-	446	-	-	-
Counterparty Risk Weighted Asset in Trading Book				-	-	1,774		297	-

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

Market Risk-Weighted Assets as of December 31, 2021

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

Capital Requirements by Market Risk Type under the Standardized Approach

(Amounts in P Million)	Capital Charge (a)	Adjusted Capital Charge (b) b= a*125% 1/	Market Risk Weighted Exposures (c) c= b*10 2/
Interest Rate Exposures	3,663.643	4,579.554	45,795.542
Specific Risk	1,375.964	1,719.956	17,199.556
General Market Risk	2,287.678	2,859.599	28,595.985
Equity Exposures	0.807	1.009	10.089
Foreign Exchange Exposures	638.873	798.591	7,985.914
Total	4,303.32	5,379.15	53,791.55

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 (FVTPL) and FVOCI is ₱152,575.826 billion and is composed of securities with various tenors that are subjected to risk weight ranging from 0% to 8%. Five percent (5%) of these securities are issued by Republic of the Philippines (ROP) while 7% is attributable to debt securities rated AAA to BBB- issued by other entities. The remaining portfolio consists of all other debt securities that are issued by other entities. Eight percent (8%) of this combined portfolio is composed of USD-denominated debt securities issued by the Philippines with applicable risk weight of 0.25% to 1.6%. On the other hand, the Bank's holding in peso denominated securities which are estimated at seventy two percent (72%) of the portfolio have zero risk weight.

Part IV.1a INTEREST RATE EXPOSURES – SPECIFIC RISK (Amounts in P million)							
	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	109,120.159					
	Short	-					
FCY-denominated debt securities issued by the Philippine NG/BSP	Long			1,582.059	5,391.339		
	Short						
Debt securities/derivatives with credit rating BBB- and above issued by other sovereigns	Long		8,089.895	1,661.566	1,750.094		
	Short						
Debt securities/derivatives with credit rating of AAA to BBB-issued by other entities	Long		5,135.862	993.301	5,029.002		
	Short						
All other debt securities/derivatives that are below BBB- and unrated	Long					13,822.549	
	Short						
Subtotal	Long	109,120.159	13,225.757	4,236.926	12,170.434	13,822.549	-
	Short	-	-	-	-	-	-
Risk Weighted Exposures [Sum of long and short positions times the risk weight]		-	33.064	42.369	194.727	1,105.804	1,375.964
Specific Risk Capital Charge for Credit-Linked Notes and Similar Products							
Specific Risk Capital Charge for Credit Default Swaps and Total Return Swaps							

SPECIFIC RISK CAPITAL CHARGE FOR DEBT SECURITIES AND DEBT DERIVATIVES		-	33.064	42.369	194.727	1,105.804	1,375.964

General Market Risk – Peso

The Bank's total General Market Risk of its Peso debt securities and interest rate derivative exposure is ₱109,323.096 million. In terms of weighted positions, the greater portion (21%) of the Bank's capital charge comes from the Over 4 years to 5 years bucket at ₱23,325.873 million as well as Over 2 years to 3 years bucket (19%) at ₱21,033.495 million or a combined capital charge of ₱1,009.548 million. The remaining weighted positions (59%) are distributed over the remaining buckets.

Currency: PESO							
PART IV.1d GENERAL MARKET RISK (Amounts in P million)							
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	50,671.088	46,178.141	0.00%	0.000	0.000
	Over 1M to 3M	Over 1M to 3M	32,359.919	12,772.534	0.20%	64.720	25.545
	Over 3M to 6M	Over 3M to 6M	21,988.436	6,930.285	0.40%	87.954	27.721
	Over 6M to 12M	Over 6M to 12M	5,888.388	4,636.520	0.70%	41.219	32.456
2	Over 1Y to 2Y	Over 1.0Y to 1.9Y	9,941.224	0.000	1.25%	124.265	0.000
	Over 2Y to 3Y	Over 1.9Y to 2.8Y	21,033.495	0.000	1.75%	368.086	0.000
	Over 3Y to 4Y	Over 2.8Y to 3.6Y	4,971.915	0.000	2.25%	111.868	0.000
3	Over 4Y to 5Y	Over 3.6Y to 4.3Y	23,325.873	0.000	2.75%	641.462	0.000
	Over 5Y to 7Y	Over 4.3Y to 5.7Y	9,620.855	0.000	3.25%	312.678	0.000
	Over 7Y to 10Y	Over 5.7Y to 7.3Y	1.520	0.000	3.75%	0.057	0.000
	Over 10Y to 15Y	Over 7.3Y to 9.3Y	34.121	0.000	4.50%	1.535	0.000
	Over 15Y to 20Y	Over 9.3Y to 10.6Y	3.742	0.000	5.25%	0.196	0.000
	Over 20Y	Over 10.6Y to 12Y	0.000	0.000	6.00%	0.000	0.000
		Over 12Y to 20Y	0.000	0.000	8.00%	0.000	0.000
		Over 20Y	0.000	0.000	12.50%	0.000	0.000
Total			179,840.577	70,517.481		1.754.040	85.722
Overall Net Open Position							1,668.318
Vertical Disallowance							8.572
Horizontal Disallowance							0.00
TOTAL GENERAL MARKET RISK CAPITAL CHARGE							1,676.890

General Market Risk – US Dollar

The capital charge on the Bank's General Market Risk from dollar-denominated exposures is ₱545.379 million. The exposure is concentrated under the Over 5 year to 7 years' time bucket with risk weight of 3.25% resulting in a capital charge of ₱220.026 million. The balance is distributed across other time buckets up to over 20 years with capital charge ranging from ₱0.154 million to ₱109.669 million.

Currency: USD							
PART IV.1d GENERAL MARKET RISK (Amounts in P0.000 million)							
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	49,995.661	12,450.216	0.00%	0.000	0.000
	Over 1M to 3M	Over 1M to 3M	17,495.995	32,359.919	0.20%	34.992	64.720
	Over 3M to 6M	Over 3M to 6M	10,056.972	18,712.625	0.40%	40.228	74.851
	Over 6M to 12M	Over 6M to 12M	5,032.415	257.275	0.70%	35.227	1.801
2	Over 1Y to 2Y	Over 1.0Y to 1.9Y	7,135.330	0.000	1.25%	89.192	0.000
	Over 2Y to 3Y	Over 1.9Y to 2.8Y	4,183.566	0.000	1.75%	73.212	0.000
	Over 3Y to 4Y	Over 2.8Y to 3.6Y	4,874.164	0.000	2.25%	109.669	0.000
3	Over 4Y to 5Y	Over 3.6Y to 4.3Y	2,559.936	0.000	2.75%	70.398	0.000
	Over 5Y to 7Y	Over 4.3Y to 5.7Y	6,770.021	0.000	3.25%	220.026	0.000

	Over 7Y to 10Y	Over 5.7Y to 7.3Y	59.517	0.000	3.75%	2.232	0.000
	Over 10Y to 15Y	Over 7.3Y to 9.3Y	3.416	0.000	4.50%	0.154	0.000
	Over 15Y to 20Y	Over 9.3Y to 10.6Y	189.674	0.000	5.25%	9.958	0.000
	Over 20Y	Over 10.6Y to 12Y	4.764	0.000	6.00%	0.286	0.000
		Over 12Y to 20Y	0.000	0.000	8.00%	0.000	0.000
		Over 20Y	9.416	0.000	12.50%	1.177	0.000
Total			108,370.848	63,780.036		686.750	141.371
Overall Net Open Position							545.379
Vertical Disallowance							7.702
Horizontal Disallowance							56.664
TOTAL GENERAL MARKET RISK CAPITAL CHARGE							609.745

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), New Zealand Dollar (NZD), Euro (EUR), and Pound Sterling (GBP) is ₱1.043 million with risk weight of 0.20%.

PART IV.1d GENERAL MARKET RISK (Amounts in P million)

Currency	Time Bands	Total Debt Securities & Debt Derivatives/Interest Rate Derivatives		Risk Weight	Weighted Positions		Overall Net Open Position	Vertical dis allowance	Horizontal dis allowance within	Total General Market Risk Capital Charge
		Long	Short		Long	Short				
AUD	1 month or less	-	-	0.00%	-	-				
	Over 1M to 3M	-	18.257	0.20%	-	0.036				
TOTAL		-	18.257		-	0.036	0.036	-	-	0.036
SGD	1 month or less	-	255.057	0.00%	-	-				
	Over 1M to 3M	-	37.295	0.20%	-	0.075				
TOTAL		-	292.352		-	0.075	0.075	-	-	0.075
JPY	1 month or less	-	471.526	0.00%	-	-				
	Over 1M to 3M	-	-	0.20%	-	-				
TOTAL		-	471.526		-	-	-	-	-	-
HKD	1 month or less	-		0.00%	-	-				
	Over 1M to 3M	-	142.078	0.20%	-	0.284				
TOTAL		-	142.078		-	0.284	0.284	-	-	0.284
KRW	1 month or less	204.082	204.082	0.00%	-	-				
	Over 1M to 3M	-		0.20%	-					
TOTAL		204.082	204.082		-					
NZD	1 month or less			0.00%	-	-				
	Over 1M to 3M	-	13.894	0.20%	-	0.028				
TOTAL			13.894		-	0.028	0.028	-	-	0.028
EUR	1 month or less	-	28.776	0.00%	-	-				
	Over 1M to 3M	-	173.264	0.20%	-	0.346				
TOTAL		-	202,040		-	0.346	0.346	-	-	0.346
GBP	1 month or	-	-	0.00%	-	-				

	less									
	Over 1M to 3M	-	136.795	0.20%	-	0.274				
TOTAL		-	136.795		-	0.274	0.274	-	-	0.274
CAD	1 month or less	-	61.199	0.00%	-	-				
	Over 1M to 3M	-	-	0.20%	-	-				
TOTAL		-	61.199		-	-	-	-	-	-
TOTAL THIRD CURRENCIES										1.043

Equity Exposures

The Bank's holdings are in the form of preferred stocks traded in the Philippine Stock Exchange, with 8% risk weight both for specific and general market risk. The Bank's capital charge for equity weighted positions is ₱807.122 million or total risk-weighted equity exposures of ₱10,089.021 million.

Item	Nature of Item	Positions	Stock Markets
			Philippines
A.1	Common Stocks	Long	-
		Short	-
A.9	Others	Long	5,044.511
		Short	-
A.10	TOTAL	Long	5,044,511
		Short	-
B.	Gross (long plus short) positions (A.10)		5,044.511
C.	Risk Weights		8%
D.	Specific risk capital (B. times C.)		403.561
E.	Net long or short positions		5,044.511
F.	Risk Weights		8%
G.	General market risk capital charges (E. times F.)		403.561
H.	Total Capital Charge For Equity Exposures (sum of D. and G.)		807.122
I.	Adjusted Capital Charge For Equity Exposures (H. times 125%)		1,008.902
J.	TOTAL RISK-WEIGHTED EQUITY EXPOSURES (I. X 10)		10,089.021

Foreign Exchange Exposures

The Bank's exposure to FX Risk carries a capital charge of ₱7,985.914 million. This includes ₱6,476.873million arising from exposure in Non-Deliverable Forwards (NDFs) which carries a 4% risk weight while ₱1,509.041 million is from FX Exposures with 8% risk weight in FX assets and FX liabilities in USD, and third currencies not limited to Japanese Yen (JPY), Swiss Franc (CHF), Pound Sterling (GBP), EUR, CAD, AUD, Singapore Dollar (SGD) and other minor currencies.

Part IV. 3 FOREIGN EXCHANGE EXPOSURES (as of December 31, 2021)						
	Closing Rate USD/P:					**50.999**
Nature of Item	**Currency**	**In Million USD Equivalent**				**In Million Pesos**
		Net Long/(Short) Position (excluding options)		**Net Delta-Weighted Positions of FX Options**	**Total Net Long/(Short) Positions**	**Total Net Long/(Short) Position**
		Banks	**Subsidiaries /Affiliates**			
		1	**2**	**3**	**4=1+2+3**	**5**
Currency						
A.1 U.S. Dollar	USD	15.687	5.219		20.905	1,066.152
A.2 Japanese Yen	JPY	3.014	0.365		3.379	172.329
A.3 Swiss Franc	CHF	0.368	0.000		0.368	18.759
A.4 Pound Sterling	GBP	0.073	(0.031)		0.041	2.106
A.5 Euro	EUR	0.937	0.038		0.974	49.683
A.6 Canadian Dollar	CAD	0.080	0.000		0.080	4.085
A.7 Australian Dollar	AUD	0.022	0.000		0.022	1.106
A.8 Singapore Dollar	SGD	2.476	0.000		2.476	126.269
A.9 Foreign currencies not separately specified above						
Arab Emirates Dirham	AED	0.049			0.049	2.494

Bahrain Dinar	BHD	0.002			0.002	0.097
Brunei Dollar	BND	0.001			0.000	0.024
Yuan Renminbi	CNY	(0.067)			-0.067	-3.428
Hongkong Dollar	HKD	0.618	0.357		0.975	49.715
Korean Won	KRW	0.035			0.035	1.806
Malaysian Ringgit	MYR	0.001			0.001	0.035
Norwegian Krone	NOK	0.000			0.000	0.000
New Zealand Dollar	NZD	(0.013)			-0.013	-0.641
Saudi Riyal	SAR	0.209			0.209	10.656
Thai Baht	THB	0.028			0.028	1.414
Taiwan Dollar	TWD	0.045			0.045	2.293
Indo Rupiah	INR	0.000			0.000	0.017
A.10 Sum of net long positions						1,509.041
A.11 Sum of net short positions						(4.069)
B. Overall net open positions 1/						1,509.041
C. Risk Weight						8%
D. Total Capital Charge for Foreign Exchange Exposures (B. times C.)						120.723
E. Adjusted Capital Charge for Foreign Exchange Exposures (D. times 125%)						150.904
F. Total Risk-Weighted Foreign Exchange Exposures, Excluding Incremental Risk-Weighted Foreign Exchange Exposures Arising From NDF Transactions (E. times 10)						1,509.041
G. INCREMENTAL RISK-WEIGHTED FOREIGN EXCHANGE EXPOSURES ARISING FROM NDF TRANSACTIONS (Part IV.3A, Item F.)						6,476.873
H. TOTAL RISK WEIGHTED FOREIGN EXCHANGE EXPOSURES (Sum of F. and G.)						7,985.914

Operational Risk – Weighted Assets

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 P Million) Consolidated as of December 31, 2021	Gross Income	Capital Requirement (15% x Gross Income)
2018 (Year 3)	32,473	4,871
2019 (Year 2)	41,827	6,274
2020 (Last Year)	43,151	6,473
Average for 3 Years		5,872
Adjusted Capital Charge	Average x 125%	7,341
Total Operational Risk Weighted Asset		73,407

C. Subsidiaries

The following represent the Bank's significant subsidiaries:

<u>Domestic Subsidiaries:</u>

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 by approval of the Board of Directors and the Stockholders after PNB acquired its assets and liabilities on March 1, 2020 and after its thrift bank license was surrendered to the BSP on March 5, 2020. The Securities and Exchange Commission (SEC) duly approved on February 23, 2021 AIHI's conversion into a holding company, the change in its corporate name from PNB Savings Bank to Allied Integrated Holdings, Inc., as well as the shortening of its corporate life until December 31, 2022 only, as embodied in its Amended Articles of Incorporation.

AIHI ended the year 2021 with total assets of ₱9.1 billion consisting of ₱8.6 billion in Cash, Real Estate ROPA of ₱264.4 million and Other Assets of ₱239.0 million. Paid-Up Capital Stock was ₱10.5 billion with a Negative Retained Earnings of ₱1.4 billion and a Net Income of ₱20.2 million in 2021.

PNB General Insurers Co., Inc. (PNB Gen) is a subsidiary of the Bank established in 1991. It is a non-life insurance company that offers coverage for Fire and Allied Perils, Marine, Motor Car, Aviation, Surety, Engineering, Accident Insurance and other specialized lines. PNB Gen is a dynamic company providing and continuously developing a complete range of highly innovative products that will provide total protection to its customers at competitive terms. It started operations with an initial paid-up capital of

₱13 million. As of December 31, 2021, PNB Gen's paid-up capital was ₱912.6 million, one of the highest in the industry. Unaudited total assets reached ₱2.4 billion with a total net worth of ₱1.5 billion.

For the year ended December 31, 2021, the company recorded unaudited net income of ₱83.0 million from a net income of ₱84.0 million in 2020.

With the approval of the sale of PNB Gen to ABIC, PNB and ABIC signed the Deed of Absolute Sale on April 30, 2021. Subsequently, the SEC approved last September 14, 2021 the change in name to Summit General Insurance Corporation due to the change in ownership.

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, 2021, 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, retail investors, 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. First, underwriting risk pertains to the risk of the market's non-acceptance of securities being offered and underwritten by PNB Capital. In such scenario, the company would have to purchase the offered for its own account. Second, reputational risk arises from the possibility that the company may not be able to close mandated deals as committed. Third, liability risk refers to the risk from possible lawsuits filed by the client due to non-performance of committed duties or gross negligence by the company. These primary risks are addressed by:

- ensuring that the staff is 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 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, 2021, PNB Capital's unaudited total assets and total equity stood at ₱2.8 billion and ₱2.4 billion, respectively. Its unaudited net income for the year ended December 31, 2021 was ₱511.0 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 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 (USD 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.

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

As of December 31, 2021, PNB-Mizuho Leasing and Finance Corporation's consolidated unaudited total assets stood at ₱4.2 billion while total equity has a deficit of ₱216.0 million. Its consolidated unaudited net loss for the year ended December 31, 2021 was ₱554.9 million.

PNB-Mizuho Equipment Rentals Corporation (formerly PNB-IBJL Equipment Rentals Corporation**)** 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, 2021, it had a paid-up capital of ₱40.0 million and a total capital of ₱20.6 million. Its unaudited total assets and net loss for the year ended December 31, 2021 were ₱1.2 billion and ₱7.8 million, respectively.

PNB Holdings Corporation (PHC), is a holding company established on May 20, 1920. On January 13, 2021, the SEC approved the increase in PHC's authorized capital stock to ₱50.5 billion and the amendment of its articles of incorporation to include real estate activities as part of its secondary purpose. With the approval, PNB acquired an additional 466.77 million shares of PHC with a par value of ₱100.00 per share amounting to ₱46.67 billion in exchange for certain prime properties of the Bank. On April 23, 2021, the Bank subsequently declared as property dividends, 239.35 million PHC shares that it owned, effectively reducing its ownership in PHC from 100% to 49%. The Certificate of Filing the Notice of Property Dividend Declaration was issued by the SEC last December 24, 2021.

As of December 31, 2021, PHC has an authorized capital stock of ₱50.5 billion divided into 505,000,000 shares with a par value of ₱100 per share. PHC's total assets and paid-up capital as of December 31, 2021 amounted to ₱48.1 billion and ₱46.9 billion, respectively. PHC earned a net income of ₱549.0 million in 2021.

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 23rd among 129 active members in the PSE with 0.89% market share in terms of value turn-over as of December 31, 2021.

a. As of December 31, 2021, it has a total paid-up capital of ₱100.0 million with unaudited total assets and total capital of ₱348.2 million and ₱220.3 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 Commercial Bank (ACB) is a majority-owned (99.04%) subsidiary of PNB and was formerly known as Xiamen Commercial Bank. ACB maintains its head office in Xiamen, Fujian, China and has a branch in Chongqing which was established in 2003.

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

ACB is a full-service commercial bank specializing in international trade finance and loans to micro, small and medium-sized industries/enterprises. Its deposit products are no less varied and competitive. The recent installation of its enterprise internet banking system adds much sought-after convenience to its corporate depositors. It continues to innovate to deliver financial products and services the banking public needs and deserves.

ACB is regulated by the China Banking and Insurance Regulatory Commission (CBIRC).

Allied Banking Corporation (Hong Kong) Limited (ABCHKL) is a majority-owned (51%) subsidiary of PNB by virtue of the merger between PNB and Allied Banking Corporation (ABC) in February 2013. ABCHKL is a private limited company incorporated in Hong Kong in 1978 and a restricted-licensed bank under the Hong Kong Banking Ordinance.

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.

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

In 2014, PNBE merged with Allied Bank Philippines (UK) Plc subsequent to the merger of their parent banks in the Philippines a year earlier with PNBE as the surviving entity.

PNBE is an authorized institution under the Financial Services Act 2012 and is regulated by the Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA).

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

PNB Global Remittance and Financial Company (HK) Limited (PNB Global HK) is a wholly owned subsidiary of PNB that is registered with the Registrar of Companies in Hong Kong. PNB Global HK was established in Hong Kong on July 20, 1976.

On July 1, 2010, PNB Global HK assumed the remittance business of PNB Remittance Center, Ltd. with the former as the surviving entity. Its remittance business is regulated by the Customs and Excise Department of Hong Kong. Apart from being engaged in providing remittance services bound to the Philippines, PNB Global HK also grants consumer loans to Filipinos and foreign nationals working in Hong Kong who are interested to purchase and invest real estate properties in the Philippines.

PNB Global HK offers Pangarap Loans against Hold-out to Overseas Filipino Workers (OFWs) with valid employment contracts in Hong Kong and who maintain accounts with either PNB branches in the Philippines or PNB Hong Kong Branch.

PNB Global HK provides Facilitation Services such as Opening of Deposit Accounts in any PNB Domestic Branches in the Philippines, enrollment to PNB Digital Banking, Fund Transfer Request and other services.

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

PNB International Investment Corporation (PNBIIC), formerly known as Century Holding Corporation, is a wholly-owned subsidiary of the Bank. It is a non-bank holding company incorporated in California, USA on December 21, 1979. It changed its name to PNB International Investments Corporation on November 16, 1999. PNBIIC does not conduct business operations, being only a holding company.

PNBIIC owns PNB Remittance Centers, Inc. (PNBRCI) which was incorporated in California, USA on October 19, 1990. PNBRCI is a company engaged in the business of transmitting money to the Philippines. As of December 31, 2021, PNBRCI has 16 branches in six states in the USA. PNBRCI owns PNBRCI Holding Company, Ltd. which was also incorporated in California, USA on August 18, 1999. PNBRCI Holding Company, Ltd. is the holding company of PNB Remittance Company Canada (PNBRCC). PNBRCC is also a money transfer company incorporated in Canada on April 26, 2000. PNBRCC has 6 branches and 1 sub-branch as of year-end 2021.

PNBRCI is regulated by the U.S. Internal Revenue Service, California Department of Financial Protection and Innovation and other state regulators who issued its money transmitter licenses. PNBRCC is regulated by the Office of the Superintendent of Financial Institutions of Canada and Financial Transactions and Reports Analysis Centre of Canada.

Item 2. Directors and Executive Officers

Please refer to pages 11 to 35 of the Information Statement.

Item 3. Audited Consolidated Financial Statements

The Audited Financial Statements (AFS) of the Bank and its Subsidiaries, which comprise the Statements of Financial Position as of December 31, 2021 and 2020, 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, 2021, 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, 2021.

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

		Professional fees (in ₱ millions)	
Nature of Service	**Description**	**2021**	**2020**
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; limited reviews of interim condensed consolidated financial statements; agreed-upon procedures on issuance of comfort letters relative to issuances of debt and capital securities	22.383	25.459
Tax-Related Services	Business tax advisory services	–	0.280
All Other Services	Accounting advisory, consultancy on sustainable finance framework, training and other services	0.562	2.202
TOTAL		**22.945**	**27.941**

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 Significant Accounting Principles) 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.

<u>2021 vs 2020</u>

As of December 31, 2021, the Group posted total assets of ₱1,190.8 billion, 3.3% or ₱40.3 billion lower compared to ₱1,231.1 billion reported as of December 31, 2020. Major changes in assets were registered in the following accounts:

- Cash and Other Cash Items and Due from Other Banks as of December 31, 2021 at ₱27.5 billion and ₱ 27.2 billion, respectively, increased by ₱2.4 billion, and ₱7.5 billion compared to ₱25.1 billion, and ₱ 19.7 billion, respectively, as of December 31, 2020, while Due from Bangko Sentral ng Pilipinas and Interbank Loans Receivable as of December 31, 2021 decreased by ₱41.1 billion, and ₱7.6 billion from ₱202.1 billion and ₱39.7 billion, respectively, as of December 31, 2020.

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

- Trading and Investment Securities, which consist of Financial Assets at Fair Value Through Profit or Loss (FVTPL), Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI) and Investment Securities at Amortized Cost, representing 22.6% and 20.5% of the Group's total assets as of December 31,2021 and 2020, respectively, increased by ₱15.8 billion or 6.3%.

- Loans and Receivables, net of allowance for credit losses, represent 51.0% and 48.7% of the Group's total assets as of December 31, 2021 and December 31, 2020, respectively. Loans and Receivables slightly increased by ₱7.0 billion at ₱607.0 billion as of December 31, 2021 from ₱600.0 billion as of December 31, 2020, mainly due to ₱13.9 billion net releases of loans and receivables, offset by additional provision for impairment, credit and other losses of ₱11.0 billion.

- Property and Equipment and Investment Properties as of December 31, 2021 at ₱13.5 billion and ₱10.7

billion, respectively, decreased by ₱6.4 billion, and ₱3.7 billion compared to ₱19.9 billion and ₱14.4 billion, respectively, as of December 31, 2020 mainly due to loss of control over PHC, where certain Property and Equipment and Investment Properties with aggregate carrying values of ₱12.6 billion were transferred. In 2021, the investment in PHC as a subsidiary has been derecognized for financial reporting purposes.

- Investment in an Associate increased by ₱0.2 billion at ₱2.5 billion as of December 31, 2021 compared to ₱2.3 billion as of December 31, 2020, pertaining mostly to infusion of additional capital of P0.2 billion to the Allianz-PNB Life Insurance, Inc.

- Deferred Tax Assets decreased by ₱2.6 billion as of December 31,2021 from ₱9.0 billion to ₱6.4 billion as of December 31, 2020, mainly due to enactment in 2021 of the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, which lowered the regular corporate income tax rate from 30% to 25%.

- In 2020, the Group reclassified the ₱7.9 billion assets and ₱6.4 billion liabilities of PNB Gen to 'Assets of disposal group classified as held for sale' and 'Liabilities of disposal group classified as held for sale', respectively, in the 2020 consolidated statement of financial position. These accounts were zeroed out in 2021 upon the sale of the Group's remaining stake in PNB Gen.

- Goodwill decreased to ₱11.2 billion as of December 31, 2021, from ₱13.4 billion as of December 31, 2020 due to the impairment losses amounting to ₱2.2 billion recorded in 2021.

- Other Assets as of December 31, 2021, at ₱4.8 billion decreased by ₱1.5 billion compared to ₱6.3 billion as of December 31, 2020.

The Group's consolidated total liabilities which stood at ₱1,029.6 billion as December 31, 2021, decreased by 4.2% or ₱45.6 billion from ₱1,075.2 billion as of December 31, 2020. Major changes in liabilities were registered in the following accounts:

- Deposit Liabilities at ₱894.9 billion and ₱890.3 billion, which represent 86.9% and 82.8% of the Group's total liabilities as of December 31, 2021 and 2020, respectively, increased by ₱4.6 billion mainly due to increase in Demand and Savings Deposits by ₱16.6 billion or 8.3%, and ₱73.0 billion or 17.1%, respectively. Time Deposits decreased by ₱85.0 billion or 35.9%.

- Financial Liabilities at FVTPL increased by ₱0.2 billion or 27.1% from the 2020 year-end balance of ₱ 701.2 million mainly due to mark-to-market adjustments for the period.

- Lease Liabilities in compliance with PFRS 16 increased by ₱2.4 billion from ₱1.4 billion as of December 31, 2020, to ₱3.8 billion as of December 31, 2021, as a result of leases entered into by the Group with PNB Holdings during the year for the lease of the former's office space. Such long-term leases have terms ranging from 20 months to 10 years.

- Bills and Acceptances Payable declined by ₱34.2 billion or 39.2% from ₱87.2 billion as of December 31, 2020, to ₱53.0 billion as of December 31, 2021 brought by net settlements of interbank borrowing and repurchase agreements.

- Bonds Payable decreased by ₱10.7 billion, from ₱64.1 billion as of December 31, 2020 to ₱53.4 billion as of December 31, 2021, mainly due to the maturity of the ₱13.9 billion 6.3% fixed rate bonds of PNB in May 2021, partially offset by the ₱3.1 billion revaluation of foreign currency-denominated bonds.

- Accrued Taxes, Interest and Other Expenses were higher by ₱1.3 billion, from ₱6.4 billion as of December 31, 2020, to ₱7.8 billion as of December 31, 2021, mainly due to the increase in accrued rental payable.

- Income Tax Payable decreased by ₱0.7 billion from ₱0.9 billion as of December 31, 2020 to ₱0.2 billion as of December 31, 2021 due to the enactment of the CREATE Act.

- Other Liabilities as of December 31, 2021, at ₱15.7 billion decreased by ₱2.2 billion compared to ₱17.9

billion as of December 31, 2020.

The Group's consolidated total equity stood at ₱161.2 billion as of December 31, 2021 from ₱156.0 billion as of December 31, 2020, or an increase of ₱5.2 billion mainly due to the net income attributable to equity holders of the Bank for the year ended December 31, 2021 amounting to ₱31.6 billion, and increases in Surplus Reserves and Accumulated Translation Adjustment by ₱ 115.3 million and ₱ 785.5 million, respectively, and decrease in Share in Aggregate Losses on Life Insurance Policies and Remeasurement Losses on Retirement Plan by ₱412.4 million and ₱284.4 million, respectively. The increase in equity was offset by the decline in Net Unrealized Gains on Financial Assets at FVOCI from ₱3.1 billion as of December 31, 2020, to (₱0.7 billion) as of December 31, 2021, and the property dividends declared (as discussed below).

On April 23, 2021, PNB's BOD approved the property dividend declaration of up to 239,353,710 common shares of PHC, representing 51% ownership, with a par value of ₱100 per share, to all stockholders of record as of May 18, 2021, or ₱23.9 billion. On December 24, 2021, the SEC issued the Certificate of Filing the Notice of Property Dividend Declaration.

2020 vs 2019

The Group's consolidated total assets stood at ₱1,231.1 billion as of December 31, 2020, 7.8% or ₱88.8 billion higher compared to ₱1,142.3 billion reported as of December 31, 2019. Changes (more than 5%) in assets were registered in the following accounts:

- Cash and Other Cash Items as of December 31, 2020, decreased by ₱5.4 billion from ₱30.5 billion as of December 31, 2019. Due from Bangko Sentral ng Pilipinas, Due from Other Banks, Interbank Loans Receivables and Securities Held Under Agreements to Resell as of December 31, 2020 at ₱202.1 billion, ₱19.7 billion, ₱39.7 billion and ₱15.8 billion, respectively, increased by ₱96.1 billion, ₱2.0 billion, ₱14.9 billion and ₱13.3 billion, respectively, compared to ₱106.0 billion, ₱17.8 billion, ₱24.8 billion and ₱2.5 billion, respectively, as of December 31, 2019.

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

- Trading and investment securities which consist of Financial Assets at FVTPL, Financial Assets at FVOCI and Investment Securities at Amortized Cost, representing 20.5% and 20.8% of the Group's total assets as of December 31, 2020 and 2019, respectively, increased by ₱15.7 billion or 6.6%, mainly due to purchases of various investment securities, net of maturities and disposals.

- Loans and Receivables represent 48.7% and 57.6% of the Group's total assets as of December 31, 2020 and 2019, respectively. Loans and Receivables decreased by ₱57.9 billion or 8.8%, at ₱600.0 billion as of December 31, 2020 from ₱657.9 billion as of December 31, 2019, mainly due to ₱41.0 billion net paydowns of loans and receivables and additional provision for impairment, credit and other losses of ₱16.9 billion.

- Investment in an Associate decreased by ₱0.3 billion or 11.3%, at ₱2.3 billion as of December 31, 2020 from ₱2.6 billion as of December 31, 2019, mainly due to additional share in net comprehensive losses of the associate.

- Deferred Tax Assets increased by ₱6.5 billion or 250.2%, at ₱9.0 billion as of December 31, 2020 from ₱2.6 billion as of December 31, 2019 mainly due to the recognition of additional deferred tax assets on allowance for expected credit losses, which the Group has the benefit of tax deductions against future taxable income only upon actual write-offs.

- Intangible Assets decreased by ₱0.3 billion or 11.6%, at ₱2.5 billion as of December 31, 2020 from ₱2.8 billion as of December 31, 2019 due to amortization.

- In 2020, the Group approved the sale of all its shareholdings in PNB Gen to Alliedbankers Insurance Corporation (ABIC), an affiliate. As a result, the Group reclassified all the assets and liabilities of PNB Gen to 'Assets of disposal group classified as held for sale' and 'Liabilities of disposal group classified as held for sale', respectively, in the consolidated statement of financial position.

- Other Assets amounted to ₱6.3 billion as of December 31, 2020 or a decrease of ₱1.7 billion or 21.6% from ₱8.1 billion as of December 31, 2019.

The Group's consolidated total liabilities stood at ₱1,075.2 billion as of December 31, 2020 which increased by 8.9% or ₱87.8 billion from ₱987.3 billion as of December 31, 2019. Major changes in liabilities were registered in the following accounts:

- Deposit Liabilities totaling ₱890.3 billion and ₱826.0 billion which represent 82.8% and 83.7% of the Group's total liabilities as of December 31, 2020 and 2019, respectively, increased by ₱64.2 billion or 7.8%. Demand, Savings and Time Deposits went up by ₱27.5 billion or 16.0%, ₱33.8 billion or 8.6%, ₱9.8 billion or 4.3%, respectively. The increase in total deposits was partially offset by the decline in Long-Term Negotiable Certificates of Deposits (LTNCD) by ₱6.9 billion or 19.7% mainly due to maturities in June 2020.

- Financial Liabilities at FVTPL increased by ₱455.6 million or 185.5% from the 2019 year-end balance of ₱245.6 million mainly from the increase in the volume of transactions for the period.

- Lease Liabilities decreased by ₱0.4 million or 24.4% at ₱1.4 billion as of December 31, 2020 mainly due to lease payments.

- Accrued Taxes, Interest and Other Expenses decreased by ₱0.5 billion, from ₱6.9 billion as of December 31, 2019 to ₱6.4 billion as of December 31, 2020, mainly due to lower accrual of expenses.

- Bills and Acceptances Payable increased by ₱31.2 billion or 55.7% from ₱56.0 billion to ₱87.2 billion as of December 31, 2019 and 2020, respectively, brought by the increase in the level of interbank borrowing and repurchase agreements.

- Income Tax Payable increased by ₱326.9 million from ₱576.2 million as of December 31, 2019 to ₱903.0 million as of December 31, 2020.

- Other Liabilities amounted to ₱17.9 billion as of December 31, 2020 or a decrease of ₱11.2 billion or 38.6% from ₱29.1 billion as of December 31, 2019, mainly from the decrease in reclassification of insurance contract liabilities to 'Liabilities of disposal group classified as held for sale' as discussed above.

The Group's consolidated total equity stood at ₱156.0 billion as of December 31, 2020 from ₱155.0 billion as of December 31, 2019, or an increase of ₱1.0 billion attributed mainly to the consolidated net income for the year ended December 31, 2020 amounting to ₱2.6 billion and ₱0.2 billion increase in Other Equity Reserves, offset by the following:

- decline in Net Unrealized Gains on Financial Assets at FVOCI from ₱3.3 billion as of December 31, 2019 to ₱3.1 billion as of December 31, 2020;
- decrease in share in Aggregate Reserves on Life Insurance Policies of ₱1.1 billion; and
- decreases in Remeasurement Losses on Retirement Plan and Accumulated Translation Adjustment of ₱0.8 billion and ₱0.2 billion, respectively.

Further, transfer to surplus reserves in 2020 included the appropriation of surplus amounting to ₱4.4 billion for the excess of 1% general loan loss provision over the computed expected credit losses for Stage 1 accounts in accordance with BSP Circular 1011.

2019 vs 2018

The Group's consolidated total assets stood at ₱1.1 trillion as of December 31, 2019, 16.1% or ₱158.6 billion higher compared to ₱983.6 billion reported as of December 31, 2018. Changes (more than 5%) in assets were registered in the following accounts:

- Cash and Other Cash Items, Due from BSP and Interbank Loans Receivable registered increased by ₱13.7 billion, ₱3.3 billion and by ₱13.6 billion, respectively from ₱16.8 billion, ₱102.7 billion and ₱11.2 billion, respectively as of December 31, 2018. Due from Other Banks and Securities Held Under Agreements to Resell as of December 31, 2019 at ₱17.8 billion and ₱2.5 billion, respectively, decreased by ₱3.2 billion and ₱18.2 billion compared to ₱21.0 billion and ₱20.7 billion, respectively, as of December 31, 2018.

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

- Financial Assets at FVTPL at ₱13.5 billion was higher by 34.7% or ₱3.5 billion from ₱10.0 billion as of December 31, 2018 attributed mainly to higher purchases over securities sold.

- Financial Assets at FVOCI was higher at ₱123.1 billion as of December 31, 2019, an increase of ₱71.0 billion or by 136.2% from the ₱52.1 billion level as of December 31, 2018 due to acquisitions of various investment securities net of securities sold.

- Investment Securities at Amortized Cost amounted to ₱100.5 billion as of December 31, 2019, a decline of ₱0.3 billion from the ₱100.8 billion level as of December 31, 2018 due to sale and maturities of investment securities.

- Loans and Receivables is at ₱657.9 billion or ₱71.3 billion higher than the ₱586.7 billion as of December 31, 2018 level due mainly from increase in corporate loans.

- Property and Equipment went up by ₱1.5 billion from ₱19.7 billion as of December 31, 2018 to ₱21.2 billion as of December 31, 2019, mainly due to the ₱1.5 billion recognition of the right to use asset (ROU) as a result of the adoption of Philippine Financial Reporting Standard (PFRS) 16 – Leases. The transition adjustment at January 1, 2019 resulted in the recognition of ROU and lease liability amounting to ₱1.8 billion and ₱1.9 billion, respectively.

- Investment Properties increased by ₱1.6 billion from ₱13.5 billion as of December 31, 2018 to ₱15.1 billion as of December 31, 2019 mainly due to foreclosures during the year.

- Intangible Assets decreased by ₱0.2 billion from ₱3.0 billion as of December 31, 2018 mainly due to the amortization of core banking integration costs and other IT assets and Software.

- Deferred Tax Assets was higher by ₱0.4 billion from ₱2.1 billion to ₱2.5 billion as of December 31, 2019 mainly due to the recognition of additional deferred tax assets on allowance for credit losses, which the Group has the benefit of tax deductions against future taxable income only upon actual write-offs.

- Other Assets amounted to ₱8.1 billion as of December 31, 2019 or an increase of ₱0.7 billion from ₱7.4 billion as of December 31, 2018.

Consolidated liabilities increased by 15.5% or ₱132.2 billion from ₱855.1 billion as of December 31, 2018 to ₱987.3 billion as of December 31, 2019. Major changes in liability accounts were as follows:

- Deposit Liabilities totaled ₱826.0 billion, ₱92.74 billion or 12.6% higher compared to its year-end 2018 level of ₱733.3 billion. Demand deposits, Time deposits and LTNCD went up by ₱19.2 billion or 12.5%, ₱79.7 billion or 54.1% and ₱3.7 billion or 11.9%, respectively, partially offset by the decrease in Savings deposits by ₱9.9 billion or 2.5%.

- Financial liabilities at FVTPL decreased by ₱0.2 billion from the 2018 year-end balance of ₱0.5 billion mainly from the decrease in negative fair value balance of interest rate swaps and forwards.

- Bonds Payable increased by ₱51.0 billion, from ₱15.6 billion as of December 31, 2018 to ₱66.6 billion as of December 31, 2019, mainly accounted for by the Bank's issuance of ₱13.7 billion fixed-rate bonds on May 8, 2019 due 2021 and additional issuance of US$750 million fixed-rate senior notes from its Euro Medium Term Note (EMTN) Program on June 27, 2019 maturing on September 27, 2024.

- Bills and Acceptances Payable decreased by ₱14.1 billion or 20.1% from ₱70.1 billion to ₱56.0 billion as of December 31, 2018 and December 31, 2019, respectively, due to settlement of interbank loans from the BSP and local banks.

- Lease liability of ₱1.8 billion pertains to the lease liability of the Group as a result of the adoption of PFRS 16 – Leases. Refer to the Property and Equipment discussion above.

- Accrued Taxes, Interest and Other Expenses was higher by ₱0.5 billion, from ₱6.4 billion as of December 31, 2018 to ₱6.9 billion as of December 31, 2019, mainly due to the increase in accrued interest from deposits and bonds.

- Income Tax Payable decreased by ₱0.3 billion from ₱0.9 billion to ₱0.6 billion as of December 31, 2018 and December 31, 2019, respectively.

Total equity accounts stood at ₱155.0 billion from ₱128.6 billion as of December 31, 2018, or an improvement of ₱26.4 billion attributed mainly to the following:

- Capital Stock and Additional Paid-In Capital increased by ₱11.8 billion from the net proceeds from the 2019 Stock Rights Offering;
- Current period's net income attributable to Equity Holders of the Bank of ₱9.7 billion;
- Decrease in Accumulated Translation Gain of ₱0.8 billion;
- Remeasurement loss of ₱0.7 billion; and
- Improvement in Net unrealized gains/(losses) on Financial Assets at FVOCI from a ₱3.2 billion loss as of December 31, 2018 to a gain amounting to ₱3.2 billion as of December 31, 2019, resulting in an unrealized gain of ₱6.4 billion for the period.

Results of Operations

2021 vs 2020

For the year ended December 31, 2021, the Group recorded a net income of ₱31.7 billion, ₱29.1 billion or 12x higher than the ₱2.6 billion net income for the same period last year. Movements in net income are primarily due to the following:

- Net interest income amounted to ₱34.8 billion, lower by 2.7% or ₱1.0 billion compared to the same period last year. Total gross interest income decreased by 9.7% or ₱4.5 billion to ₱42.4 billion from ₱ 46.9 billion for the same period last year due to lower yields on loans and receivables, trading and investment securities, deposits with banks and interbank receivables. Total gross interest expense likewise decreased by ₱3.6 billion to ₱7.5 billion from ₱11.1 billion for the same period last year primarily due to reduction in levels of high-cost deposits as compared to the same period last year.

- Net service fees and commission income increased by ₱1.6 billion or 42.9% at ₱5.3 billion for the year ended December 31,2021 from ₱3.7 billion for the same period last year due to higher loan-related and deposit-related fees, as well as significant bancassurance and underwriting fees recognized during the year. This was supplemented by upward traction on fees from the increasing use of the Bank's digital platform.

- Other income increased to ₱36.9 billion compared to ₱5.8 billion for the same period last year mainly due to the recognition of the gain on remeasurement of the retained interest in PHC of ₱16.5 billion; and gain on loss of control over PHC as a subsidiary of ₱16.8 billion in accordance with PFRS 10, *Consolidated Financial Statements*, in 2021. The increase in Other income was offset by declines in trading and investment securities gains - net and foreign exchange gains – net, miscellaneous income of P2.6 billion, P0.2 and P0.2 billion, respectively.

- Administrative and other operating expenses amounted to ₱39.0 billion for the year ended December 31, 2021, ₱5.8 billion or 12.9% lower compared to the same period last year, mainly due to the lower provisions for impairment, credit and other losses by ₱4.0 billion.

For the year ended December 31, 2021, the Group recorded net other comprehensive losses of ₱2.1 billion, ₱0.1 billion or 6.6% lower than the ₱2.2 billion net other comprehensive losses in 2020. Increases in share in changes in aggregate reserves on life insurance policies, accumulated translation adjustment, remeasurement gains on retirement plan and, net change in unrealized gain (loss) on equity securities at FVOCI of ₱1.4 billion, ₱1.3 billion, ₱1.0 billion, and ₱0.2 billion, respectively, were offset by decreases in net changes in unrealized losses on debt financial assets at FVOCI, including the share of subsidiaries and associates, of ₱3.8 billion.

This resulted in a total comprehensive income for the year ended December 31, 2021 amounting to ₱29.6 billion, registering an improvement of ₱29.2 billion compared to the same period last year mainly due to the higher Net income during the year.

2020 vs 2019

- For the year ended December 31, 2020, the Group recorded a net income of ₱2.6 billion, ₱7.1 billion or 73.1% lower than the ₱9.8 billion net income last year. The Group recognized significant provisions for impairment, credit and other losses of ₱16.9 billion which resulted in lower net income compared to last year. However, the Group's core income comprising primarily of net interest income recorded substantial improvements in the current period. The results for the current period also included significant increase in net gains from trading and investment securities.

- Net interest income amounted to ₱35.8 billion, higher by 10.7% or ₱3.5 billion compared to last year, mainly driven by lower funding costs due to the reduction in levels of high-cost deposits during the year. Total gross interest income decreased by 7.1% or ₱3.6 billion to ₱47.0 billion from ₱50.5 billion last year due to aggregate decreases in interest income from loans and receivables, trading and investment securities, and interbank receivables of ₱4.2 billion, offset by increase in interest income from deposits with banks of ₱0.7 billion. Total gross interest expense decreased to ₱11.1 billion or by ₱7.0 billion from ₱18.2 billion last year primarily due to the decline in interest expense from deposit liabilities, bills payable and other borrowings, partially offset by an increase in interest expense from bonds payable of 49.3% or ₱1.0 billion from ₱1.9 billion last year to ₱2.9 billion. Net interest margin is at 3.31% in December 31, 2020, higher by 0.01% compared to last year.

- Net service fees and commission income decreased by ₱0.5 billion or 11.5% at ₱3.7 billion for the year ended December 31, 2020 from ₱4.2 billion last year due to lower transactional volumes and waivers of fees on interbank transfers and overseas remittances.

- Other income increased to ₱5.8 billion compared to ₱4.2 billion last year mainly due to the improvement in net gains on trading and investment securities by ₱2.3 billion.

- Administrative and other operating expenses amounted to ₱44.8 billion for the year ended December 31, 2020, ₱16.1 billion or 56.2% higher compared to the same period last year, mainly due to additional provisions for impairment, credit and other losses amounting to ₱16.9 billion in anticipation of the impact of the COVID-19 pandemic to the Group's loan portfolio.

- Provision for (benefit from) income tax for the year ended December 31, 2020 amounted to ₱1.9 billion net benefit compared to a net provision of ₱2.5 billion last year mainly due to the tax benefit from the recognition of additional deferred tax assets on allowance for credit losses.

- Total comprehensive income for the year ended December 31, 2020 amounted to ₱0.4 billion which is ₱14.1 billion or 97.1% lower than the same period last year mainly due to a decrease in net unrealized gains on financial assets at FVOCI and lower net income for the period attributable to additional provisions for impairment, credit and other losses in anticipation of the impact of the COVID-19 pandemic to the Group's loan portfolio.

2019 vs 2018

- For the year ended December 31, 2019, the Group registered a net income of ₱9.8 billion, ₱0.2 billion or

2.1% higher than the ₱9.6 billion net income for the same period last year. The Group's core income comprising primarily of net interest income and net service fees and commissions recorded substantial improvements in the current period. Net income for the current period also included increase in net gains from trading and investment securities.

- Net interest income totaled ₱32.4 billion, higher by 19.8% or ₱5.4 billion compared to the same period last year mainly due to the expansion in loan, interbank loans, and trading and investment securities portfolios which accounted for the ₱9.7 billion, ₱0.3 billion, ₱0.5 billion and ₱4.2 billion increase in interest income, respectively, partly offset by the decrease of ₱0.1 billion in deposits with banks and others. Total interest income increased by 40.3% or ₱14.5 billion from ₱36.0 billion to ₱50.5 billion. Total interest expense also increased to ₱18.2 billion or by ₱9.1 billion from ₱9.0 billion for the same period last year primarily due to growth in deposit liabilities and other borrowings.

- Other income decreased to ₱4.2 billion compared to ₱8.4 billion for the same period last year mainly due to a decline in net gains on sale or exchange of assets of ₱5.2 billion, partly offset by higher net gains in trading and investment securities by ₱0.9 billion.

- Net service fees and commission income stood at ₱4.2 billion, 20.2% or ₱0.7 billion higher compared to the same period last year driven by growth in deposit and credit card related fees.

- Administrative and other operating expenses amounted to ₱28.7 billion for the year ended December 31, 2019, or 12.6% higher compared to the same period last year as strong revenue growth, particularly in interest income and trading gains, translated to higher business related taxes.

- Total Comprehensive Income for the year ended December 31, 2019 amounted to ₱14.6 billion which is ₱6.5 billion higher than the same period last year mainly due to an increase in net unrealized gains on financial assets at FVOCI.

Key Performance Indicators

- **Capital Adequacy/Capital Management**

The Bank's Capital Management (Sub-Committee of the Asset/Liability Committee) has been created to specifically handle policies and procedures pertaining to the capital planning and assessment as well as possible equity investments of the Bank.

The Sub-Committee shall be responsible for the following:

- Determine the appropriate level of capital that will support the attainment of the Bank's strategic objectives, meet the minimum regulatory requirements and cover all material risks that the Bank may encounter in the course of its business;

- Periodically monitor and assess the capital ratios of the Bank. Monitoring shall include capital ratios with and without the regulatory stress test prescribed by the regulators, based on both the consolidated and solo financial statements of the Bank;

- Report to the Asset/Liability Committee (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;

- Inform the ALCO/Board ICAAP Steering Committee on a possible breach of ICAAP capital thresholds, particularly during a period of stress and activating the Bank's capital contingency plan, if needed;
    - The Sub-Committee 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 Sub-Committee shall endorse to the Board ICAAP Steering Committee / Board the manner, the amount and time period for capital raising;

- Ensure that the capital ratios resulting from the three-year strategic business plan under the Bank's ICAAP shall meet the minimum regulatory requirement as well as the Bank's internal thresholds;

- ➢ The Sub-Committee shall determine the Bank's internal thresholds and shall endorse the same to the Board ICAAP Steering Committee / Board;

- Undertake the optimal allocation of the capital to the different business groups in accordance with the portfolio diversification policy and subject to the sustainability of earnings, risk weights of assets, among others;

The Bank and its individual regulatory operations have complied with all externally imposed capital requirements throughout the period.

Regulatory Qualifying Capital

Under existing BSP regulations, the determination of the Bank's compliance with regulatory requirements and ratios is based on the amount of the Bank's "unimpaired capital" (regulatory net worth) reported to the BSP, which is determined on the basis of regulatory policies, which differ from PFRS in some respects.

As required under BSP Circular 781, the risk-based capital ratio of a bank, expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10.00% for both solo basis (head office and branches) and consolidated basis (parent bank and subsidiaries engaged in financial allied undertakings but excluding insurance companies). Other minimum ratios include Common Equity Tier (CET) 1 ratio and Tier 1 capital ratios of 6.0% and 7.5%, respectively. A conservation buffer of 2.5%, comprised of CET 1 capital is likewise imposed.

Banks and their subsidiaries are subject to the following risk-based CARs:
a. Common Equity Tier 1 – must be at least 6.0% of risk weighted assets at all times;
b. Tier 1 capital must be at least 7.5% of risk weighted assets at all times; and
c. Qualifying capital (Tier 1 Capital plus Tier 2 Capital) must be at least 10.0% of risk weighted assets at all times.

Qualifying capital consists of the sum of the following elements, net of required deductions:
a. Common equity Tier 1 capital consists of 1) paid up common stock that meet the eligibility criteria, 2) common stock dividends distributable, additional paid in capital resulting from the issuance of common stock included in CET1 capital, 3) deposits for common stock subscription, 4) retained earnings, 5) undivided profits, 6) other comprehensive income (net unrealized gains or losses on AFS and cumulative foreign currency translation) and minority interest on subsidiary banks which are less than wholly-owned;
b. Additional Tier 1 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 capital is composed of 1) instruments issued by the Bank (and are not included in AT1 capital) that meet the criteria for inclusion in Tier 2 and meet the required loss absorbency feature at point of non-viability as defined in the guidelines, 2) deposits for subscription of T2 capital, 3) appraisal increment reserves on Bank premises as authorized by the Monetary Board, 4) general loan loss provision, limited to a maximum of 1.00% of credit risk weighted asset, and minority interest in subsidiaries which are less than wholly owned as defined in the guidelines.

A capital conservation buffer of 2.5% of risk weighted assets, comprised of CET 1 capital, shall be required. This buffer is meant to promote the conservation of capital and build-up of adequate cushion that can be drawn down to absorb losses during period of financial and economic stress.

The Group's consolidated capital adequacy ratio for combined credit, market and operational risks computed based on BSP Circular No. 781 (for 2014) and BSP Circular No. 538 (for 2013 and 2012) were 13.66%, 15.14%, and 14.80% as of December 31, 2021, 2020 and 2019, respectively, above the minimum 10% required by BSP. For the detailed calculation and discussion kindly refer to Item 1, no. 10 – Risk Management.

- **Asset Quality**

The Parent Company's non-performing loans (gross of unearned and other deferred income and allowance for credit losses) decreased to P65.9 billion as of December 31, 2021 compared to P66.0 billion as of December 31, 2020. NPL ratios of the Parent Company net of valuation reserves is at 5.21% as at December 31, 2021, compared to 6.93% at end of 2020. Gross NPL ratio is at 9.97% at end of 2021 and 10.09% at end of 2020.

- **Profitability**

	Years Ended	
	12/31/21	12/31/20
Return on equity (ROE)[1/]	19.98%	1.69%
Return on assets (ROA)[2/]	2.62%	0.22%
Net interest margin (NIM)[3/]	3.24%	3.31%

[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 assets as of December 31, 2021 was 29.44% compared to 37.37% as of December 31, 2020. Ratio of current assets to current liabilities was at 65.09% as of December 31, 2021 compared to 69.19% as of December 31, 2020.

- **Cost Efficiency**

The ratio of total operating expenses (excluding provision for impairment, credit and other losses) to total operating income (excluding gains on remeasurement of retained interest and on loss of control of subsidiaries) resulted to 59.82% for the year ended December 31, 2021 compared to 61.27% 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 as attached under Exhibit III.

Capital Expenditures

In line with the Bank's digital transformation initiatives and enhancing customer banking experience strategy, technology upgrades and branch physical infrastructure will account for the bulk of the Bank's capital expenditures for 2021. Capital expenditures will be 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 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:

	2020		2021	
	High	Low	High	Low
Jan – Mar	36.70	18.50	29.50	22.55
Apr – Jun	25.60	18.80	31.80	19.96
Jul – Sep	25.20	19.52	23.10	19.82
Oct – Dec	32.50	23.10	22.50	19.00

The trading price of each PNB common share as of February 28, 2022 was ₱19.80.

2. Holders

There are 36,276 stockholders as of February 28, 2022, all of whom have the same voting rights. Material information on the voting rights of the stockholders is described in Items 4 and 10 of the Information Statement. As there are 36,276 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 74.18% 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	219,816,064	14.4069424591	*
2. Key Landmark Investments, Ltd.	Filipino	133,277,924	8.7351549618	*
3. True Success Profits Limited	Filipino	82,017,184	5.3754799765	*
4. Caravan Holdings Corporation	Filipino	82,017,184	5.3754799765	*
5. Solar Holdings Corporation	Filipino	82,017,184	5.3754799765	*
6. Prima Equities & Investments Corp.	Filipino	71,765,036	4.7035449794	*
7. Leadway Holdings, Inc.	Filipino	65,310,444	4.2805052168	*
8. Infinity Equities, Inc.	Filipino	61,512,888	4.0316099824	*
9. Pioneer Holdings Equities, Inc.	Filipino	34,254,212	2.2450518506	*
10. Multiple Star Holdings Corp.	Filipino	30,798,151	2.0185385055	*
11. Donfar Management Limited	Filipino	30,747,898	2.0152448787	*
12. Uttermost Success, Limited	Filipino	30,233,288	1.9815168766	*
13. Mavelstone International Limited	Filipino	29,575,168	1.9383831001	*

14. Pan Asia Securities Corporation	Filipino	29,510,390	1.9341374918	*
15. Kenrock Holdings Corp.	Filipino	26,018,279	1.7052613973	*
16. Fil-Care Holdings, Inc.	Filipino	25,450,962	1.6680789310	*
17. Fairlink Holdings Corp.	Filipino	25,207,795	1.6521415472	*
18. Purple Crystal Holdings, Inc.	Filipino	24,404,724	1.5995075519	*
19. Kentron Holdings & Equities Corp.	Filipino	24,361,225	1.5966565883	*
20. PCD Nominee Corporation (Non-Filipino)	Non-Filipino	23,458,648	1.5375008803	*

* Pursuant to Article IV, Section 4.9 of the Bank's By-Laws, every stockholder shall be entitled to one (1) vote for each share of common stock in his name in the books of the Bank. The right to vote or direct the voting of the Bank's shares held by the foregoing stockholders is lodged in their respective Boards of Directors.

3. Dividends

The Bank's ability to pay dividends is contingent on its ability to set aside unrestricted retained earnings for dividend distribution. In addition, the Bank's declaration of dividends, including computation of unrestricted retained earnings, is subject to compliance with certain rules and regulations prescribed by the 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 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, 2021, PNB's public ownership level is 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 28, 2022, PNB's authorized capital stock amounted to ₱70,000,000,040.00 divided into 1,750,000,001 common shares having a par value of ₱40.00 per share.

- The total number of common shares outstanding as of February 28, 2022 is 1,525,764,850. This includes the 423,962,500 common shares issued relative to the merger of PNB and ABC.

- As of February 28, 2022, a total of 1,502,138,511 common shares (or 98.45%) are held by Filipino-Private Stockholders while the remaining 23,626,339 common shares (or 1.55%) are 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 C of the Information Statement.

Item 8. Undertaking

The Bank shall, on written request and without charge, provide stockholders 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.

C O V E R S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

AS096-005555

COMPANY NAME

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

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

PNB Financial Center, President Diosdado Macapagal Boulevard, Pasay City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
gregorioar@pnb.com.ph		

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
36,286	04/26	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Aidell Amor R. Gregorio		891-6040 to 70	

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.*

PNB

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, 2021, 2020 and 2019, 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.

FEDERICO C. PASCUAL
Chairman of the Board

JOSE ARNULFO A. VELOSO
President and Chief Executive Officer

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

MAR 14 2022

SUBSCRIBED AND SWORN to before me this ___ day of March 2022 affiants exhibiting to me their Passport Identification No.

Doc. No. 229
Page No. 46
Book No. 4
Series of 2022

ATTY. HENRY D. ADASA
NOTARY PUBLIC CITY OF MANILA
NOTARIAL COMMISSION 2020-097 / 12/31/2021 Manila
IBP NO. 178598 - 01/03/2022, PASIG
PTR NO. 0050197 - 01/05/2021 MLA
ROLL NO. 29679, TIN: 173-523-620
MCLE COMPL. NO. VII-0000165 5/25/2019 Valid April 14, 2025
URBAN DECA HOMES MANILA, B-2, UNIT 355, TONDO, MLA.
UNDER SUPREME COURT B.M. NO. 3795 EXTENDED FROM JAN. 1 TO JUNE 30, 2022

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

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Fax: (632) 8819 0872
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Consolidated and Parent Company Financial Statements

Opinion

We have audited the consolidated financial statements of Philippine National Bank and its Subsidiaries (the Group) and the parent company financial statements of Philippine National Bank (the Parent Company), which comprise the consolidated and parent company statements of financial position as at December 31, 2021 and 2020 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, 2021, and notes to the consolidated and parent company financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated and parent company financial statements present fairly, in all material respects, the financial position of the Group and the Parent Company as at December 31, 2021 and 2020, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2021 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Parent Company Financial Statements* section of our report. We are independent of the Group and the Parent Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (the Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated and parent company financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and parent company financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and parent company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities detailed in the *Auditor's Responsibilities for the Audit of the Consolidated and Parent Company Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and parent company financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and parent company financial statements.

Applicable to the audit of the consolidated and parent company financial statements

Adequacy of Allowance for Credit Losses on Loans and Receivables
The Group and the Parent Company's application of the expected credit losses (ECL) model in calculating the allowance for credit losses on loans and receivables is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include: segmenting the Group's and the Parent Company's credit risk exposures; determining the method to estimate ECL; defining default; identifying exposures with significant deterioration in credit quality; determining assumptions to be used in the ECL model such as the counterparty credit risk rating, the expected life of the financial asset, expected recoveries from defaulted accounts, and impact of any financial support and credit enhancements extended by any party; and incorporating forward-looking information, including the impact of the coronavirus pandemic, in calculating ECL.

Allowance for credit losses on loans and receivables as of December 31, 2021 amounted to ₱39.3 billion and ₱39.2 billion for the Group and the Parent Company, respectively. Provision for credit losses in 2021 amounted to ₱11.0 billion and ₱11.3 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, and management's assessment of the impact of the coronavirus pandemic on the counterparties; (c) tested the Group's and the Parent Company's application of internal credit risk rating system, including the impact of the coronavirus pandemic on the borrowers, 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, including the impact of the coronavirus pandemic; 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.

Recognition of Deferred Tax Assets
As of December 31, 2021, the deferred tax assets of the Group and the Parent Company amounted to ₱6.2 billion and ₱6.3 billion, respectively. The recognition of deferred tax assets is significant to our audit because the assessment process is complex and judgmental and is based on assumptions that are affected by expected future market or economic conditions and the expected performance of the Group and the Parent Company. The estimation uncertainty on the Group's and the Parent Company's expected performance has increased as a result of uncertainties brought about by the coronavirus pandemic.

The disclosures in relation to deferred income taxes are included in Note 30 to the financial statements.

Audit Response
We evaluated the management's assessment on the availability of future taxable income in reference to financial forecast and tax strategies. We evaluated management's forecast by comparing the loan portfolio and deposit growth rates to the historical performance of the Group and the Parent Company and the industry, including future market circumstances and taking into consideration the impact associated with the coronavirus pandemic. We also assessed the timing of the reversal of future taxable and deductible temporary differences.

Impairment Testing of Goodwill
As of December 31, 2021, the goodwill of the Group and the Parent Company amounted to ₱11.2 billion and ₱11.4 billion, respectively, as a result of the acquisition of Allied Banking Corporation in 2013. Under PFRS, the Group and the Parent Company are required to test the amount of goodwill for impairment annually. Goodwill has been allocated to three cash generating units (CGUs) namely Retail Banking, Corporate Banking, and Global Banking and Market. The Group and the Parent Company performed the impairment testing using the value in use calculation. The annual impairment test is significant to our audit because it involves significant judgment and is based on assumptions which are subject to higher level of estimation uncertainty due to the current economic conditions which have been impacted by the coronavirus pandemic, 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, taking into consideration the impact associated with coronavirus pandemic. 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.

Assessment of the Loss of Control over PNB Holdings Corporation and Subsequent Classification and Accounting for the Retained Interest
On April 23, 2021, the Board of Directors of the Parent Company approved and confirmed the property dividend declaration of the Parent Company's 51.0% ownership interest in PNB Holdings Corporation (PHC) to all shareholders on record as of May 18, 2021. The Securities and Exchange Commission (SEC) approved the property dividend declaration on December 24, 2021.

As a result of this transaction, the Group and the Parent Company lost control over PHC, resulting in deconsolidation of the assets and liabilities of PHC and derecognition of the carrying value of investment in PHC at the Group and Parent Company level, respectively, and recognized its retained interest as a financial asset at fair value through other comprehensive income (FVOCI). The Group and the Parent Company recognized a gain of ₱33.5 billion from the loss of control and remeasurement of the retained interest in PHC. The Group classified the results of PHC as discontinued operations in the consolidated statements of income and consolidated statements of cash flows.

The assessment over the loss of control over PHC and subsequent classification and accounting treatment of the retained interest in PHC is significant to our audit given the size and complexity of the transaction and the significant judgment involved, specifically on the assessment of loss of control, absence of significant influence on retained interest and valuation of the shares of PHC.

The disclosures in relation to loss of control over PHC are included in Notes 12 and 36 to the financial statements. The disclosures in relation to the valuation of the retained interest in PHC are included in Notes 3, 5 and 9 to the financial statements.

Audit response

We obtained an understanding of the transaction and inspected the analysis prepared by management on the accounting treatment of the transaction, including the assessment on the classification of its retained interest. We reviewed the relevant agreements between PHC and the Parent Company to assess whether elements of control under PFRS 10, *Consolidated Financial Statements*, are no longer met and whether the Parent Company does not demonstrate significant influence over PHC. We checked whether regulatory approvals of the regulators have been obtained.

We obtained an understanding of and evaluated the valuation techniques and assumptions used in the valuation of the PHC shares. We considered the competence, capabilities, and objectivity of the specialists engaged by the Parent Company in relation to the valuation of PHC shares. We compared the key assumptions used in the valuation, such as the fair value of PHC's investment properties and the discount for lack of marketability, against external appraisal reports, market and industry data.

We agreed the carrying value of PHC prior to loss of control to accounting records and evaluated if the deconsolidation is in accordance with PFRS 10, *Consolidated Financial Statements*. We reperformed the calculation of gain on loss of control and gain on remeasurement of retained interest. We assessed whether the classification of PHC as a discontinued operation is appropriate and that the presentation in the financial statements as a discontinued operation is in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*.

We reviewed the completeness of the disclosures with respect to this transaction and the disclosures about those assumptions to which the outcome of the valuation is most sensitive, specifically, those that have the most significant effect on the determination of the fair value of the PHC shares.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021, but does not include the consolidated and parent company financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement) SEC Form 17-A and Annual Report for the year ended December 31, 2021 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated and parent company financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and parent company financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated and Parent Company Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated and parent company financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and parent company financial statements, management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group and the Parent Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and the Parent Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated and Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and parent company financial statements, including the disclosures, and whether the consolidated and parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and the Parent Company to express an opinion on the consolidated and parent company financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010 and Bangko Sentral ng Pilipinas Circular No. 1074

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 40 and the Bangko Sentral ng Pilipinas Circular No. 1074 in Note 41 to the financial statements are presented for purposes of filing with the Bureau of Internal Revenue and Bangko Sentral ng Pilipinas, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of Philippine National Bank. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Vicky Lee Salas.

SYCIP GORRES VELAYO & CO.

Vicky Lee Salas

Vicky Lee Salas
Partner
CPA Certificate No. 86838
Tax Identification No. 129-434-735
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 86838-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-053-2020, November 27, 2020, valid until November 26, 2023
PTR No. 8854312, January 3, 2022, Makati City

March 14, 2022

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION

(In Thousands)

	Consolidated		Parent Company	
	December 31		December 31	
	2021	2020	**2021**	2020
ASSETS				
Cash and Other Cash Items	**₱27,552,773**	₱25,135,724	**₱27,454,459**	₱25,038,434
Due from Bangko Sentral ng Pilipinas (Notes 7 and 17)	**161,001,912**	202,129,356	**161,001,912**	202,129,356
Due from Other Banks (Note 33)	**27,222,083**	19,733,300	**19,324,000**	12,131,726
Interbank Loans Receivable (Notes 8 and 33)	**32,106,088**	39,700,981	**30,295,755**	37,858,670
Securities Held Under Agreements to Resell (Notes 8 and 35)	**15,796,673**	15,819,273	**15,796,673**	15,819,273
Financial Assets at Fair Value Through Profit or Loss (FVTPL) (Note 9)	**11,167,657**	23,825,708	**11,010,278**	21,947,640
Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI) (Note 9)	**167,987,290**	133,715,352	**167,546,350**	133,263,758
Investment Securities at Amortized Cost (Note 9)	**89,455,843**	95,235,993	**89,327,894**	95,115,642
Loans and Receivables (Notes 10 and 33)	**606,953,751**	599,994,748	**592,498,761**	586,901,861
Property and Equipment (Note 11)	**13,472,320**	19,878,715	**11,812,991**	18,406,981
Investments in Subsidiaries and an Associate (Note 12)	**2,468,107**	2,310,410	**27,275,451**	27,105,550
Investment Properties (Note 13)	**10,735,896**	14,445,756	**10,178,327**	13,921,798
Deferred Tax Assets (Note 30)	**6,405,505**	9,036,908	**6,271,578**	8,522,411
Intangible Assets (Note 14)	**2,429,434**	2,512,013	**2,328,957**	2,438,660
Goodwill (Note 14)	**11,221,410**	13,375,407	**11,361,768**	13,515,765
Assets of Disposal Group Classified as Held for Sale (Note 36)	**–**	7,945,945	**–**	1,136,418
Other Assets (Note 15)	**4,807,920**	6,338,210	**4,525,498**	4,947,734
TOTAL ASSETS	**₱1,190,784,662**	₱1,231,133,799	**₱1,188,010,652**	₱1,220,201,677
LIABILITIES AND EQUITY				
LIABILITIES				
Deposit Liabilities (Notes 17 and 33)				
Demand	**₱216,367,830**	₱199,770,048	**₱216,040,593**	₱200,113,465
Savings	**498,581,535**	425,611,765	**497,172,862**	424,637,944
Time	**151,729,554**	236,694,042	**158,066,350**	240,584,601
Long Term Negotiable Certificates	**28,245,390**	28,212,034	**28,245,390**	28,212,034
	894,924,309	890,287,889	**899,525,195**	893,548,044
Financial Liabilities at FVTPL (Notes 18, 23 and 35)	**891,531**	701,239	**891,346**	700,802
Bills and Acceptances Payable (Notes 19, 33 and 35)	**52,953,797**	87,159,450	**51,113,018**	84,817,360
Lease Liabilities (Note 29)	**3,765,391**	1,366,016	**3,698,410**	1,370,206
Accrued Taxes, Interest and Other Expenses (Note 20)	**7,765,650**	6,449,026	**7,504,381**	6,075,016
Bonds Payable (Note 21)	**53,383,421**	64,056,335	**53,383,421**	64,056,335
Income Tax Payable	**157,735**	903,044	**89,328**	842,038
Liabilities of Disposal Group Classified as Held for Sale (Note 36)	**–**	6,353,964	**–**	–
Other Liabilities (Note 22)	**15,719,872**	17,873,828	**13,512,851**	15,546,894
	1,029,561,706	1,075,150,791	**1,029,717,950**	1,066,956,695
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)	**5,147,440**	5,032,097	**5,147,440**	5,032,097
Surplus (Note 25)	**61,998,232**	54,498,066	**62,169,393**	54,843,588
Net Unrealized Gains (Losses) on Financial Assets at FVOCI (Note 9)	**(703,737)**	3,054,403	**(703,737)**	3,054,403
Remeasurement Losses on Retirement Plan (Note 28)	**(2,725,067)**	(3,009,452)	**(2,725,067)**	(3,009,452)
Accumulated Translation Adjustment (Note 25)	**1,503,396**	717,872	**1,503,396**	717,872
Other Equity Reserves (Notes 12 and 25)	**248,830**	277,855	**390,517**	419,542
Share in Aggregate Losses on Life Insurance Policies (Note 12)	**(626,394)**	(1,038,838)	**(626,394)**	(1,038,838)
Reserves of a Disposal Group Classified as Held for Sale (Notes 12 and 36)	**–**	88,616	**–**	88,616
Other Equity Adjustment	**13,959**	13,959	**–**	–
	158,003,813	152,781,732	**158,292,702**	153,244,982
NON-CONTROLLING INTERESTS (Note 12)	**3,219,143**	3,201,276	**–**	–
	161,222,956	155,983,008	**158,292,702**	153,244,982
TOTAL LIABILITIES AND EQUITY	**₱1,190,784,662**	₱1,231,133,799	**₱1,188,010,652**	₱1,220,201,677

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					
	2021	2020 (As Restated - Note 36)	2019 (As Restated - Note 36)	**2021**	2020	2019
INTEREST INCOME ON						
Loans and receivables (Notes 10, 27 and 33)	**₱34,157,780**	₱37,352,374	₱39,852,726	**₱33,449,961**	₱37,067,285	₱35,164,556
Investment securities at amortized cost and FVOCI (Note 9)	**6,280,699**	6,496,272	8,737,077	**6,279,719**	6,448,100	8,549,063
Deposits with banks and others (Notes 7, 12 and 33)	**1,248,155**	2,192,045	635,086	**1,219,996**	1,173,981	432,874
Financial assets at FVTPL (Note 9)	**632,492**	665,751	619,979	**565,447**	542,512	619,979
Interbank loans receivable and securities held under agreements to resell (Note 8)	**83,251**	244,007	668,211	**31,048**	186,211	568,061
	42,402,377	46,950,449	50,513,079	**41,546,171**	45,418,089	45,334,533
INTEREST EXPENSE ON						
Deposit liabilities (Notes 17 and 33)	**4,813,766**	7,379,018	14,024,899	**4,885,785**	7,227,056	12,201,776
Bonds payable (Note 21)	**2,231,863**	2,904,528	1,945,497	**2,231,863**	2,904,528	1,945,497
Bills payable and other borrowings (Notes 19, 29 and 33)	**511,921**	846,440	2,184,918	**425,080**	637,478	1,740,622
	7,557,550	11,129,986	18,155,314	**7,542,728**	10,769,062	15,887,895
NET INTEREST INCOME	**34,844,827**	35,820,463	32,357,765	**34,003,443**	34,649,027	29,446,638
Service fees and commission income (Notes 26 and 33)	**6,340,326**	4,684,572	5,169,040	**5,310,729**	4,134,519	3,677,689
Service fees and commission expense	**1,051,376**	983,186	988,104	**846,165**	858,182	800,376
NET SERVICE FEES AND COMMISSION INCOME	**5,288,950**	3,701,386	4,180,936	**4,464,564**	3,276,337	2,877,313
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**	–	–
Net gains on sale or exchange of assets (Note 26)	**981,462**	195,842	690,625	**974,024**	130,493	686,441
Foreign exchange gains - net (Note 23)	**743,549**	919,555	1,105,903	**623,493**	929,890	861,143
Trading and investment securities gains - net (Notes 9 and 33)	**731,572**	3,337,589	1,074,351	**600,580**	3,456,521	1,017,155
Equity in net earnings (losses) of subsidiaries and an associate (Note 12)	**50,789**	88,476	(97,608)	**(650,134)**	95,939	(345,599)
Miscellaneous (Note 27)	**1,070,047**	1,244,699	1,464,296	**759,826**	906,752	976,822
TOTAL OPERATING INCOME	**76,996,439**	45,308,010	40,776,268	**74,075,646**	43,444,959	35,519,913
OPERATING EXPENSES						
Provision for impairment, credit and other losses (Note 16)	**12,879,011**	16,882,621	2,910,182	**13,125,737**	16,534,335	1,593,219
Compensation and fringe benefits (Notes 25, 28 and 33)	**9,985,822**	10,167,173	9,442,021	**9,274,801**	9,313,371	8,024,694
Taxes and licenses (Note 30)	**3,988,371**	4,551,142	4,812,485	**3,903,066**	4,394,703	4,217,996
Depreciation and amortization (Note 11)	**2,845,717**	3,154,568	2,794,511	**2,499,071**	2,607,269	2,207,071
Occupancy and equipment-related costs (Note 29)	**1,124,166**	990,650	1,021,762	**1,002,093**	942,896	854,334
Miscellaneous (Note 27)	**8,202,755**	9,013,439	7,681,382	**7,974,555**	8,637,974	6,854,659
TOTAL OPERATING EXPENSES	**39,025,842**	44,759,593	28,662,343	**37,779,323**	42,430,548	23,751,973
INCOME BEFORE INCOME TAX	**37,970,597**	548,417	12,113,925	**36,296,323**	1,014,411	11,767,940
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 30)	**5,545,194**	(1,866,402)	2,452,207	**5,012,561**	(1,945,521)	2,086,464
NET INCOME FROM CONTINUING OPERATIONS	**32,425,403**	2,414,819	9,661,718	**31,283,762**	2,959,932	9,681,476
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX (Notes 12 and 36)	**(735,365)**	210,669	99,488	**–**	–	–
NET INCOME	**₱31,690,038**	₱2,625,488	₱9,761,206	**₱31,283,762**	₱2,959,932	₱9,681,476
ATTRIBUTABLE TO:						
Equity Holders of the Parent Company (Note 31)	**₱31,630,626**	₱2,614,653	₱9,681,480			
Non-controlling Interests	**59,412**	10,835	79,726			
	₱31,690,038	₱2,625,488	₱9,761,206			
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 31)	**₱20.73**	₱1.71	₱7.05			
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company from Continuing Operations (Note 31)	**₱21.21**	₱1.58	₱6.98			

See accompanying Notes to Financial Statements.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands)

	Consolidated			Parent Company		
	Years Ended December 31					
	2021	2020	2019	**2021**	2020	2019
NET INCOME	**₱31,690,038**	₱2,625,488	₱9,761,206	**₱31,283,762**	₱2,959,932	₱9,681,476
OTHER COMPREHENSIVE INCOME (LOSS)						
Items that recycle to profit or loss in subsequent periods:						
Net change in unrealized gain (loss) on debt securities at FVOCI, net of tax (Note 9)	**(3,178,301)**	(578,919)	5,417,132	**(3,158,391)**	(639,403)	5,507,470
Share in changes in net unrealized gains (losses) on financial assets at FVOCI of subsidiaries and an associate (Notes 9 and 12)	**(558,030)**	662,951	447,169	**(663,471)**	556,246	590,236
	(3,736,331)	84,032	5,864,301	**(3,821,862)**	(83,157)	6,097,706
Accumulated translation adjustment	**1,008,640**	(257,238)	(924,441)	**(117,264)**	(81,646)	(264,289)
Share in changes in accumulated translation adjustment of subsidiaries and an associate (Note 12)	**–**	–	–	**902,788**	(148,044)	(565,072)
	(2,727,691)	(173,206)	4,939,860	**(3,036,338)**	(312,847)	5,268,345
Items that do not recycle to profit or loss in subsequent periods:						
Share in changes in aggregate reserves (losses) on life insurance policies (Note 12)	**412,444**	(1,051,118)	–	**412,444**	(1,051,118)	–
Remeasurement gains (losses) on retirement plan (Note 28)	**285,632**	(725,968)	(466,926)	**500,862**	(710,795)	(596,589)
Share in changes in remeasurement gains (losses) of subsidiaries and an associate (Note 12)	**(1,482)**	4,632	(234,815)	**(216,477)**	(10,030)	(105,801)
Net change in unrealized gain (loss) on equity securities at FVOCI (Note 9)	**(21,809)**	(251,071)	583,286	**63,722**	(83,882)	349,881
	674,785	(2,023,525)	(118,455)	**760,551**	(1,855,825)	(352,509)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	**(2,052,906)**	(2,196,731)	4,821,405	**(2,275,787)**	(2,168,672)	4,915,836
TOTAL COMPREHENSIVE INCOME	**₱29,637,132**	₱428,757	₱14,582,611	**₱29,007,975**	₱791,260	₱14,597,312
ATTRIBUTABLE TO:						
Equity holders of the Parent Company	**₱29,354,839**	₱445,981	₱14,597,316			
Non-controlling interests	**282,293**	(17,224)	(14,705)			
	₱29,637,132	₱428,757	₱14,582,611			

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 (Note 9)	Remeasurem ent 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, 2021	₱61,030,594	₱32,116,560	₱5,032,097	₱54,498,066	₱3,054,403	(₱3,009,452)	₱717,872	₱277,855	(₱1,038,838)	₱88,616	₱13,959	₱152,781,732	₱3,201,276	₱155,983,008
Total comprehensive income (loss) for the year	–	–	–	31,630,626	(3,758,140)	284,385	785,524	–	412,444	–	–	29,354,839	282,293	29,637,132
Declaration of property dividends (Note 12)	–	–	–	(23,935,371)	–	–	–	–	–	–	–	(23,935,371)	–	(23,935,371)
Transfer to surplus reserves (Notes 25 and 32)	–	–	115,343	(115,343)	–	–	–	–	–	–	–	–	–	–
Sale of interest in a subsidiary (Note 12)	–	–	–	(79,746)	–	–	–	–	–	(88,616)	–	(168,362)	(259,721)	(428,083)
Settlement of share-based payments (Note 25)	–	–	–	–	–	–	–	(29,025)	–	–	–	(29,025)	–	(29,025)
Declaration of dividends by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(4,705)	(4,705)
Balance at December 31, 2021	₱61,030,594	₱32,116,560	₱5,147,440	₱61,998,232	(₱703,737)	(₱2,725,067)	₱1,503,396	₱248,830	(₱626,394)	₱–	₱13,959	₱158,003,813	₱3,219,143	₱161,222,956
Balance at January 1, 2020	₱61,030,594	₱32,116,560	₱642,018	₱56,273,492	₱3,250,651	(₱2,229,220)	₱947,562	₱35,466	₱12,280	₱–	₱13,959	₱152,093,362	₱2,882,038	₱154,975,400
Total comprehensive income (loss) for the year	–	–	–	2,614,653	(167,039)	(720,825)	(229,690)	–	(1,051,118)	–	–	445,981	(17,224)	428,757
Transfer to surplus reserves (Notes 25 and 32)	–	–	4,390,079	(4,390,079)	–	–	–	–	–	–	–	–	–	–
Sale of interest in a subsidiary (Note 12)	–	–	–	–	–	–	–	248,830	–	–	–	248,830	95,900	344,730
Settlement of share-based payments (Note 25)	–	–	–	–	–	–	–	(6,441)	–	–	–	(6,441)	–	(6,441)
Reserves of disposal group classified as held for sale (Note 36)	–	–	–	–	(29,209)	(59,407)	–	–	–	88,616	–	–	259,722	259,722
Declaration of dividends by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(19,160)	(19,160)
Balance at December 31, 2020	₱61,030,594	₱32,116,560	₱5,032,097	₱54,498,066	₱3,054,403	(₱3,009,452)	₱717,872	₱277,855	(₱1,038,838)	₱88,616	₱13,959	₱152,781,732	₱3,201,276	₱155,983,008
Balance at January 1, 2019	₱49,965,587	₱31,331,251	₱620,573	₱46,613,457	(₱3,196,936)	(₱1,526,830)	₱1,776,923	₱53,895	₱12,280	₱–	₱13,959	₱125,664,159	₱2,894,853	₱128,559,012
Total comprehensive income (loss) for the year	–	–	–	9,681,480	6,447,587	(702,390)	(829,361)	–	–	–	–	14,597,316	(14,705)	14,582,611
Issuance of stock (Note 25)	11,065,007	785,309	–	–	–	–	–	–	–	–	–	11,850,316	–	11,850,316
Transfer to surplus reserves (Notes 25 and 32)	–	–	21,445	(21,445)	–	–	–	–	–	–	–	–	–	–
Settlement of share-based payments (Note 25)	–	–	–	–	–	–	–	(18,429)	–	–	–	(18,429)	5,262	(13,167)
Declaration of dividends by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(3,372)	(3,372)
Balance at December 31, 2019	₱61,030,594	₱32,116,560	₱642,018	₱56,273,492	₱3,250,651	(₱2,229,220)	₱947,562	₱35,466	₱12,280	₱–	₱13,959	₱152,093,362	₱2,882,038	₱154,975,400

See accompanying Notes to Financial Statements.

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 (Note 9)	Remeasurement Losses on Retirement Plan (Note 28)	Accumulated Translation Adjustment (Note 25)	Other Equity Reserves (Notes 12 and 25)	Share in Aggregate Reserves on Life Insurance Policies (Note 12)	Reserves of a Disposal Group Held for Sale (Notes 12 and 36)	Total Equity
Balance at January 1, 2021	**₱61,030,594**	**₱32,106,560**	**₱5,032,097**	**₱54,843,588**	**₱3,054,403**	**(₱3,009,452)**	**₱717,872**	**₱419,542**	**(₱1,038,838)**	**₱88,616**	**₱153,244,982**
Total comprehensive income (loss) for the year	–	–	–	**31,283,762**	**(3,758,140)**	**284,385**	**785,524**	–	**412,444**	–	**29,007,975**
Declaration of property dividends (Note 12)	–	–	–	**(23,935,371)**	–	–	–		–	–	**(23,935,371)**
Transfer to surplus reserves (Notes 25 and 32)	–	–	**115,343**	**(115,343)**	–	–	–	–	–	–	–
Sale of interest in a subsidiary (Note 12)	–	–	–	**92,757**	–	–	–	–	–	**(88,616)**	**4,141**
Settlement of share-based payments (Note 25)	–	–	–	–	–	–	–	**(29,025)**	–	–	**(29,025)**
Balance at December 31, 2021	**₱61,030,594**	**₱32,106,560**	**₱5,147,440**	**₱62,169,393**	**(₱703,737)**	**(₱2,725,067)**	**₱1,503,396**	**₱390,517**	**(₱626,394)**	**₱–**	**₱158,292,702**
Balance at January 1, 2020	₱61,030,594	₱32,106,560	₱642,018	₱56,273,735	₱3,250,651	(₱2,229,220)	₱947,562	₱35,466	₱12,280	₱–	₱152,069,646
Total comprehensive income (loss) for the year	–	–	–	2,959,932	(167,039)	(720,825)	(229,690)	–	(1,051,118)	–	791,260
Transfer to surplus reserves (Notes 25 and 32)	–	–	4,390,079	(4,390,079)	–	–	–	–	–	–	–
Business combination with a subsidiary (Note 12)	–	–	–	–	–	–	–	390,517	–	–	390,517
Settlement of share-based payments (Note 25)	–	–	–	–	–	–	–	(6,441)	–	–	(6,441)
Reserves of disposal group classified as held for sale (Note 36)	–	–	–	–	(29,209)	(59,407)	–	–	–	88,616	–
Balance at December 31, 2020	₱61,030,594	₱32,106,560	₱5,032,097	₱54,843,588	₱3,054,403	(₱3,009,452)	₱717,872	₱419,542	(₱1,038,838)	₱88,616	₱153,244,982
Balance at January 1, 2019	₱49,965,587	₱31,331,251	₱620,573	₱46,613,704	(₱3,196,936)	(₱1,526,830)	₱1,776,923	₱53,895	₱12,280	₱–	₱125,650,447
Total comprehensive income (loss) for the year	–	–	–	9,681,476	6,447,587	(702,390)	(829,361)	–	–	–	14,597,312
Issuance of stock (Note 25)	11,065,007	775,309	–	–	–	–	–	–	–	–	11,840,316
Transfer to surplus reserves (Notes 25 and 32)	–	–	21,445	(21,445)	–	–	–	–	–	–	–
Settlement of share-based payments (Note 25)	–	–	–	–	–	–	–	(18,429)	–	–	(18,429)
Balance at December 31, 2019	₱61,030,594	₱32,106,560	₱642,018	₱56,273,735	₱3,250,651	(₱2,229,220)	₱947,562	₱35,466	₱12,280	₱–	₱152,069,646

See accompanying Notes to Financial Statements.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

(In Thousands)

	Consolidated			Parent Company		
	Years Ended December 31					
	2021	2020	2019	**2021**	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income tax from continuing operations	**₱37,970,597**	₱548,417	₱12,113,925	**₱36,296,323**	₱1,014,411	₱11,767,940
Income (loss) before income tax from discontinued operations (Note 36)	**(626,763)**	299,251	118,267	**–**	–	–
Income before income tax	**37,343,834**	847,668	12,232,192	**36,296,323**	1,014,411	11,767,940
Adjustments for:						
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)**	–	–
Provision for impairment, credit and other losses (Note 16)	**12,967,152**	16,912,402	2,909,858	**13,125,737**	16,534,335	1,593,219
Unrealized foreign exchange losses (gains) on bonds payable	**3,113,544**	(2,728,233)	(1,029,880)	**3,113,544**	(2,728,233)	(1,029,880)
Depreciation and amortization (Note 11)	**2,894,759**	3,184,141	2,804,123	**2,499,071**	2,607,269	2,207,071
Unrealized foreign exchange losses (gains) on bills and acceptances payable	**2,220,574**	(1,059,619)	(2,771,182)	**2,214,671**	(1,059,379)	(2,771,182)
Net gains on financial assets at FVOCI (Note 9)	**(1,540,192)**	(2,455,264)	(281,340)	**(1,540,192)**	(2,454,697)	(317,609)
Net gains on sale or exchange of assets (Note 26)	**(981,462)**	(195,842)	(690,625)	**(974,024)**	(130,493)	(686,441)
Net losses (gains) on financial assets at FVTPL (Note 9)	**846,625**	(882,374)	(1,355,606)	**977,617**	(1,001,823)	(1,334,552)
Accretion to interest income of loss on loan modifications (Note 27)	**(351,502)**	(901,748)	–	**(351,502)**	(901,748)	–
Amortization of premium (discount) on investment securities	**294,421**	(182,716)	95,849	**296,554**	(176,196)	78,880
Amortization of transaction costs on borrowings (Notes 17 and 21)	**116,898**	229,420	125,596	**116,898**	229,420	125,596
Equity in net losses (earnings) of subsidiaries and an associate (Note 12)	**(50,789)**	(88,476)	97,608	**650,134**	(95,939)	345,599
Loss (gain) on disposal of property and equipment (Notes 11 and 26)	**(8,399)**	(7,777)	8,961	**789**	(1,297)	(1,023)
Loss on loan modifications (Note 27)	**–**	1,587,605	–	**–**	1,587,605	–
Changes in operating assets and liabilities:						
Decrease (increase) in amounts of:						
Interbank loan receivable (Note 8)	**(891,301)**	1,126,878	(1,220,264)	**(859,213)**	1,134,547	(421,675)
Financial assets at FVTPL	**11,812,813**	(9,475,736)	(2,102,603)	**9,959,744**	(9,776,160)	148,532
Loans and receivables	**(13,325,214)**	36,534,525	(75,034,482)	**(16,184,925)**	(16,207,664)	(78,630,395)
Other assets	**1,406,878**	(888,284)	(1,679,271)	**(368,978)**	(961,959)	300,791
Increase (decrease) in amounts of:						
Financial liabilities at FVTPL	**190,292**	455,620	(225,029)	**190,544**	468,810	(236,287)
Deposit liabilities	**4,603,064**	64,182,479	92,702,273	**5,943,796**	117,646,115	92,402,864
Accrued taxes, interest and other expenses	**246,627**	(2,376,061)	561,268	**681,686**	(1,903,084)	516,800
Other liabilities	**(7,663,779)**	(5,509,215)	346,335	**(1,511,065)**	(2,764,403)	(301,401)
Net cash generated from operations	**19,959,600**	98,309,393	25,493,781	**20,977,359**	101,059,437	23,756,847
Income taxes paid	**(2,285,669)**	(1,648,621)	(3,369,421)	**(1,841,579)**	(1,461,890)	(3,043,713)
Net cash provided by operating activities	**17,673,931**	96,660,772	22,124,360	**19,135,780**	99,597,547	20,713,134
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from:						
Disposal/maturities of financial assets at FVOCI	**212,560,360**	159,923,104	36,239,398	**210,574,683**	157,339,946	34,213,584
Maturities/early redemptions of investment securities at amortized cost	**39,790,071**	61,359,649	81,709,960	**39,047,244**	61,359,649	81,530,081
Disposal of investment in a subsidiary (Note 12)	**1,001,558**	521,817	–	**1,001,558**	–	–
Disposal of investment properties	**293,738**	210,936	712,650	**214,782**	161,736	717,677
Disposal of property and equipment	**201,593**	36,750	153,182	**301,198**	1,322	4,554
Acquisitions of:						
Financial assets at FVOCI	**(224,330,405)**	(169,859,472)	(100,962,284)	**(224,330,405)**	(169,859,472)	(96,281,851)
Investment securities at amortized cost	**(33,372,543)**	(56,875,400)	(81,365,299)	**(33,372,543)**	(57,227,468)	(81,150,541)
Property and equipment (Note 11)	**(1,120,741)**	(1,231,247)	(2,299,285)	**(675,730)**	(1,027,671)	(1,634,668)
Software cost (Note 14)	**(655,455)**	(283,472)	(334,548)	**(612,515)**	(268,768)	(331,543)
Additional investments in subsidiaries (Note 12)	**(245,000)**	–	–	**(245,000)**	–	(180,000)
Net cash used in investing activities	**(5,876,824)**	(6,197,335)	(66,146,226)	**(8,096,728)**	(9,520,726)	(63,112,707)

(Forward)

	Consolidated			Parent Company		
	Years Ended December 31					
	2021	2020	2019	**2021**	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from issuances of bills and acceptances payable	**₱237,327,616**	₱168,973,402	₱1,465,130,227	**₱236,637,024**	₱155,926,201	₱1,445,941,174
Settlement of bills and acceptances payable	**(273,753,842)**	(136,717,622)	(1,476,478,591)	**(272,556,037)**	(118,473,479)	(1,457,452,771)
Settlement of bonds payable (Note 21)	**(13,870,000)**	–	–	**(13,870,000)**	–	–
Payment of principal portion of lease liabilities (Note 29)	**(1,231,287)**	(664,156)	(509,952)	**(1,213,912)**	(649,402)	(436,331)
Proceeds from issuance of bonds payable	**–**	–	51,899,720	–	–	51,899,720
Proceeds from issuance of stocks (Note 25)	–	–	11,850,316	–	–	11,840,316
Net cash provided by (used in) financing activities	**(51,527,513)**	31,591,624	51,891,720	**(51,002,925)**	36,803,320	51,792,108
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(39,730,406)**	122,055,061	7,869,854	**(39,963,873)**	126,880,141	9,392,535
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR						
Cash and other cash items	**25,135,724**	30,500,927	16,825,487	**25,038,434**	29,642,159	15,904,663
Due from Bangko Sentral ng Pilipinas	**202,129,356**	105,981,801	102,723,312	**202,129,356**	101,801,597	98,665,375
Due from other banks	**19,733,300**	17,758,143	21,003,079	**12,131,726**	10,835,106	10,459,496
Interbank loans receivable	**38,939,572**	22,943,529	10,580,432	**37,464,504**	22,274,306	10,581,083
Securities held under agreements to resell	**15,819,273**	2,517,764	20,700,000	**15,819,273**	1,149,984	20,700,000
	301,757,225	179,702,164	171,832,310	**292,583,293**	165,703,152	156,310,617
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	**27,552,773**	25,135,724	30,500,927	**27,454,459**	25,038,434	29,642,159
Due from Bangko Sentral ng Pilipinas	**161,001,912**	202,129,356	105,981,801	**161,001,912**	202,129,356	101,801,597
Due from other banks	**27,222,083**	19,733,300	17,758,143	**19,324,000**	12,131,726	10,835,106
Interbank loans receivable (Note 8)	**30,453,378**	38,939,572	22,943,529	**29,042,376**	37,464,504	22,274,306
Securities held under agreements to resell	**15,796,673**	15,819,273	2,517,764	**15,796,673**	15,819,273	1,149,984
	₱262,026,819	₱301,757,225	₱179,702,164	**₱252,619,420**	₱292,583,293	₱165,703,152
OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS						
Interest paid	**₱7,690,053**	₱11,936,540	₱17,522,121	**₱7,670,243**	₱11,494,829	₱15,188,304
Interest received	**42,928,178**	47,391,100	49,063,648	**42,075,051**	44,519,365	43,948,726

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS
(Amounts in Thousand Pesos except When Otherwise Indicated)

1. Corporate Information

Philippine National Bank (PNB or the Parent Company) is a universal bank established in the Philippines in 1916. On June 21, 1989, PNB's shares were listed with the Philippine Stock Exchange (PSE). As of December 31, 2021 and 2020, the shares of PNB are held by the following:

	2021	2020
LT Group, Inc. (LTG) (indirect ownership through its various holding companies)	**59.83%**	59.83%
PCD Nominee Corporation *	**15.94%**	17.86%
Other stockholders owning less than 10% each	**24.23%**	22.31%
	100.00%	100.00%

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

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

The Parent Company provides a full range of banking and other financial services, which include deposit-taking, lending, bills discounting, trade finance, foreign exchange dealings, investment banking, treasury operations, fund transfers, remittance and trust services, through its 670 and 716 domestic branches as of December 31, 2021 and 2020, respectively. As of the same dates, the Parent Company has 70 overseas branches, representative offices, remittance centers and subsidiaries in 17 locations in Asia, North America and Europe.

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

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

2. Summary of Significant Accounting Policies

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 reflect the accounts maintained in its Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU). The functional currency of RBU and FCDU is Philippine pesos (₱ or PHP) and United States Dollar (USD), respectively. The individual financial statements of these units are combined and any inter-unit accounts and transactions are eliminated.

The Group presents the amounts in the financial statements to the nearest thousand pesos (₱000), unless otherwise stated.

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).

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).

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. 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.

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'.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Unless otherwise indicated, adoption of these new standards did not have an impact on the financial statements.

- Amendments to PFRS 9, *Financial Instruments*, PFRS 7, *Financial Instruments: Disclosures*, PFRS 4, *Insurance Contracts*, and PFRS 16, *Leases: Interest Rate Benchmark Reform – Phase 2*
  The amendments provide the following temporary reliefs, which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):
  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the 'separately identifiable' requirement when an RFR instrument is designated as a hedge of a risk component

  The amendments also require to disclose information about the nature and extent of risks to which an entity is exposed arising from financial instruments subject to IBOR reform, how the entity manages those risks, their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition.

- Amendment to PFRS 16, *COVID-19-Related Rent Concessions Beyond June 30, 2021*
  The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the Coronavirus Disease 2019 (COVID-19) pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:
  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
  - There is no substantive change to other terms and conditions of the lease.

  A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19-related rent concession in the same way it would account for a change that is not a lease modification, that is, as a variable lease payment.

Future Changes in Accounting Standards
Listed below are accounting standards and interpretations issued but not yet effective up to the date of issuance of the Group's financial statements. The Group intends to adopt these standards when they become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards and interpretations to have significant impact on the financial statements.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Business Combinations: Reference to the Conceptual Framework*
  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. An exception to the recognition principle of PFRS 3 was also added to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, or Philippine Interpretation IFRIC 21, *Levies*, if incurred separately. The amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments apply prospectively.

- Amendments to PAS 16, *Property, Plant and Equipment: Proceeds Before Intended Use*
  The amendments prohibit entities to deduct from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, entities should recognize the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendments must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

- Amendments to PAS 37, *Onerous Contracts: Cost of Fulfilling a Contract*
  The amendments apply a "directly related cost approach" to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. Under this approach, the costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments apply to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- Annual Improvements to PFRS Standards 2018-2020 Cycle
  - Amendments to PFRS 1, *Subsidiary as a first-time adopter*
  - Amendments to PFRS 9, *Fees in the '10 per cent' test for derecognition of financial liabilities*
  - Amendments to PAS 41, *Taxation in fair value measurements*

Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Income Taxes, Deferred Tax Related to Assets and Liabilities arising from a Single Transaction*
  The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense). The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented.

- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Accounting Estimates*
  The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amendments also clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. Early adoption of the amendments is permitted.

- Amendments to PAS 1, *Presentation of Financial Statements,* and PFRS Practice Statement 2, *Disclosure of Accounting Policies*
  The amendments provide guidance and examples to help entities apply materiality judgments to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:
  - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies; and
  - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

  Early adoption of the amendments is permitted.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
  The amendments clarify: (a) what is meant by a right to defer settlement; (b) that a right to defer must exist at the end of the reporting period; (c) that classification is unaffected by the likelihood that an entity will exercise its deferral right; and (d) 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, 2023 and must be applied retrospectively. In November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*
  PFRS 17 is comprehensive new accounting standard for insurance contracts, covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. PFRS 17 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. On December 15, 2021, the Financial Reporting Standards Council (FRSC) amended the mandatory effective date of PFRS 17 from January 1, 2023 to 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 FRSC 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.

Significant Accounting Policies

Business Combinations and Goodwill
The Group accounts for business combinations using the acquisition method. Under this method, the Group measures the acquisition cost as the aggregate of the 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. 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.

After initial recognition, the Group measures goodwill at cost less any accumulated impairment losses. For the purpose of impairment testing, the Group allocates the goodwill acquired in a business combination to each of its cash-generating units (CGUs) that are expected to benefit from the business combination.

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).

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.

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.

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).

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.

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.

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.

Financial Instruments – Initial Recognition
Date of recognition
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.

Initial recognition of financial instruments
All financial instruments are initially recognized at fair value. Except for financial instruments at FVTPL, the initial measurement of financial instruments includes transaction costs.

Financial Instruments – Classification and Subsequent Measurement
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 - 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, net of tax’.

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 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.

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.

Financial liabilities at amortized cost
The Group classifies issued financial instruments or their components which are not designated at FVTPL, as financial liabilities at amortized cost under ‘Deposit liabilities’, ‘Bills and acceptances payable’, ‘Bonds payable’ or other appropriate financial liability accounts. The substance of the contractual arrangement for these instruments results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity

shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

The Group subsequently measures financial liabilities at amortized cost using the effective interest method of amortization.

Repurchase and reverse repurchase agreements
The Group does not derecognize from the statement of financial position securities sold under agreements to repurchase at a specified future date ('repos'). Instead, the Group recognizes the corresponding cash received, including accrued interest, as a loan to the Group, reflecting the economic substance of such transaction.

Conversely, the Group does not recognize securities purchased under agreements to resell at a specified future date ('reverse repos'). The Group is not permitted to sell or repledge the securities in the absence of default by the owner of the collateral. The Group recognizes the corresponding cash paid, including accrued interest, as a loan to the counterparty. The difference between the purchase price and resale price is treated as interest income and is accrued over the life of the agreement using the effective interest method.

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.

<u>Financial Instruments – Derecognition</u>
Financial assets
The Group derecognizes a financial asset (or, where applicable, a part of a financial asset or part of a group of financial assets) when:
- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risk and rewards of the asset but has transferred control over the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control over the asset, the Group recognizes the asset only to the extent of its continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing recovery. If a write-off is later recovered, any amounts formerly charged are credited to 'Recoveries' under 'Miscellaneous Income' in the statements of income.

Financial liabilities
The Group derecognizes a financial liability when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, the Group treats such an exchange or modification as a derecognition of the original liability and recognition of a new liability, and Group recognizes the difference in the respective carrying amounts in the statement of income.

Financial Instruments – Impairment
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 Financial Instruments – Derecognition.

If a loan or credit exposure has been renegotiated or modified without this resulting in derecognition, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded, based on the change in cash flows discounted at the loan's original effective interest rate (EIR). The Group also assesses whether there has been a SICR by comparing the risk of default at reporting date based on modified terms, and the risk of default at initial recognition date based on original terms. Derecognition decisions and classification between Stages 2 and 3 are determined on a case-by-case basis.

Purchased or originated credit-impaired loans
The Group considers a loan as credit-impaired on purchase or origination if there is evidence of impairment at the time of initial recognition (i.e., acquired/purchased at a deep discounted price). The Group recognizes the cumulative changes in Lifetime ECL since initial recognition as a loss allowance for purchased or originated credit-impaired loan.

Measurement of ECL
ECLs are generally measured based on the risk of default over one of two different time horizons, depending on whether there has been SICR since initial recognition. ECL calculations are based on the following components:

- Probability of default (PD) – an estimate of the likelihood that a borrower will default on its obligations over the next 12 months for Stage 1 or over the remaining life of the credit exposure for Stages 2 and 3.
- Loss-given-default (LGD) – an estimate of the loss arising in case where default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive, including from any collateral.
- Exposure-at-default (EAD) – an estimate of the exposure at a future/default date taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, expected drawdown on committed facilities and accrued interest from missed payments.
- Discount rate – represents the rate to be used to discount an expected loss to present value at the reporting date using the original EIR determined at initial recognition.

In measuring ECL, the Group considers forward-looking information depending on the credit exposure. The Group applies experienced credit judgment, which is essential in assessing the soundness of forward-looking information and in ensuring that these are adequately supported. Forward-looking macroeconomic information and scenarios consider:

- factors that may affect the general economic or market conditions in which the Group operates, such as gross domestic product growth rates, foreign exchange rates, inflation rate, among others;
- changes in government policies, rules and regulations, such as adjustments to policy rates;
- other factors pertinent to the Group, including the proper identification and mitigation of risks such as incidences of loan defaults or losses.

The Group also measures ECL by evaluating a range of possible outcomes and using reasonable and supportable pieces of information that are available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

<u>Financial Guarantees and Undrawn Loan Commitments</u>
The Group gives loan commitments and financial guarantees consisting of letters of credit, letters of guarantees, and acceptances.

Financial guarantees are contracts that require the Group as issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. The Group initially recognizes financial guarantees on trade receivables at fair value under ‘Bills and acceptances payable’ or ‘Other liabilities’ in the statement of financial position. Subsequent to initial recognition, the Group measures these financial guarantees at the higher of:

- the initial fair value less any cumulative amount of income or amortization recognized in the statement of income; and
- the ECL determined under PFRS 9.

Undrawn loan commitments and letters of credit are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer.

The nominal contractual value of financial guarantees and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the statement of financial position.

The Group estimates the expected portion of the undrawn loan commitments that will be drawn over their expected life. The ECL related to financial guarantees and loan commitments without outstanding drawn amounts is recognized in 'Allowance for credit losses' under 'Loans and receivables'.

Investments in Subsidiaries, Associates and Joint Ventures

The Group's associate pertains to the entity 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 an associate in the statement of financial position at cost plus post-acquisition changes in the share in the net assets of the associate. The Group reflects its share in the results of operations of the associate in the statement of income. When there has been a change recognized in the associate'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 associate to the extent of the interest of the Group in the associate.

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 the associate, the Group measures and recognizes any retained investment at its fair value. Any resulting difference between the aggregate of the associate'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 that did not result in a loss of control, 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 investee account. The profit and loss treatment of such gains or losses is on the basis that the non-controlling interest is not reflected in the separate financial statements.

Property and Equipment

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.

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 accounting policy on Leases for the recognition and measurement of right-of-use assets included under ‘Property and equipment’.

The Group derecognizes an item of property and equipment upon disposal or when no future economic benefits are expected from its use or disposal. The Group includes any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) in the statement of income in the period the asset is derecognized.

Investment Properties and Chattel Mortgage Properties

The Group initially measures investment properties and chattel mortgage properties initially at cost, including transaction costs. 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.

The Group derecognizes investment properties and chattel mortgage properties when they have 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 an investment property in the statement of income under ‘Net gains (losses) on sale or exchange of assets’ in the period of retirement or disposal.

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.

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. Following initial recognition, the Group carries intangible assets at cost less any accumulated amortization and accumulated impairment losses. 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.

The Group measures any gains or losses arising from derecognition of an intangible asset as the difference between the net disposal proceeds and the carrying amount of the asset. The Group recognizes these gains or losses in the statement of income in the period when the intangible asset is disposed of.

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.

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.

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.

<u>Impairment of Nonfinancial Assets</u>
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 CGU to which it belongs.

When the carrying amount of an asset exceeds its recoverable amount, the Group considers the asset as impaired and writes the asset down to its recoverable amount. In assessing VIU, the Group discounts the estimated future cash flows to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The Group charges the impairment loss against current operations. At each reporting date, the Group assesses whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the recoverable amount and reverses a previously recognized impairment loss only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal recognized in the statement of income cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. After such reversal, the Group adjusts the depreciation and amortization in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Goodwill
The Group performs its annual impairment test of goodwill every fourth quarter, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

The Group determines impairment for goodwill by assessing the recoverable amount of the CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or group of CGUs) to which goodwill has been allocated (or to the aggregate carrying amount of a group of CGUs to which the goodwill relates but cannot be allocated), the Group recognizes an impairment loss immediately in the statement of income under 'Provision for impairment, credit and other losses'. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods.

Equity
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.

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
- 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
- Net unrealized gains (losses) on financial assets at FVOCI – comprises changes in fair value of financial assets at FVOCI

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.

Securities Issuance Costs
The Group capitalizes the issuance, underwriting and other related expenses incurred in connection with the issuance of debt securities (other than debt securities designated at FVTPL) and amortizes over the terms of the instruments using the effective interest method. The Group includes any unamortized debt issuance costs in the carrying value of the related debt instruments in the statement of financial position.

For underwriting, share registration, and other share issuance costs and taxes incurred in connection with the issuance of equity securities, the Group accounts for these costs as reduction of equity against 'Capital paid in excess of par value'. If the 'Capital paid in excess of par value' is not sufficient, the share issuance costs are charged against the 'Surplus'. For transaction costs that relate jointly to the offering and listing of the shares, the Group allocates the costs to those transactions (i.e., reduction against equity for those allocated to offering of shares, and expensed for those allocated to listing of shares) using a basis of allocation that is rational and consistent with similar transactions.

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. The following specific recognition criteria must also be met before revenue is recognized within the scope of PFRS 15, *Revenue from Contracts with Customers*:

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.

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.
Other income
The Group recognizes income from sale of properties upon completion of the earning process upon transfer of control and when the collectability of the sales price is reasonably assured.

The following are revenue streams of the Group, which are covered by accounting standards other than PFRS 15:

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

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

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

Commitment fees
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 revenue over the expected life of the loan.

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 revenue the unearned and other deferred income over the installment terms using the effective interest method.

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.

Dividend income
The Group recognizes dividend income when the Group's right to receive payment is established.

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.

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'.

Income on direct financing leases and receivables financed
The Group recognizes income on direct financing leases and receivables financed using the effective interest method and any unearned discounts are shown as deduction against 'Loans and receivables' . Unearned discounts are amortized over the term of the note or lease using the effective interest method and consist of:
- transaction and finance fees on finance leases and loans and receivables financed with long-term maturities; and
- excess of the aggregate lease rentals plus the estimated residual value of the leased equipment over its cost.

<u>Expenditures</u>
Borrowing costs
The Group recognizes borrowing costs as expense in the year in which these costs are incurred. Borrowing costs consist of interest expense calculated using the effective interest method that the Group incurs in connection with borrowing of funds.

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.

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

	Years
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.

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.

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.

Retirement Benefits
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.

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.

Share-based Payment
Employees of the Parent Company receive remuneration in the form of share-based payments, where employees render services as consideration for equity instruments. The Parent Company determines the cost of equity-settled transactions at fair value at the date when the grant is made, and recognizes as 'Compensation and fringe benefits', together with a corresponding increase in equity ('Other equity reserves'), over the period in which the service is fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects to the extent to which the vesting period has expired and the Parent Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of income for a period represents the movement in the cumulative expense recognized as at the beginning and end of the period.

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.

Group as a lessee
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.

- 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.

Group as a lessor
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.

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'.

Contingent Liabilities and Contingent Assets

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.

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.

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.

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.

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.

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.

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.

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.

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.

Judgments

(a) 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.

(b) 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.

(c) *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.

(d) *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 (Note 5). 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 independent valuation companies (Note 5).

(e) *Determination of lease term for lease contracts with renewal and termination options*
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization of the leased asset).

(f) *Classification of leases*
In arrangements that are, or contain, leases, the Group determines based on an evaluation of the terms and conditions of the arrangements whether or not the lessor retains all the significant risks and rewards of ownership of the properties which are leased out.

In classifying such arrangements as operating leases, the Group considers the following:
- the lease does not transfer ownership of the asset to the lessee by the end of the lease term;
- the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable;
- the present value of the minimum lease payments is substantially lower than the fair value of the leased asset;
- the losses associated with any cancellation of the lease are borne by the lessor; and
- the lease term is not for the major part of the asset's economic useful life.

When the above terms and provisions do not apply, the Group classifies the lease arrangements as finance leases.

(g) *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 (Note 34).

(h) *Determination of functional currency*
PAS 21, *The Effects of Changes in Foreign Exchange Rates*, requires the Group to use its judgment to determine the functional currency of the Group, including its foreign operations, such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to each entity or reporting unit.

In making this judgment, the Group considers the following:
- the currency that mainly influences prices for financial instruments and services (this will often be the currency in which prices for its financial instruments and services are denominated and settled);
- the currency in which funds from financing activities are generated; and
- the currency in which receipts from operating activities are usually retained.

<u>Estimates</u>
(a) *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.

The ongoing COVID-19 outbreak is widely expected to adversely affect the global economy and financial markets for the foreseeable future. The economic impact of COVID-19 depends on the mutation of the virus and the response of the authorities and the global community. The situation continues to evolve and the impact on the global and Philippine economy and the related government responses and measures depend on future developments that are highly uncertain. In light of the COVID-19 pandemic, starting April 2020, the Group reviewed the conduct of its impairment assessment and ECL methodologies. The Group revisited the segmentation of its portfolio based on industry vulnerability and resiliency assessment. The Group also reassessed the framework for macroeconomic overlay, incorporating pandemic scenarios to ensure that changes in economic conditions are captured in the ECL calculations. In assessing forecast conditions to estimate the PDs and LGDs, the Group also considered the significant government measures and plans to support affected and/or vulnerable entities, as well as the impact on the collateral values.

Refer to Note 16 for the details of the carrying value of financial assets subject to ECL and for the details of the ECL.

(b) *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. As the COVID-19 pandemic has affected the Group’s normal operations, the Group reassessed its business plan, as well as tax strategies, in the next three to five years, considering various economic scenarios including recovery outlook, effect of the pandemic on specific industries and trade, travel restrictions, and government relief efforts.

(c) *Present value of lease liabilities*
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate to measure lease liabilities. The incremental borrowing rate reflects what the Group ‘would have to pay’, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency).

The Group estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments (such as the subsidiary’s stand-alone credit rating, or to reflect the terms and conditions of the lease).

The carrying amounts of lease liabilities as of December 31, 2021 and 2020 are disclosed in Note 29.

(d) Present value of retirement obligation

The Group determines the cost of defined benefit pension plan and other post-employment benefits using actuarial valuations, which involve making assumptions about discount rates, future salary increases, mortality rates and employee turnover. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. The Group reviews all assumptions at each reporting date.

The discount rate is based on zero-coupon yield of government bonds with remaining maturity approximating the estimated average duration of benefit payment. Future salary increases are based on the Group's policy considering the prevailing inflation rate. The mortality rate used is based on publicly available mortality table modified accordingly with estimates of mortality improvements. The employee turnover is based on the Group's most recent experience.

The 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.

The present value of retirement obligation and fair value of plan assets are disclosed in Note 28.

(e) Impairment of nonfinancial assets

The Parent Company assesses impairment on its investments in subsidiaries and an associate whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Among others, the Parent Company considers the following triggers for an impairment review on its investments in subsidiaries and an associate:

- deteriorating or poor financial condition;
- recurring net losses; and
- significant changes on the technological, market, economic, or legal environment which had an adverse effect on the subsidiary or associate during the period or in the near future, in which the subsidiary or associate operates.

The Group also assesses impairment on its property and equipment, investment properties and chattel properties, and intangibles with finite useful lives and considers the following impairment indicators:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

Recoverable amounts of investment properties and land and building are determined based on fair value less cost to sell.

The carrying values of the Group's property and equipment, investments in subsidiaries and an associate, investment properties, intangible assets, and other nonfinancial assets are disclosed in Notes 11, 12, 13, 14 and 15, respectively.

(f) *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 margin, discount rates, projected long-term growth rates (derived based on the forecast local gross domestic product) used to extrapolate cash flows beyond the budget period.

Estimating future earnings involves judgment which takes into account past and actual performance and expected developments in the respective markets and in the overall macro-economic environment. With the outbreak of COVID-19 in early 2020, the Group revisited its business plan and applied judgment to reassess the projections of future cash flows as of December 31, 2021, considering various economic scenarios including recovery outlook, effect of the pandemic on specific industries and trade, travel restrictions, and government relief efforts.

The carrying values of the Group's goodwill, accumulated impairment losses, and key assumptions used in determining VIU are disclosed in Note 14.

4. Financial Risk Management Objectives and Policies

Introduction
The Parent Company's BOD has overall responsibility for the establishment and oversight of the Group's risk management framework. As delegated by the BOD, the Risk Oversight Committee (ROC) is mandated to set risk appetite, approve frameworks, policies and processes for managing risk, and accept risks beyond the approval discretion provided to management. The ROC advises on the overall current and future risk appetite and strategy and assists in overseeing the implementation of those strategies and business plans by senior management. Details of the Parent Company's risk framework are discussed under the Risk Management Disclosure Section of the Parent Company's annual report.

The Group's activities are principally related to the development, delivery, servicing and use of financial instruments. Risk is inherent in these activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability.

The Group defines material risks (at group level) as those risks from any business activity large enough to threaten the Parent Company's capital position to drop below its desired level resulting in either a ₱13.3 billion increase in risk-weighted assets or a ₱1.7 billion reduction in earnings and/or qualifying capital which translate into a reduction in CAR by 20 basis points (bps).

Resulting from the assessments based on the premise identified above, the Parent Company agrees and reviews on a regular basis the material risks that need particular focus from all three lines of defense. For the assessment period 2020-2022, these are based on the following nine (9) material risks, which are grouped under Pillar 1 and Pillar 2 risks, and shall be covered in the Internal Capital Adequacy Assessment Process (ICAAP) document and required for monitoring.

Types and definition of each of these risks are discussed hereunder:

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

Pillar 2 Risks:
4. Credit Concentration Risk
5. Interest Rate Risk in Banking Book (IRRBB)
6. Liquidity Risk
7. Reputational / Customer Franchise Risk
8. Strategic Business Risk
9. Cyber Security Risk

The Risk Management Group (RMG) provides the legwork for the ROC in its role of formulating the risk management strategy, the development and maintenance of the internal risk management framework, and the definition of the governing risk management principles. The RMG provides assistance to the Assets and Liabilities Committee (ALCO) on capital management and the Board Policy Committee on the management of regulatory capital.

The mandate of the RMG involves:
- Implementing the risk management framework of identifying, measuring, controlling and monitoring the various risk taking activities of the Group, inherent in all financial institutions;
- Providing services to the risk-taking units and personnel in the implementation of risk mitigation strategies; and
- Establishing recommended limits based on the results of its analysis of exposures.

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 sector and credit management sector. Risk management is embedded in the entire credit process, i.e., from credit origination to remedial management (if needed).

Among the tools used by the Group in identifying, assessing and managing credit risk include:
- Documented credit policies and procedures: sound credit granting process, risk asset acceptance criteria, target market and approving authorities;
- System for administration and monitoring of exposure;
- Pre-approval review of loan proposals;
- Post approval review of implemented loans;
- Work out system for managing problem credits;
- Regular review of the sufficiency of valuation reserves;
- Monitoring of the adequacy of capital for credit risk via the CAR report;
- Monitoring of breaches in regulatory and internal limits;
- Credit Risk Management Dashboard;
- Diversification;

- Internal Risk Rating System for corporate accounts;
- Credit Scoring for retail accounts; and
- Active loan portfolio management undertaken to determine the quality of the loan portfolio and identify: portfolio growth, movement of loan portfolio, adequacy of loan loss reserves, trend of nonperforming loans (NPLs), and concentration risk (per classified account, per industry, clean exposure, large exposure, contingent exposure, currency, security, facility, demographic, etc.)

The Group follows the BOD approved policy on the generic classification of loans based on the type of borrowers and the purpose of the loan. The loan portfolio is grouped based on the underlying risk characteristics that are expected to respond in a similar manner to macroeconomic factors and forward looking conditions.

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 LCs lines while commercial LCs are collateralized by the underlying shipments of goods to which they relate.

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.

Collateral and other credit enhancement
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 Asset 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.

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			
	2021			
	Maximum Exposure	**Fair Value of Collateral**	**Net Exposure**	**Financial Effect of Collateral**
Securities held under agreements to resell	**₱15,796,673**	**₱15,800,317**	**₱–**	**₱15,796,673**
Loans and receivables:				
Receivables from customers*:				
Corporates	**527,718,995**	**247,961,955**	**429,891,939**	**97,827,056**
Local government units (LGU)	**4,241,018**	–	**4,241,018**	–
Credit Cards	**10,749,018**	–	**10,749,018**	–
Retail small and medium enterprises (SME)	**7,522,925**	**6,971,613**	**5,715,786**	**1,807,139**
Housing Loans	**27,484,803**	**7,263,711**	**25,913,056**	**1,571,747**
Auto Loans	**7,286,027**	**6,738,811**	**3,945,861**	**3,340,166**
Others	**7,887,441**	**7,710,970**	**6,631,679**	**1,255,762**
Other receivables	**13,338,658**	-	**13,338,658**	–
	₱622,025,558	**₱292,447,377**	**₱500,427,015**	**₱121,598,543**

**Receivables from customers exclude residual value of the leased asset (Note 10).*

	Consolidated			
	2020			
	Maximum Exposure	Fair Value of Collateral	Net Exposure	Financial Effect of Collateral
Securities held under agreements to resell	₱15,819,273	₱16,499,434	₱–	₱15,819,273
Loans and receivables:				
Receivables from customers*:				
Corporates	505,179,722	193,780,977	412,861,814	92,317,908
Local government units (LGU)	6,371,695	–	6,371,695	–
Credit Cards	9,942,901	–	9,942,901	–
Retail small and medium enterprises (SME)	10,630,717	9,884,496	6,122,742	4,507,975
Housing Loans	22,738,418	5,585,969	19,267,060	3,471,358
Auto Loans	10,054,907	4,906,734	7,118,837	2,936,070
Others	19,871,454	17,973,895	14,025,920	5,845,534
Other receivables	14,506,955	–	14,506,955	–
	₱615,116,042	₱248,631,505	₱490,217,924	₱124,898,118

**Receivables from customers exclude residual value of the leased asset (Note 10).*

	Parent Company			
	2021			
	Maximum Exposure	**Fair Value of Collateral**	**Net Exposure**	**Financial Effect of Collateral**
Securities held under agreements to resell	**₱15,796,673**	**₱15,800,317**	**₱–**	**₱15,796,673**
Loans and receivables:				
Receivables from customers:				
Corporates	**517,966,207**	**246,894,007**	**429,891,939**	**88,074,268**
LGU	**4,241,018**	–	**4,241,018**	–
Credit Cards	**10,749,018**	–	**10,749,018**	–
Retail SME	**5,750,965**	**3,714,598**	**5,715,786**	**35,179**
Housing Loans	**26,607,300**	**5,982,154**	**25,913,056**	**694,244**
Auto Loans	**7,286,027**	**6,738,811**	**3,945,861**	**3,340,166**
Others	**6,420,782**	**7,494,006**	**6,242,747**	**178,035**
Other receivables	**13,477,444**	–	**13,477,444**	–
	₱608,295,434	**₱286,623,893**	**₱500,176,869**	**₱108,118,565**

	Parent Company			
	2020			
	Maximum Exposure	Fair Value of Collateral	Net Exposure	Financial Effect of Collateral
Securities held under agreements to resell	₱15,819,273	₱16,499,434	₱–	₱15,819,273
Loans and receivables:				
Receivables from customers:				
Corporates	497,632,975	177,319,514	411,483,722	86,149,253
LGU	6,371,695	–	6,371,695	–
Credit Cards	9,942,901	–	9,942,901	–
Retail SME	7,917,077	6,268,900	5,591,610	2,325,467
Housing Loans	22,119,575	4,475,206	19,267,059	2,852,516
Auto Loans	10,054,907	4,906,734	7,118,837	2,936,070
Others	18,200,510	13,309,752	14,025,873	4,174,637
Other receivables	14,662,221	–	14,662,221	–
	₱602,721,134	₱222,779,540	₱488,463,918	₱114,257,216

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.

Excessive risk concentration
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.

a. 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.

b. 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			
	2021			
	Loans and receivables*	**Trading and investment securities**	**Other financial assets****	**Total**
Philippines	**₱556,478,910**	**₱200,906,568**	**₱176,809,453**	**₱934,194,931**
Asia (excluding the Philippines)	**29,779,159**	**43,636,805**	**39,214,150**	**112,630,114**
USA and Canada	**8,201,937**	**18,728,426**	**16,566,107**	**43,496,470**
United Kingdom	**1,820,209**	**5,318,234**	**2,476,726**	**9,615,169**
Other European Union Countries	**8,356,214**	**20,757**	**1,062,066**	**9,439,037**
Middle East	**924,033**	**–**	**144,953**	**1,068,986**
Oceania	**668,423**	**–**	**3,323**	**671,746**
	₱606,228,885	**₱268,610,790**	**₱236,276,778**	**₱1,111,116,453**

**Loans and receivables exclude residual value of the leased asset (Note 10)*
*** Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15)*

	Consolidated			
	2020			
	Loans and receivables*	Trading and investment securities	Other financial assets**	Total
Philippines	₱552,879,878	₱172,370,408	₱219,274,507	₱944,524,793
Asia (excluding the Philippines)	24,258,857	48,309,476	23,964,841	96,533,174
USA and Canada	6,869,301	25,055,603	9,126,132	41,051,036
United Kingdom	5,654,986	4,645,583	13,500,252	23,800,821
Other European Union Countries	8,077,246	3	11,605,874	19,683,123
Middle East	942,688	2,395,980	11,213	3,349,881
Oceania	613,813	–	–	613,813
	₱599,296,769	₱252,777,053	₱277,482,819	₱1,129,556,641

**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			
	2021			
	Loans and receivables	**Trading and investment securities**	**Other financial assets***	**Total**
Philippines	**₱554,890,216**	**₱200,470,439**	**₱178,478,647**	**₱933,839,302**
Asia (excluding the Philippines)	**17,701,682**	**43,633,794**	**30,201,697**	**91,537,173**
USA and Canada	**8,139,898**	**18,600,477**	**14,972,087**	**41,712,462**
United Kingdom	**8,356,214**	**5,159,055**	**1,723,570**	**15,238,839**
Other European Union Countries	**1,818,298**	**20,757**	**1,033,728**	**2,872,783**
Middle East	**924,033**	**–**	**144,953**	**1,068,986**
Oceania	**668,420**	**–**	**–**	**668,420**
	₱592,498,761	**₱267,884,522**	**₱226,554,682**	**₱1,086,937,965**

**Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15)*

	Parent Company			
	2020			
	Loans and receivables	Trading and investment securities	Other financial assets*	Total
Philippines	₱552,079,005	₱170,119,011	₱220,774,417	₱942,972,433
Asia (excluding the Philippines)	12,760,255	48,304,380	15,509,753	76,574,388
USA and Canada	6,799,933	24,935,253	7,558,596	39,293,782
United Kingdom	5,628,921	4,572,413	12,618,977	22,820,311
Other European Union Countries	8,077,246	3	11,552,342	19,629,591
Middle East	942,688	2,395,980	11,213	3,349,881
Oceania	613,813	–	–	613,813
	₱586,901,861	₱250,327,040	₱268,025,298	₱1,105,254,199

**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)*

c. Concentration by Industry

The tables below show the industry sector analysis of the Group's and Parent Company's financial assets at amounts before taking into account the fair value of the loan collateral held or other credit enhancements.

	Consolidated			
	2021			
	Loans and receivables*	**Trading and investment securities**	**Other financial assets*** **	**Total**
Primary target industry:				
Financial intermediaries	**₱126,158,573**	**₱43,483,287**	**₱53,561,402**	**₱223,203,262**
Wholesale and retail	**86,433,023**	–	**–**	**86,433,023**
Electricity, gas and water	**72,426,116**	**10,302,995**	**–**	**82,729,111**
Transport, storage and communication	**51,693,269**	**4,045**	**–**	**51,697,314**
Manufacturing	**46,914,627**	**129,678**	**–**	**47,044,305**
Agriculture, hunting and forestry	**8,271,048**	–	**–**	**8,271,048**
Public administration and defense	**6,409,301**	–	**–**	**6,409,301**
Secondary target industry:				
Government	**4,240,406**	**159,000,735**	**182,319,161**	**345,560,302**
Real estate, renting and business activities	**95,267,868**	**13,729,541**	**–**	**108,997,409**
Construction	**26,281,431**	–	**–**	**26,281,431**
Others**	**82,133,223**	**41,960,509**	**396,215**	**124,489,947**
	₱606,228,885	**₱268,610,790**	**₱236,276,778**	**₱1,111,116,453**

**Loans and receivables exclude residual value of the leased asset (Note 10)*
***Others include the following sectors - Other community, social and personal services, private household, hotel and restaurant, education, mining and quarrying, and health and social work.*
****Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15)*

	Consolidated			
	2020			
	Loans and receivables*	Trading and investment securities	Other financial assets***	Total
Primary target industry:				
Financial intermediaries	₱91,848,379	₱41,345,803	₱60,169,125	₱193,363,307
Wholesale and retail	82,953,090	–	–	82,953,090
Electricity, gas and water	72,565,910	4,080,777	–	76,646,687
Transport, storage and communication	54,836,228	50,862	–	54,887,090
Manufacturing	46,796,772	1,578,584	–	48,375,356
Public administration and defense	12,463,250	–	–	12,463,250
Agriculture, hunting and forestry	9,055,935	–	–	9,055,935
Secondary target industry:				
Government	5,713,730	170,983,272	217,088,611	393,785,613
Real estate, renting and business activities	96,309,149	14,857,795	–	111,166,944
Construction	34,184,356	–	–	34,184,356
Others**	92,569,970	19,879,960	225,083	112,675,013
	₱599,296,769	₱252,777,053	₱277,482,819	₱1,129,556,641

**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			
	2021			
	Loans and receivables	**Trading and investment securities**	**Other financial assets****	**Total**
Primary target industry:				
Financial intermediaries	**₱126,812,309**	**₱43,479,276**	**₱43,973,406**	**₱214,264,991**
Wholesale and retail	**82,109,030**	**–**	**–**	**82,109,030**
Electricity, gas and water	**72,421,660**	**10,302,995**	–	**82,724,655**
Transport, storage and communication	**50,883,391**	**–**	**–**	**50,883,391**
Manufacturing	**43,338,986**	**129,678**	–	**43,468,664**
Agriculture, hunting and forestry	**8,079,223**	**–**	**–**	**8,079,223**
Public administration and defense	**6,409,301**	**–**	**–**	**6,409,301**
Secondary target industry:				
Government	**4,240,406**	**158,886,167**	**182,319,161**	**345,445,734**
Real estate, renting and business activities	**91,680,656**	**13,126,066**	–	**104,806,722**
Construction	**26,020,918**	**–**	–	**26,020,918**
Others*	**80,502,881**	**41,960,340**	**262,115**	**122,725,336**
	₱592,498,761	**₱267,884,522**	**₱226,554,682**	**₱1,086,937,965**

**Others include the following sectors - Other community, social and personal services, private household, hotel and restaurant, education, mining and quarrying, and health and social work.*
***Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15).*

	Parent Company			
	2020			
	Loans and receivables	Trading and investment securities	Other financial assets**	Total
Primary target industry:				
Financial intermediaries	₱93,716,924	₱41,336,164	₱50,724,641	₱185,777,729
Wholesale and retail	79,221,782	–	–	79,221,782
Electricity, gas and water	72,516,314	4,080,724	–	76,597,038
Manufacturing	43,183,396	1,623,974	–	44,807,370
Transport, storage and communication	54,449,387			54,449,387
Public administration and defense	12,463,250	–	–	12,463,250
Agriculture, hunting and forestry	8,866,767	–	–	8,866,767
Secondary target industry:				
Government	5,713,730	170,951,180	217,088,611	393,753,521
Real estate, renting and business activities	93,341,177	12,540,208	–	105,881,385
Construction	33,160,413	–	–	33,160,413
Others*	90,268,721	19,794,790	212,046	110,275,557
	₱586,901,861	₱250,327,040	₱268,025,298	₱1,105,254,199

**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.

Credit quality per class of financial assets
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 Non-Retail and Retail. Non-Retail portfolio of the Group 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, Specialised Lending (e.g. Project Finance), Large Corporates, Middle Market and Commercial SME, government-owned and controlled corporations and LGUs. Retail exposures are exposures to individual person or persons or to a small business, and are not usually managed on an individual basis but as groups of exposures with similar risk characteristics. This includes Credit Cards, Consumer Loans and Retail SME, among others.

<u>Loans and Receivables</u>
The credit quality of 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).

Specific borrower rating models were developed by the Group to capture specific and unique risk characteristics of each of the Non-Retail segment. The borrower risk rating 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 borrower risk rating 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 CRR system**
High S&P Equivalent Global Rating: AAA to BBB-	*BRR 1 Excellent* Borrower has an exceptionally strong capacity to meet its financial commitments. No existing disruptions or future disruptions are highly unlikely. Probability of going into default in the coming year is very minimal/low. *BRR 2 Very Strong* Borrower has a very strong capacity to meet its financial commitments. No existing disruptions or future disruptions are unlikely. It differs from BRR 1 borrowers only to a small degree. Probability of going into default in the coming year is very minimal/low. *BRR 3 Strong* Borrower has a strong capacity to meet its financial commitments. No existing disruptions or future disruptions are unlikely. However, adverse economic conditions or changing circumstances could lead to somewhat lesser capacity to meet financial obligations than in higher-rated borrowers. Probability of going into default in the coming year is very minimal/low. *BRR 4-6 Good* Borrower has an adequate capacity to meet its financial commitments in the normal course of its business. With identified disruptions from external factors but company has or will likely overcome. Default possibility is minimal/low.

Credit quality	26-grade CRR system
	BRR 7-9 Satisfactory Borrower under this rating scale basically possesses the characteristics of borrowers rated as BRR 4 to BRR 6 with slightly lesser quality. Default possibility is minimal/low. *BRR 10-12 Adequate* Borrower has an adequate capacity to meet its financial commitments under the normal course of business. However, adverse economic conditions and changing circumstances are more likely to weaken the borrower's capacity to meet its financial commitments. Default possibility is minimal/low.
Standard S&P Equivalent Global Rating: BB+ to BB-	*BRR 13-15 Average* Borrower still has the capacity to meet its financial commitments and withstand normal business cycles, however, any prolonged unfavorable economic and/or market conditions would create an immediate deterioration beyond acceptable levels. With identified disruptions from external forces, impact on the borrower is uncertain. Default is a possibility. *BRR 16-18 Acceptable* Borrower under this rating scale basically possesses the characteristics of borrowers rated as BRR 13 to BRR 15 with slightly lesser quality. Default is a possibility. *BRR 19-20 Vulnerable* Borrower is less vulnerable in the near term than other low-rated borrowers. However, it faces major ongoing uncertainties and exposure to adverse business, financial or economic conditions that could lead to the borrower's inadequate capacity to meet its financial commitment. Default is a possibility
Substandard S&P Equivalent Global Rating: B+ to CCC-	*BRR 21-22 Weak* Borrower is more vulnerable than the borrowers rated BRR 19 and BRR 20 but the borrower currently has the capacity to meet its financial commitments. Adverse business, financial, or economic conditions will likely impair the borrower’s capacity or willingness to meet its financial commitments. Default is more than a possibility. *BRR 23-25 Watchlist* Borrower is currently vulnerable and is dependent upon favorable business, financial, and economic conditions to meet its financial commitments. Borrower may already be experiencing losses and impaired capital in the case of BRR 25.
Impaired S&P Equivalent Global Rating: D	*BRR 26 Default* Default will be a general default. Borrower will fail to pay all or substantially all of its obligations as they come due.

For the Retail segment of the 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, 2021 and 2020:

	Consolidated			
	2021			
	Stage 1	Stage 2	Stage 3	Total
Subject to CRR				
Non-Retail – Corporate				
High	**₱213,838,798**	**₱–**	**₱–**	**₱213,838,798**
Standard	**212,873,427**	**3,844,270**	**–**	**216,717,697**
Substandard	**40,871,799**	**21,006,283**	**–**	**61,878,082**
Impaired	**–**	**–**	**53,190,550**	**53,190,550**
	467,584,024	**24,850,553**	**53,190,550**	**545,625,127**
Subject to Scoring and Unrated				
Non-Retail	**10,135,795**	**157,989**	**2,366,325**	**12,660,109**
Corporate	**5,919,463**	**109,747**	**2,298,527**	**8,327,737**
LGU	**4,216,332**	**48,242**	**67,798**	**4,332,372**

(Forward)

	Consolidated			
	2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Retail	**₱42,972,853**	**₱1,081,229**	**₱18,382,820**	**₱62,436,902**
Auto Loans	**5,942,501**	**162,915**	**2,733,492**	**8,838,908**
Housing Loans	**20,002,043**	**486,743**	**10,428,593**	**30,917,379**
Retail SME	**6,559,372**	**162,158**	**2,802,140**	**9,523,670**
Credit Card	**10,468,937**	**269,413**	**2,418,595**	**13,156,945**
Others	**7,520,493**	**377,111**	**1,197,669**	**9,095,273**
	60,629,141	**1,616,329**	**21,946,814**	**84,192,284**
	₱528,213,165	**₱26,466,882**	**₱75,137,364**	**₱629,817,411**

	Consolidated			
	2020			
	Stage 1	Stage 2	Stage 3	Total
Subject to CRR				
Non-Retail - Corporate				
High	₱147,515,062	₱82,461	₱–	₱147,597,523
Standard	248,026,670	11,039,396	–	259,066,066
Substandard	46,768,223	19,014,224	–	65,782,447
Impaired	–	–	50,830,167	50,830,167
	442,309,955	30,136,081	50,830,167	523,276,203
Subject to Scoring and Unrated				
Non-Retail	8,125,501	7,450	24,916	8,157,867
Corporate	1,735,479	–	–	1,735,479
LGU	6,390,022	7,450	24,916	6,422,388
Retail	44,241,440	2,175,219	15,328,568	61,745,227
Auto Loans	7,900,760	603,828	2,694,913	11,199,501
Housing Loans	16,221,255	1,049,729	8,073,186	25,344,170
Retail SME	10,920,558	322,035	1,428,394	12,670,987
Credit Card	9,198,867	199,627	3,132,075	12,530,569
Others	15,286,939	1,537,544	5,359,160	22,183,643
	67,653,880	3,720,213	20,712,644	92,086,737
	₱509,963,835	₱33,856,294	₱71,542,811	₱615,362,940

	Parent Company			
	2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Subject to CRR				
Non-Retail - Corporate				
High	**₱212,114,805**	**₱–**	**₱–**	**₱212,114,805**
Standard	**206,430,322**	**3,776,903**	**–**	**210,207,225**
Substandard	**40,763,415**	**20,989,666**	**–**	**61,753,081**
Impaired	**–**	**–**	**52,982,964**	**52,982,964**
	459,308,542	**24,766,569**	**52,982,964**	**537,058,075**
Subject to Scoring and Unrated				
Non-Retail	**10,135,795**	**157,989**	**2,366,325**	**12,660,109**
Corporate	**5,919,463**	**109,747**	**2,298,527**	**8,327,737**
LGU	**4,216,332**	**48,242**	**67,798**	**4,332,372**
Retail	**40,728,876**	**972,564**	**16,728,621**	**58,430,061**
Auto Loans	**5,942,501**	**162,915**	**2,733,492**	**8,838,908**
Housing Loans	**19,117,763**	**486,743**	**10,417,573**	**30,022,079**
Retail SME	**5,199,675**	**53,493**	**1,158,961**	**6,412,129**
Credit Card	**10,468,937**	**269,413**	**2,418,595**	**13,156,945**
Others	**6,067,892**	**374,035**	**1,173,741**	**7,615,668**
	56,932,563	**1,504,588**	**20,268,687**	**78,705,838**
	₱516,241,105	**₱26,271,157**	**₱73,251,651**	**₱615,763,913**

	Parent Company			
	2020			
	Stage 1	Stage 2	Stage 3	Total
Subject to CRR				
Non-Retail - Corporate				
High	₱144,259,859	₱82,461	₱–	₱144,342,320
Standard	243,880,794	11,039,396	–	254,920,190
Substandard	46,412,887	18,941,600	–	65,354,487
Impaired	–	–	50,825,100	50,825,100
	434,553,540	30,063,457	50,825,100	515,442,097
Subject to Scoring and Unrated				
Non-Retail	8,125,501	7,450	24,916	8,157,867
Corporate	1,735,479	–	–	1,735,479
LGU	6,390,022	7,450	24,916	6,422,388
Retail	40,039,914	2,169,652	15,076,051	57,285,617
Auto Loans	7,900,760	603,828	2,694,911	11,199,499
Housing Loans	15,596,141	1,049,729	8,073,186	24,719,056
Retail SME	7,344,146	316,468	1,175,879	8,836,493
Credit Card	9,198,867	199,627	3,132,075	12,530,569
Others	13,615,979	1,536,610	5,347,939	20,500,528
	61,781,394	3,713,712	20,448,906	85,944,012
	₱496,334,934	₱33,777,169	₱71,274,006	₱601,386,109

The analysis of past due status of receivables from customers that are subject to scoring and unrated follows:

	Consolidated				
	2021				
	Less than 30 days	**31 to 90 days**	**91 to 180 days**	**More than 180 days**	**Total**
Housing Loans	₱463,159	**₱365,760**	**₱798,478**	**₱9,453,732**	**₱11,081,129**
Auto Loans	**106,552**	**111,726**	**179,743**	**2,499,658**	**2,897,679**
Credit Card	**2,338**	**76,839**	**263,944**	**2,092,666**	**2,435,787**
Retail SME	**292,832**	**147,427**	**72,810**	**965,495**	**1,478,564**
LGU	**–**	**–**	**–**	**24,916**	**24,916**
Others	**247,220**	**107,395**	**111,504**	**1,542,905**	**2,009,024**
Total	₱1,112,101	**₱809,147**	**₱1,426,479**	**₱16,579,372**	**₱19,927,099**

	Consolidated				
	2020				
	Less than 30 days	31 to 90 days	91 to 180 days	More than 180 days	Total
Housing Loans	**₱171,132**	₱24,241	₱49,569	₱8,755,260	₱9,000,202
Auto Loans	252,304	64,849	103,069	2,862,922	3,283,144
Credit Card	5,772	102,605	1,149,930	1,929,958	3,188,265
Retail SME	1,017,410	57,348	117,735	472,398	1,664,891
LGU	24,916	–	–	–	24,916
Others	1,913,966	57,888	67,406	3,746,974	5,786,234
Total	**₱3,385,500**	₱306,931	₱1,487,709	₱17,767,512	₱22,947,652

	Parent Company 2021				
	Less than 30 days	**31 to 90 days**	**91 to 180 days**	**More than 180 days**	**Total**
Housing Loans	**₱352,533**	**₱361,041**	**₱794,227**	**₱9,403,925**	**₱10,911,726**
Auto Loans	**106,552**	**111,726**	**179,743**	**2,499,658**	**2,897,679**
Credit Card	**2,338**	**76,839**	**263,944**	**2,092,666**	**2,435,787**
Retail SME	**197,544**	**133,337**	**70,980**	**797,201**	**1,199,062**
LGU	**–**	**–**	**–**	**24,916**	**24,916**
Others	**231,381**	**103,750**	**98,761**	**1,542,905**	**1,976,797**
Total	**₱890,348**	**₱786,693**	**₱1,407,655**	**₱16,361,271**	**₱19,445,967**

	Parent Company 2020				
	Less than 30 days	31 to 90 days	91 to 180 days	More than 180 days	Total
Housing Loans	₱171,132	₱24,241	₱49,569	₱8,755,260	₱9,000,202
Auto Loans	252,304	64,849	103,069	2,862,922	3,283,144
Credit Card	5,772	102,605	1,149,930	1,929,958	3,188,265
Retail SME	698,518	28,183	104,005	301,617	1,132,323
LGU	24,916	–	–	–	24,916
Others	1,904,039	57,829	35,756	3,614,926	5,612,550
Total	₱3,056,681	₱277,707	₱1,442,329	₱17,464,683	₱22,241,400

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 allowances, excluding receivables from customers, which are monitored using external ratings.

	Consolidated					
	2021					
	Aaa to Aa3	**A1 to A3**	**Baa1 and below**	**Subtotal**	**Unrated**	**Total**
Due from BSP [1/]	**₱–**	**₱–**	**₱–**	**₱–**	**₱161,001,912**	**₱161,001,912**
Due from other banks	**3,266,569**	**17,609,563**	**4,274,418**	**25,150,550**	**2,082,125**	**27,232,675**
Interbank loans receivables	**1,839,737**	**24,081,833**	**1,223,976**	**27,145,546**	**4,967,121**	**32,112,667**
Securities held under agreements to resell	**–**	**–**	**–**	**–**	**15,800,317**	**15,800,317**
Financial assets at FVOCI						
Government securities	**6,881,673**	**2,789,153**	**110,623,588**	**120,294,414**	**159,179**	**120,453,593**
Private debt securities	**577,330**	**–**	**590,387**	**1,167,717**	**21,947,762**	**23,115,479**
Quoted equity securities	**–**	**–**	**48,170**	**48,170**	**621,415**	**669,585**
Unquoted equity securities	**–**	**–**	**406,151**	**406,151**	**23,342,482**	**23,748,633**
Investment securities at amortized cost						
Government securities	**127,949**	**200,705**	**33,747,889**	**34,076,543**	**56,751**	**34,133,294**
Private debt securities	**670,407**	**26,131,022**	**2,804,403**	**29,605,832**	**29,538,883**	**59,144,715**
Financial assets at amortized cost						
Loans and receivables - Others [2/]	**–**	**–**	**–**	**–**	**16,870,479**	**16,870,479**

[1/] 'Due from BSP' is composed of interest-earning short-term placements with the BSP and a demand deposit account to support the regular operations of the Parent Company.
[2/] Loans and receivables - Others is composed of Accrued interest receivable, Accounts receivable, Sales contracts receivable and other miscellaneous receivables (Note 10).

	Consolidated					
	2020					
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated	Total
Due from BSP [1/]	₱–	₱–	₱–	₱–	₱202,129,356	₱202,129,356
Due from other banks	5,813,831	10,123,881	1,802,421	17,740,133	2,003,065	19,743,198
Interbank loans receivables	13,867,302	24,308,309	1,528,253	39,703,864	–	39,703,864
Securities held under agreements to resell	–	–	–	–	15,819,273	15,819,273
Financial assets at FVOCI						
Government securities	85,207	–	90,319,428	90,404,635	20,442,131	110,846,766
Private debt securities	405,322	3,231,687	1,975,897	5,612,906	15,805,628	21,418,534
Quoted equity securities	–	–	119,170	119,170	588,188	707,358
Unquoted equity securities	–	–	420,683	420,683	322,011	742,694
Investment securities at amortized cost						
Government securities	120,351	188,146	42,540,628	42,849,125	226,650	43,075,775
Private debt securities	1,113,697	25,550,637	7,650,120	34,314,454	21,828,162	56,142,616
Financial assets at amortized cost						
Loans and receivables - Others [2/]	–	–	–	–	17,813,208	17,813,208

[1/] 'Due from BSP' is composed of interest-earning short-term placements with the BSP and a demand deposit account to support the regular operations of the Parent Company.
[2/] Loans and receivables - Others is composed of Accrued interest receivable, Accounts receivable, Sales contracts receivable and other miscellaneous receivables (Note 10).

	Parent Company					
	2021					
	Aaa to Aa3	**A1 to A3**	**Baa1 and below**	**Subtotal**	**Unrated**	**Total**
Due from BSP [1/]	**₱–**	**₱–**	**₱–**	**₱–**	**₱161,001,912**	**₱161,001,912**
Due from other banks	**895,156**	**16,724,931**	**130,917**	**17,751,004**	**1,582,869**	**19,333,873**
Interbank loans receivables	**–**	**24,081,833**	**1,223,976**	**25,305,809**	**4,996,525**	**30,302,334**
Securities held under agreements to resell	**–**	**–**	**–**	**–**	**15,800,317**	**15,800,317**
Financial assets at FVOCI						
Government securities	**6,881,673**	**2,789,153**	**110,796,148**	**120,466,974**	**–**	**120,466,974**
Private debt securities	**577,330**	**–**	**590,387**	**1,167,717**	**21,947,762**	**23,115,479**
Quoted equity securities	**–**	**–**	**–**	**–**	**621,415**	**621,415**
Unquoted equity securities	**–**	**–**	**–**	**–**	**23,342,482**	**23,342,482**
Investment securities at amortized cost						
Government securities	**–**	**200,705**	**33,747,889**	**33,948,594**	**56,751**	**34,005,345**
Private securities	**670,407**	**26,131,022**	**2,804,403**	**29,605,832**	**29,538,883**	**59,144,715**
Financial assets at amortized cost						
Loans and receivables - Others [2/]	**–**	**–**	**–**	**–**	**16,817,233**	**16,817,233**

[1/] 'Due from BSP' is composed of interest-earning short-term placements with the BSP and a demand deposit account to support the regular operations of the Parent Company.
[2/] Loans and receivables - Others is composed of Accrued interest receivable, Accounts receivable, Sales contracts receivable and other miscellaneous receivables (Note 10).

	Parent Company					
	2020					
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated	Total
Due from BSP [1/]	₱–	₱–	₱–	₱–	₱202,129,356	₱202,129,356
Due from other banks	887,022	9,737,045	45,577	10,669,644	1,471,955	12,141,599
Interbank loans receivables	12,005,750	24,308,309	1,528,253	37,842,312	19,240	37,861,553
Securities held under agreements to resell	–	–	–	–	15,819,273	15,819,273
Financial assets at FVOCI						
Government securities	–	–	90,319,428	90,319,428	20,615,597	110,935,025
Private debt securities	405,322	3,231,687	1,975,897	5,612,906	15,805,628	21,418,534
Quoted equity securities	–	–	–	–	588,188	588,188
Unquoted equity securities	–	–	–	–	321,011	321,011
Investment securities at amortized cost						
Government securities	–	188,146	42,540,628	42,728,774	226,650	42,955,424
Private securities	1,113,697	25,550,637	7,650,120	34,314,454	21,828,162	56,142,616
Financial assets at amortized cost						
Loans and receivables - Others [2/]	–	–	–	–	18,148,561	18,148,561

[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).

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 Treasury Group. Likewise, the RMG monitors the static liquidity via the MCO under normal and stressed scenarios.

The table below shows the financial assets and financial liabilities' liquidity information 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					
	2021					
	Up to 1 Month	**More than 1 Month to 3 Months**	**More than 3 Months to 6 Months**	**More than 6 Months to 1 Year**	**Beyond 1 year**	**Total**
Financial Assets						
COCI	**₱27,552,773**	**₱–**	**₱–**	**₱–**	**₱–**	**₱27,552,773**
Due from BSP and other banks	**198,068,292**	–	–	–	–	**198,068,292**
Interbank loans receivable	**19,805,605**	**10,715,908**	**1,067,495**	**568,146**	–	**32,157,154**
Securities held under agreements to resell	**15,802,951**	–	–	–	–	**15,802,951**
Financial assets at FVTPL:						
Government securities	**57,054**	**18,448**	**34,500**	**11,385,854**	**4,781,166**	**16,277,022**
Private debt securities	**186**	**18,030**	**176,191**	**31,062**	**2,579,883**	**2,805,352**
Equity securities	**17,136**	–	**12,091**	**24,183**	**1,514,836**	**1,568,246**
Derivative assets:						
Gross contractual receivable	**61,532,251**	**14,897,286**	**7,910,369**	**4,589,910**	**13,210**	**88,943,026**
Gross contractual payable	**(60,680,112)**	**(14,704,947)**	**(7,645,129)**	**(4,534,606)**	–	**(87,564,794)**
Financial assets at FVOCI:						
Government securities	**78,745,484**	**4,636,909**	**3,109,299**	**1,613,622**	**148,755,225**	**236,860,539**
Private debt securities	**3,444,954**	**1,412,324**	**8,989,090**	**854,325**	**45,106,745**	**59,807,438**
Equity securities	–	**7,542**	**8,062**	**23,005,580**	**1,749,225**	**24,770,409**
Investment securities at amortized cost						
Government securities	**6,361,591**	**214,959**	**6,969,499**	**6,158,380**	**54,935,808**	**74,640,237**
Private debt securities	**5,269,632**	**2,317,994**	**25,944,968**	**33,115,292**	**61,667,118**	**128,315,004**
Financial assets at amortized cost:						
Receivables from customers	**90,898,111**	**79,057,653**	**45,428,175**	**19,183,146**	**528,783,731**	**763,350,816**
Other receivables	**5,775,560**	**193,692**	**749,201**	**163,276**	**9,785,849**	**16,667,578**
Other assets	**135,528**	–	–	**796**	**13,698**	**150,022**
Total financial assets	**₱452,786,996**	**₱98,785,798**	**₱92,753,811**	**₱96,158,966**	**₱859,686,494**	**₱1,600,172,065**
Financial Liabilities						
Deposit liabilities:						
Demand	**₱219,090,952**	**₱–**	**₱–**	**₱–**	**₱–**	**₱219,090,952**
Savings	**332,014,541**	–	–	–	–	**332,014,541**
Time and LTNCDs	**184,257,674**	**98,415,142**	**19,409,706**	**22,530,166**	**30,400,359**	**355,013,047**
Financial liabilities at FVTPL:						
Derivative liabilities:						
Gross contractual payable	**20,905,000**	**30,667,331**	**17,594,662**	**254,995**	–	**69,421,988**
Gross contractual receivable	**(20,620,440)**	**(30,260,033)**	**(17,395,227)**	**(254,871)**	–	**(68,530,571)**
Bills and acceptances payable	**35,960,884**	**12,411,424**	**1,155,713**	**2,419,107**	**1,038,240**	**52,985,368**
Bonds Payable	–	–	**952,406**	**952,406**	**55,263,239**	**57,168,051**
Accrued interest payable and accrued other expenses payable	**772,811**	**419,761**	**439,484**	**74,873**	**1,029,713**	**2,736,642**
Other liabilities	**6,022,785**	**1,091,687**	**276,512**	**313,888**	**2,388,506**	**10,093,378**
Total financial liabilities	**₱778,404,207**	**₱112,745,312**	**₱22,433,256**	**₱26,290,564**	**₱90,120,057**	**₱1,029,993,396**

	Consolidated					
	2020					
	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	₱25,135,724	₱–	₱–	₱–	₱–	₱25,135,724
Due from BSP and other banks	227,071,689	–	–	–	–	227,071,689
Interbank loans receivable	34,340,204	4,405,439	9,989	747,959	–	39,503,591
Securities held under agreements to resell	15,824,546	–	–	–	–	15,824,546
Financial assets at FVTPL:						
Government securities	76,701	179,570	219,267	365,452	21,495,821	22,336,811
Private debt securities	–	19,488	78,583	98,072	5,098,443	5,294,586
Equity securities	7,974	16,568	4,774	21,580	1,155,708	1,206,604
Investment in UITFs	2,938	–	–	–	–	2,938
Derivative assets:						
Gross contractual receivable	44,836,230	9,157,896	354,321	28,133	143,294	54,519,874
Gross contractual payable	(44,728,121)	(9,045,098)	(347,351)	(35,742)	(165,268)	(54,321,580)
Financial assets at FVOCI:						
Government securities	46,309,951	4,117,305	499,154	4,497,227	66,559,391	121,983,028
Private debt securities	506,753	424,064	1,485,767	3,327,820	18,901,182	24,645,586
Equity securities	–	7,542	8,062	15,605	1,008,477	1,039,686

(Forward)

	Consolidated					
	2020					
	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
Investment securities at amortized cost						
Government securities	₱4,876,875	₱743,418	₱5,577,997	₱2,249,380	₱32,108,514	₱45,556,184
Private debt securities	132,997	3,995,388	4,245,417	16,980,507	43,692,410	69,046,719
Financial assets at amortized cost:						
Receivables from customers	95,694,816	77,647,882	33,398,312	23,273,429	484,754,727	714,769,166
Other receivables	9,815,467	185,556	703,382	187,629	7,507,310	18,399,344
Other assets	83,840	–	74	1,775	14,220	99,909
Total financial assets	₱459,988,584	₱91,855,018	₱46,237,748	₱51,758,826	₱682,274,229	₱1,332,114,405
Financial Liabilities						
Deposit liabilities:						
Demand	₱203,249,771	₱–	₱–	₱–	₱–	₱203,249,771
Savings	291,773,202	–	–	–	–	291,773,202
Time and LTNCDs	218,590,031	93,745,837	15,129,795	17,667,067	60,032,618	405,165,348
Financial liabilities at FVTPL:						
Derivative liabilities:						
Gross contractual payable	35,770,287	12,482,054	11,301,481	1,516,703	122,084	61,192,609
Gross contractual receivable	(35,497,003)	(12,425,675)	(11,063,446)	(1,476,432)	(165,268)	(60,627,824)
Bills and acceptances payable	45,293,030	25,985,275	237,141	1,552,830	14,242,031	87,310,307
Bonds Payable	–	218,453	15,147,938	1,057,058	58,700,049	75,123,498
Accrued interest payable and accrued other expenses payable	222,243	668,159	415,940	501,250	775,241	2,582,833
Other liabilities	9,341,792	207,577	509,323	460,831	1,877,917	12,397,440
Total financial liabilities	₱768,743,353	₱120,881,680	₱31,678,172	₱21,279,307	₱135,584,672	₱1,078,167,184

	Parent Company					
	2021					
	Up to 1 Month	**More than 1 Month to 3 Months**	**More than 3 Months to 6 Months**	**More than 6 Months to 1 Year**	**Beyond 1 year**	**Total**
Financial Assets						
COCI	**₱27,454,459**	**₱–**	**₱–**	**₱–**	**₱–**	**₱27,454,459**
Due from BSP and other banks	**185,028,359**	**–**	**–**	**–**	**–**	**185,028,359**
Interbank loans receivable	**18,525,861**	**10,555,921**	**667,490**	**568,146**	**–**	**30,317,418**
Securities held under agreements to resell	**15,802,951**	**–**	**–**	**–**	**–**	**15,802,951**
Financial assets at FVTPL:						
Government securities	**57,054**	**18,448**	**34,500**	**11,385,854**	**4,781,166**	**16,277,022**
Private debt securities	**186**	**16,568**	**174,279**	**27,688**	**2,415,238**	**2,633,959**
Equity securities	**–**	**–**	**–**	**–**	**–**	**–**
Derivative assets:						
Gross contractual receivable	**61,530,679**	**14,896,451**	**7,909,765**	**4,589,910**	**13,210**	**88,940,015**
Gross contractual payable	**(60,680,112)**	**(14,704,947)**	**(7,645,129)**	**(4,534,606)**	**–**	**(87,564,794)**
Financial assets at FVOCI:						
Government securities	**78,586,305**	**4,636,909**	**3,109,299**	**1,613,622**	**148,755,225**	**236,701,360**
Private debt securities	**3,444,953**	**1,412,324**	**8,989,090**	**854,325**	**45,106,745**	**59,807,437**
Equity securities	**–**	**–**	**–**	**22,989,975**	**1,283,856**	**24,273,831**
Investment securities at amortized cost:						
Government securities	**6,361,583**	**214,935**	**6,969,499**	**6,040,436**	**54,925,559**	**74,512,012**
Private debt securities	**5,269,632**	**2,317,994**	**25,944,968**	**33,115,292**	**61,667,118**	**128,315,004**
Financial assets at amortized cost:						
Receivables from customers	**85,985,911**	**76,497,759**	**43,568,177**	**17,225,437**	**523,447,491**	**746,724,775**
Other receivables	**5,992,211**	**176,561**	**744,595**	**110,020**	**9,764,687**	**16,788,074**
Other assets	**134,840**	**–**	**–**	**–**	**1,502**	**136,342**
Total financial assets	**₱433,494,872**	**₱96,038,923**	**₱90,466,533**	**₱93,986,099**	**₱852,161,797**	**₱1,566,148,224**

(Forward)

	Parent Company					
	2021					
	Up to 1 Month	**More than 1 Month to 3 Months**	**More than 3 Months to 6 Months**	**More than 6 Months to 1 Year**	**Beyond 1 year**	**Total**
Financial Liabilities						
Deposit liabilities:						
Demand	**₱218,277,561**	**₱–**	**₱–**	**₱–**	**₱–**	**₱218,277,561**
Savings	**330,484,688**	**–**	**–**	**–**	**–**	**330,484,688**
Time and LTNCDs	**191,793,693**	**96,312,545**	**16,617,361**	**22,101,239**	**30,269,130**	**357,093,968**
Financial liabilities at FVTPL:						
Derivative liabilities:						
Gross contractual receivable	**20,904,918**	**30,667,331**	**17,594,655**	**254,995**	**–**	**69,421,899**
Gross contractual payable	**(20,620,440)**	**(30,260,033)**	**(17,395,227)**	**(254,853)**	**–**	**(68,530,553)**
Bills and acceptances payable	**35,960,884**	**12,204,336**	**741,537**	**1,590,756**	**647,075**	**51,144,588**
Bonds payable	**–**	**–**	**952,406**	**952,406**	**55,263,239**	**57,168,051**
Accrued interest payable and accrued other expenses payable	**747,875**	**417,706**	**436,059**	**60,189**	**1,027,742**	**2,689,571**
Other liabilities	**5,422,424**	**987,104**	**236,490**	**233,850**	**2,029,972**	**8,909,840**
Total financial liabilities	**₱782,971,603**	**₱110,328,989**	**₱19,183,281**	**₱24,938,582**	**₱89,237,158**	**₱1,026,659,613**

	Parent Company					
	2020					
	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	₱25,038,434	₱–	₱–	₱–	₱–	₱25,038,434
Due from BSP and other banks	215,736,563	–	–	–	–	215,736,563
Interbank loans receivable	32,985,081	4,260,745	9,989	386,223	–	37,642,038
Securities held under agreements to resell	15,824,546	–	–	–	–	15,824,546
Financial assets at FVTPL:						
Government securities	76,701	179,570	219,267	365,452	21,495,821	22,336,811
Private debt securities	–	–	53,099	53,099	2,813,834	2,920,032
Equity securities	186	16,568	4,774	21,529	1,155,708	1,198,765
Derivative assets:						
Gross contractual receivable	44,836,134	9,153,035	354,183	28,133	143,294	54,514,779
Gross contractual payable	(44,728,121)	(9,045,098)	(347,351)	(35,742)	(165,268)	(54,321,580)
Financial Assets at FVOCI:						
Government securities	46,236,478	4,117,205	499,054	4,497,027	66,545,692	121,895,456
Private debt securities	506,752	424,064	1,485,767	3,327,820	18,901,182	24,645,585
Equity securities	–	–	–	–	440,899	440,899
Investment securities at amortized cost:						
Government securities	4,876,830	743,372	5,577,997	2,239,307	31,997,363	45,434,869
Private debt securities	132,997	3,995,388	4,245,417	16,980,507	43,692,410	69,046,719
Financial assets at amortized cost:						
Receivables from customers	90,855,723	75,469,612	31,519,717	21,543,002	478,960,310	698,348,364
Other receivables	9,715,666	173,800	696,113	124,133	7,438,848	18,148,560
Other assets	85,672	–	74	–	527	86,273
Total financial assets	₱442,179,642	₱89,488,261	₱44,318,100	₱49,530,490	₱673,420,620	₱1,298,937,113
Financial Liabilities						
Deposit liabilities:						
Demand	₱202,489,354	₱–	₱–	₱–	₱–	₱202,489,354
Savings	290,560,463	–	–	–	–	290,560,463
Time and LTNCDs	226,707,265	91,019,585	12,065,239	17,198,950	59,980,452	406,971,491
Financial liabilities at FVTPL:						
Derivative liabilities:						
Gross contractual payable	35,770,120	12,482,054	11,301,212	1,516,703	122,084	61,192,173
Gross contractual receivable	(35,497,003)	(12,425,675)	(11,063,446)	(1,476,432)	(165,268)	(60,627,824)
Bills and acceptances payable	45,191,980	24,161,984	10,337	914	13,636,850	83,002,065
Bonds payable	–	218,453	15,147,938	1,057,058	58,700,049	75,123,498
Accrued interest payable and accrued other expenses payable	253,983	628,398	400,089	471,966	772,420	2,526,856
Other liabilities	8,588,232	145,192	87,867	418,972	1,485,536	10,725,799
Total financial liabilities	₱774,064,394	₱116,229,991	₱27,949,236	₱19,188,131	₱134,532,123	₱1,071,963,875

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, 2021 and 2020, LCR reported to the BSP with certain adjustments is shown in the table below:

	Consolidated		**Parent Company**	
	2021	2020	**2021**	2020
LCR	**188.31%**	174.72%	**177.54%**	167.92%

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, 2021 and 2020, NSFR reported to the BSP with certain adjustments is shown in the table below (amounts, except ratios, are expressed in millions):

	Consolidated		**Parent Company**	
	2021	2020	**2021**	2020
Available stable funding	**₱867,468**	₱845,749	**₱862,121**	₱838,677
Required stable funding	**630,819**	617,061	**639,013**	623,071
NSFR	**137.51%**	137.06%	**134.91%**	134.60%

<u>Market Risk</u>
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.

Trading market risk
Trading market risk exists in the Parent Company as the values of its trading positions are sensitive to changes in market rates such as interest rates, foreign exchange rates and equity prices. The Parent Company is exposed to trading market risk in the course of market making as well as from taking advantage of market opportunities. For internal monitoring of the risks in the trading portfolio, the Parent Company uses the Value at Risk (VaR) as a primary risk measurement tool. It adopts both the Parametric VaR methodology and Historical Simulation Methodology (with 99.00% confidence level) to measure the Parent Company's trading market risk. Both the Parametric models and Historical Simulation models were validated by an external independent validator. Volatilities used in the parametric are updated on a daily basis and are based on historical data for a rolling 400-day period while yields and prices in the historical VaR approach are also updated daily. The RMG reports the VaR utilization and breaches to limits to the risk taking personnel on a daily basis and to the ALCO and ROC on a monthly basis. All risk reports discussed in the ROC meeting are noted by the BOD. The VaR figures are back tested to validate the robustness of the VaR model. Results of backtesting on a rolling one year period are reported also to the ROC.

Objectives and limitations of the VaR methodology
The VaR models are designed to measure market risk in a normal market environment. The models assume that any changes occurring in the risk factors affecting the normal market environment will follow a normal distribution. The use of VaR has limitations because it is based on historical volatilities in market prices and assumes that future price movements will follow a statistical distribution. Due to the fact that VaR relies heavily on historical data to provide information and may not clearly predict the future changes and modifications of the risk factors, the probability of large market movements may be under-estimated if changes in risk factors fail to align with the normal distribution assumption. VaR may also be under- or over- estimated due to the assumptions placed on risk factors and the relationship between such factors for specific instruments. Even though positions may change throughout the day, the VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99.00% confidence level.

VaR assumptions/parameters
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.

Backtesting
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 P&L values of the portfolio, having kept its composition unchanged. In this case, the same portfolio is repriced or marked-to-market at the end of the time interval and the hypothetical P&L is then compared with the VaR. The other method, called dirty backtesting, consists of comparing the VaR estimates with the actual P&L values at the end of the time horizon. This method, however, may pose a problem if the portfolio has changed drastically because of trading activities between the beginning and the end of the time horizon since VaR models assume that the portfolio is "frozen" over the horizon. The Parent Company uses the regulatory 3-zone (green, yellow and red) boundaries in evaluating the backtesting results. For the years 2021 and 2020, the number of observations which fell outside the VaR is within the allowable number of exceptions in the green and yellow zones to conclude that there is no problem with the quality and accuracy of the VaR models at 99.00% confidence level. Nonetheless, closer monitoring and regular review of the model's parameters and assumptions are being conducted.

Stress testing
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.

VaR limits
Since VaR is an integral part of the Parent Company's market risk management, VaR limits have been established annually for all financial trading activities and exposures. Calculated VaR compared against the VaR limits are monitored. Limits are based on the tolerable risk appetite of the Parent Company. VaR is computed on an undiversified basis; hence, the Parent Company does not consider the correlation effects of the three trading portfolios.

The tables below show the trading VaR (in millions):

Trading Portfolio	**Foreign Exchange***	**Interest Rate**	**Equities Price**	**Total VaR****
December 31, 2021	**₱3.67**	**₱87.21**	**₱42.28**	**₱133.17**
Average Daily	**6.93**	**401.78**	**39.50**	**448.21**
Highest	**24.90**	**670.75**	**48.48**	**701.79**
Lowest	**0.88**	**87.21**	**23.49**	**133.17**

* *FX VaR is the bankwide foreign exchange risk*
** *The high and low for the total portfolio may not equal the sum of the individual components as the highs and lows of the individual trading portfolios may have occurred on different trading days*

Trading Portfolio	Foreign Exchange*	Interest Rate	Equities Price	Total VaR**
December 29, 2020	₱9.85	₱491.44	₱22.92	₱524.22
Average Daily	9.92	245.63	28.16	346.53
Highest	26.22	608.54	36.81	746.44
Lowest	1.40	46.64	22.92	141.28

* *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*

Structural Market Risk

Non-trading Market Risk
Interest rate risk
The Group seeks to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. Interest margins may increase as a result of such changes but may be reduced or may create losses in the event that unexpected movements arise.

Repricing mismatches will expose the Group to interest rate risk. The Group measures the sensitivity of its assets and liabilities to interest rate fluctuations by way of a “repricing gap” analysis using the repricing characteristics of its financial instrument positions tempered with approved assumptions. To evaluate earnings exposure, interest rate sensitive liabilities in each time band are subtracted from the corresponding interest rate assets to produce a “repricing gap” for that time band. The difference in the amount of assets and liabilities maturing or being repriced over a one year period would then give the Group an indication of the extent to which it is exposed to the risk of potential changes in net interest income. A negative gap occurs when the amount of interest rate sensitive liabilities exceeds the amount of interest rate sensitive assets. Vice versa, positive gap occurs when the amount of interest rate sensitive assets exceeds the amount of interest rate sensitive liabilities.

During a period of rising interest rates, a company with a positive gap is better positioned because the company’s assets are refinanced at increasingly higher interest rates increasing the net interest margin of the company over time. During a period of falling interest rates, a company with a positive gap would show assets repricing at a faster rate than one with a negative gap, which may restrain the growth of its net income or result in a decline in net interest income.

For risk management purposes, the loan accounts are assessed based on next repricing date, thus as an example, if a loan account is scheduled to reprice three years from year-end report date, slotting of the account will be based on the date of interest repricing. Deposits with no specific maturity dates are excluded in the one-year repricing gap except for the portion of volatile regular savings deposits which are assumed to be withdrawn during the one year period and assumed to be replaced by a higher deposit rate.

The Group uses the Earnings at Risk (EaR) methodology to measure the likely interest margin compression in case of adverse change in interest rates given the Group repricing gap. The repricing gap covering the one-year period is multiplied by an assumed change in interest rates to yield an approximation of the change in net interest income that would result from such an interest rate movement. The Group BOD sets a limit on the level of EaR exposure tolerable to the Group. EaR exposure and compliance to the EaR limit is monitored monthly by the RMG and subject to a quarterly stress test.

The following table sets forth the repricing gap position of the Group and the Parent Company:

	Consolidated					
	2021					
	Up to 1 Month	**More than 1 Month to 3 Months**	**More than 3 Months to 6 Months**	**More than 6 Months to 1 Year**	**Beyond 1 year**	**Total**
Financial Assets*						
Due from BSP and other banks	**₱125,574,144**	**₱12,580,589**	**₱4,001,191**	**₱7,196,019**	**₱38,758,402**	**₱188,110,345**
Interbank loans receivable and securities held under agreements to resell	**34,549,285**	**10,771,927**	**1,466,248**	**1,115,301**	**–**	**47,902,761**
Receivables from customers and other receivables - gross**	**128,716,224**	**64,304,858**	**18,404,771**	**30,948,461**	**103,944,768**	**346,319,082**
Total financial assets	**₱288,839,653**	**₱87,657,374**	**₱23,872,210**	**₱39,259,781**	**₱142,703,170**	**₱582,332,188**
Financial Liabilities*						
Deposit liabilities:						
Savings	**₱135,672,175**	**₱68,263,209**	**₱23,605,886**	**₱49,986,458**	**₱220,893,955**	**₱498,421,683**
Time***	**93,532,161**	**43,039,858**	**4,787,996**	**3,235,736**	**7,133,803**	**151,729,554**
Bonds payable	**–**	**–**		**–**	**53,383,421**	**53,383,421**
Bills and acceptances payable	**42,931,168**	**8,030,146**	**43,984**	**259,804**	**1,688,695**	**52,953,797**
Total financial liabilities	**₱272,135,504**	**₱119,333,213**	**₱28,437,866**	**₱53,481,998**	**₱283,099,874**	**₱756,488,455**
Repricing gap	**₱16,704,149**	**(₱31,675,839)**	**(₱4,565,656)**	**(₱14,222,217)**	**(₱140,396,704)**	**(₱174,156,267)**
Cumulative gap	**16,704,149**	**(14,971,690)**	**(19,537,346)**	**(33,759,563)**	**(174,156,267)**	

* *Financial instruments that are not subject to repricing/rollforward were excluded.*
** *Receivables from customers excludes residual value of leased assets (Note 10).*
****Excludes LTNCD.*

	Consolidated					
	2020					
	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	₱138,408,279	₱1,393,036	₱440,735	₱461,478	₱81,169,026	₱221,872,554
Interbank loans receivable and securities held under agreements to resell	49,388,997	4,272,415	1,107,414	754,311	–	55,523,137
Receivables from customers and other receivables - gross**	118,843,373	79,871,415	18,556,843	15,140,373	129,523,589	361,935,593
Total financial assets	₱306,640,649	₱85,536,866	₱20,104,992	₱16,356,162	₱210,692,615	₱639,331,284
Financial Liabilities*						
Deposit liabilities:						
Savings	₱79,342,400	₱46,276,884	₱13,997,944	₱20,351,168	₱265,643,369	₱425,611,765
Time***	158,208,607	60,633,884	5,073,362	4,599,658	8,178,530	236,694,041
Bonds payable	–	–	13,852,539	–	50,203,796	64,056,335
Bills and acceptances payable	53,199,286	32,133,862	353,740	224,989	1,247,573	87,159,450
Total financial liabilities	₱290,750,293	₱139,044,630	₱33,277,585	₱25,175,815	₱325,273,268	₱813,521,591
Repricing gap	₱15,890,356	(₱53,507,764)	(₱13,172,593)	(₱8,819,653)	(₱114,580,653)	(₱174,190,307)
Cumulative gap	15,890,356	(37,617,408)	(50,790,001)	(59,609,654)	(174,190,307)	

* *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					
	2021					
	Up to 1 Month	**More than 1 Month to 3 Months**	**More than 3 Months to 6 Months**	**More than 6 Months to 1 Year**	**Beyond 1 year**	**Total**
Financial Assets*						
Due from BSP and other banks	**₱121,537,698**	**₱10,920,763**	**₱3,158,864**	**₱7,169,884**	**₱37,294,450**	**₱180,081,659**
Interbank loans receivable and securities held under repurchase agreement	**33,268,898**	**10,642,100**	**1,066,128**	**1,115,301**	**–**	**46,092,427**
Receivable from customers and other receivables - gross**	**128,716,224**	**64,304,858**	**18,404,771**	**30,948,461**	**103,944,768**	**346,319,082**
Total financial assets	**₱283,522,820**	**₱85,867,721**	**₱22,629,763**	**₱39,233,646**	**₱141,239,218**	**₱572,493,168**
Financial Liabilities*						
Deposit liabilities:						
Savings	**₱134,107855**	**₱68,263,209**	**₱23,605,886**	**₱49,986,458**	**₱221,049,602**	**₱497,013,010**
Time***	**95,172,643**	**44,321,054**	**5,379,430**	**6,190,653**	**7,002,570**	**158,066,350**
Bonds payable	**–**	**–**	**–**	**–**	**53,383,421**	**53,383,421**
Bills and acceptances payable	**42,808,063**	**7,284,147**	**–**	**–**	**1,020,808**	**51,113,018**
Total financial liabilities	**₱272,088,561**	**₱119,868,410**	**₱28,985,316**	**₱56,177,111**	**₱282,456,401**	**₱759,575,799**
Repricing gap	**₱11,434,259**	**(₱34,000,689)**	**(₱6,355,553)**	**(₱16,943,465)**	**(₱141,217,183)**	**(₱187,082,631)**
Cumulative gap	**11,434,259**	**(22,566,430)**	**(28,921,983)**	**(45,865,448)**	**(187,082,631)**	

* *Financial instruments that are not subject to repricing/rollforward were excluded.*
** *Receivable from customers excludes residual value of leased assets (Note 10).*
****Excludes LTNCD.*

	Parent Company					
	2020					
	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	₱134,231,726	₱–	₱–	₱–	₱80,039,230	₱214,270,956
Interbank loans receivable and securities held under repurchase agreement	48,028,366	4,157,978	1,107,414	387,068	–	53,680,826
Receivable from customers and other receivables - gross**	118,343,373	79,871,415	18,556,843	15,140,373	129,523,589	361,435,593
Total financial assets	₱300,603,465	₱84,029,393	₱19,664,257	₱15,527,441	₱209,562,819	₱629,387,375
Financial Liabilities*						
Deposit liabilities:						
Savings	₱78,109,443	₱46,276,885	₱13,997,944	₱20,351,168	₱265,902,504	₱424,637,944
Time***	157,099,835	57,907,631	7,664,018	9,786,753	8,126,364	240,584,601
Bonds payable	–	–	13,852,539	–	50,203,796	64,056,335
Bills and acceptances payable	52,786,239	32,021,244	9,877	–	–	84,817,360
Total financial liabilities	₱287,995,517	₱136,205,760	₱35,524,378	₱30,137,921	₱324,232,664	₱814,096,240
Repricing gap	₱12,607,948	(₱52,176,367)	(₱15,860,121)	(₱14,610,480)	(₱114,669,845)	(₱184,708,865)
Cumulative gap	12,607,948	(39,568,419)	(55,428,540)	(70,039,020)	(184,708,865)	

* *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, 2021 and 2020:

	Consolidated			
	2021		2020	
	Statement of Income	**Equity**	Statement of Income	Equity
+50bps	**(₱75,953)**	**(₱75,953)**	(₱189,181)	(₱189,181)
-50bps	**75,953**	**75,953**	189,181	189,181
+100bps	**(151,907)**	**(151,907)**	(378,363)	(378,363)
-100bps	**151,907**	**151,907**	378,363	378,363

	Parent Company			
	2021		2020	
	Statement of Income	**Equity**	Statement of Income	Equity
+50bps	**(₱118,226)**	**(₱118,226)**	(₱209,911)	(₱209,911)
-50bps	**118,226**	**118,226**	209,911	209,911
+100bps	**(236,452)**	**(236,452)**	(419,823)	(419,823)
-100bps	**236,452**	**236,452**	419,823	419,823

As one of the long-term goals in the risk management process, the Group has also implemented the adoption of the economic value approach in measuring the impact of the interest rate risk in the banking books to complement the earnings at risk approach using the modified duration approach. Cognizant of this requirement, the Group has undertaken the initial activities such as identification of the business requirement and design of templates for each account and the inclusion of this requirement in the Asset Liability Management business requirement definition.

Foreign currency risk

Foreign exchange is the risk to earnings or capital arising from changes in foreign exchange rates. The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financials and cash flows.

Foreign currency liabilities generally consist of foreign currency deposits in the Parent Company's FCDU books, accounts made in the Philippines or which are generated from remittances to the Philippines by Filipino expatriates and overseas Filipino workers who retain for their own benefit or for the benefit of a third party, foreign currency deposit accounts with the Parent Company and foreign currency-denominated borrowings appearing in the regular books of the Parent Company.

Foreign currency deposits are generally used to fund the Parent Company's foreign currency-denominated loan and investment portfolio in the FCDU. Banks are required by the BSP to match the foreign currency liabilities with the foreign currency assets held through FCDUs. In addition, the BSP requires a 30.00% liquidity reserve on all foreign currency liabilities held through FCDUs. Outside the FCDU, the Parent Company has additional foreign currency assets and liabilities in its foreign branch network.

The Group's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines. The Group believes that its profile of foreign currency exposure on its assets and liabilities is within conservative limits for a financial institution engaged in the type of business in which the Group is involved.

The table below summarizes the exposure to foreign exchange rate risk, categorized by currency (amounts in Philippine peso equivalent).

	Consolidated					
	2021			2020		
	USD	**Others***	**Total**	USD	Others*	Total
Assets						
COCI and due from BSP	**₱215,072**	**₱493,719**	**₱708,791**	₱150,688	₱467,319	₱618,007
Due from other banks	**14,159,849**	**4,403,189**	**18,563,038**	10,191,235	5,295,532	15,486,767
Interbank loans receivable and securities held under agreements to resell	**1,824,404**	**2,314,037**	**4,138,441**	4,134,791	429,804	4,564,595
Loans and receivables	**27,522,800**	**11,002,833**	**38,525,633**	24,025,901	11,426,030	35,451,931
Financial Assets at FVTPL	**171,178**	**1,506**	**172,684**	176,502	–	176,502
Financial Assets at FVOCI	**519,881**	**1,569,257**	**2,089,138**	1,948,155	1,302,355	3,250,510
Investment securities at amortized cost	**133,824**	**174,946**	**308,770**	125,883	1,085,208	1,211,091
Other assets	**17,128,279**	**1,223,698**	**18,351,977**	11,341,675	1,175,289	12,516,964
Total assets	**61,675,287**	**21,183,185**	**82,858,472**	52,094,830	21,181,537	73,276,367

(Forward)

	Consolidated					
	2021			2020		
	USD	**Others***	**Total**	USD	Others*	Total
Liabilities						
Deposit liabilities	**₱8,006,094**	**₱7,778,145**	**₱15,784,239**	₱7,198,330	₱7,474,422	₱14,672,752
Derivative liabilities	**130**	**93**	**223**	7,031	6,814	13,845
Bills and acceptances payable	**49,117,805**	**276,958**	**49,394,763**	62,015,195	285,734	62,300,929
Accrued interest payable	**53,461**	**14,072**	**67,533**	95,373	10,284	105,657
Other liabilities	**1,115,069**	**2,211,066**	**3,326,135**	3,952,102	2,011,291	5,963,393
Total liabilities	**58,292,559**	**10,280,334**	**68,572,893**	73,268,031	9,788,545	83,056,576
Net Exposure	**₱3,382,728**	**₱10,902,851**	**₱14,285,579**	(₱21,173,201)	₱11,392,992	(₱9,780,209)

* *Other currencies include UAE Dirham (AED,) Australia dollar (AUD), Bahrain dollar (BHD), Brunei dollar (BND), Canada dollar (CAD), Swiss franc (CHF), China Yuan (CNY), Denmark kroner (DKK), Euro (EUR), UK pound (GBP), Hong Kong dollar (HKD), Indonesia rupiah (IDR), Japanese yen (JPY), New Zealand dollar (NZD), Saudi Arabia riyal (SAR), Sweden kroner (SEK), Singapore dollar (SGD), South Korean won (SKW), Thailand baht (THB) and Taiwan dollar (TWD).*

	Parent Company					
	2021			2020		
	USD	**Others***	**Total**	USD	Others*	Total
Assets						
COCI and due from BSP	**₱36,108**	**₱236,932**	**₱273,040**	₱46,609	₱180,870	₱227,479
Due from other banks	**8,612,030**	**1,123,695**	**9,735,725**	6,818,795	899,761	7,718,556
Interbank loans receivable and securities held under agreements to resell	**1,825,466**	**473,239**	**2,298,705**	3,428,109	73,449	3,501,558
Loans and receivables	**24,993,494**	**993,679**	**25,987,173**	19,816,024	929,981	20,746,005
Financial assets at FVTPL	**169,672**	**–**	**169,672**	176,502	–	176,502
Financial assets at FVOCI	**519,881**	**1,410,078**	**1,929,959**	1,948,155	1,229,185	3,177,340
Investment securities at amortized cost	**5,875**	**174,946**	**180,821**	5,532	1,085,208	1,090,740
Other assets	**17,127,983**	**–**	**17,127,983**	11,341,675	–	11,341,675
Total assets	**53,290,509**	**4,412,569**	**57,703,078**	43,581,401	4,398,454	47,979,855
Liabilities						
Deposit liabilities	**₱2,198,873**	**₱4,037,877**	**₱6,236,750**	₱2,030,840	₱3,407,186	₱5,438,026
Derivative liabilities	**37**	**–**	**37**	217	–	217
Bills and acceptances payable	**48,863,921**	**–**	**48,863,921**	61,697,679	–	61,697,679
Accrued interest payable	**48,907**	**262**	**49,169**	80,607	226	80,833
Other liabilities	**822,886**	**1,695,641**	**2,518,527**	2,658,432	1,142,058	3,800,490
Total liabilities	**51,934,624**	**5,733,780**	**57,668,404**	66,467,775	4,549,470	71,017,245
Net Exposure	**₱1,355,885**	**(₱1,321,211)**	**₱34,674**	(₱22,886,374)	(₱151,016)	(₱23,037,390)

* *Other currencies include AED, AUD, BHD, BND, CAD, CHF, CNY, DKK, EUR, GBP, HKD, IDR, JPY, NZD, PHP, SAR, SEK, SGD, SKW, THB and TWD.*

The exchange rates used to convert the Group and the Parent Company's US dollar-denominated assets and liabilities into Philippine peso were ₱51.00 to USD1.00 as of December 31, 2021 and ₱48.02 to USD1.00 as of December 31, 2020.

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, 2021 and 2020:

	2021			
	Consolidated		**Parent Company**	
	Statement of Income	**Equity**	**Statement of Income**	**Equity**
+1.00%	**₱28,628**	**(₱33,827)**	**₱8,360**	**(₱13,559)**
-1.00%	**(28,628)**	**33,827**	**(8,360)**	**13,559**

	2020			
	Consolidated		Parent Company	
	Statement of Income	Equity	Statement of Income	Equity
+1.00%	(₱233,394)	₱213,913	(₱248,345)	₱228,864
-1.00%	233,394	(213,913)	248,345	(228,864)

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 used the following methods and assumptions in estimating the fair value of its assets and liabilities:

Assets and Liabilities	Fair value methodologies
Cash equivalents	At carrying amounts due to their relatively short-term maturity
Derivatives	Based on either: • quoted market prices; • prices provided by independent parties; or • prices derived using acceptable valuation models
Debt securities	For quoted securities – based on market prices from debt exchanges For unquoted securities [1] – estimated using either: • quoted market prices of comparable investments; or • discounted cash flow methodology
Equity securities	For quoted securities – based on market prices from stock exchanges For unquoted securities – estimated using either: • quoted market prices of comparable investments [2]; or • net asset value method [3] and applying a discount for lack of marketability
Investments in UITFs	Based on their published net asset value per share
Loans and receivables	For loans with fixed interest rates – estimated using the discounted cash flow methodology [4] For loans with floating interest rates – at their carrying amounts
Investment properties	Appraisal by independent external and in-house appraisers based on highest and best use of the property (i.e., current use of the properties) [5] using either: • market data approach [6]; or • replacement cost approach [7]
Short-term financial liabilities	At carrying amounts due to their relatively short-term maturity
Long-term financial liabilities	For quoted debt issuances – based on market prices from debt exchanges For unquoted debt issuances – estimated using the discounted cash flow methodology [8]

Notes:

[1] *using interpolated PHP BVAL rates provided by the Philippine Dealing and Exchange Corporation (for government securities) and PHP BVAL rates plus additional credit spread (for corporate/private securities)*

[2] *using the most relevant multiples (e.g., earnings, book value)*

[3] *measures the company's value by adjusting the carrying value of its assets to their fair values, and then subtracting the fair value of its liabilities*

[4] *using the current incremental lending rates for similar loans*

[5] *considering other factors such as size, shape and location of the properties, price per square meter, reproduction costs new, time element, discount, among others*

[6] *using recent sales of similar properties within the same vicinity and considering the economic conditions prevailing at the time of the valuations and comparability of similar properties sold*

[7] *estimating the investment required to duplicate the property in its present condition*

[8] *using the current incremental borrowing rates for similar borrowings*

Fair value hierarchy
The Group uses the following hierarchy for determining and disclosing the fair value of assets and liabilities:

- Level 1 - Quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level of input that is significant to their fair value measurement is unobservable

The Group and the Parent Company held the following assets and liabilities measured at fair value and at cost but for which fair values are disclosed:

	Consolidated				
	2021				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Measured at fair value:					
Financial Assets					
Financial assets at FVTPL:					
Government securities	**₱7,956,013**	**₱3,309,163**	**₱4,646,850**	**₱–**	**₱7,956,013**
Private debt securities	**1,841,548**	**949,208**	**892,340**	**–**	**1,841,548**
Derivative assets	**1,365,051**	**–**	**1,365,051**	**–**	**1,365,051**
Equity securities	**5,045**	**5,045**	**–**	**–**	**5,045**
Financial assets at FVOCI:					
Government securities	**120,453,593**	**63,357,650**	**57,095,943**	**–**	**120,453,593**
Equity securities	**24,418,218**	**252,902**	**500,259**	**23,665,057**	**24,418,218**
Private debt securities	**23,115,479**	**10,175,734**	**12,939,745**	**–**	**23,115,479**
	₱179,154,947	**₱78,049,702**	**₱77,440,188**	**₱23,665,057**	**₱179,154,947**
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	**₱891,531**	**₱–**	**₱891,531**	**₱–**	**₱891,531**
Fair values are disclosed:					
Financial Assets					
Financial assets at amortized cost:					
Investment securities at amortized cost*	**₱89,455,843**	**₱17,676,548**	**₱77,195,379**	**₱–**	**₱94,871,927**
Receivables from customers**	**593,615,093**	**–**	**–**	**627,304,434**	**627,304,434**
	₱683,070,936	**₱17,676,548**	**₱77,195,379**	**₱627,304,434**	**₱722,176,361**
Nonfinancial Assets					
Investment property:					
Land***	**₱9,582,916**	**₱–**	**₱–**	**₱26,914,713**	**₱26,914,713**
Buildings and improvements***	**1,152,980**	**–**	**–**	**3,030,859**	**3,030,859**
	₱10,735,896	**₱–**	**₱–**	**₱29,945,572**	**₱29,945,572**
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	**₱151,729,554**	**₱–**	**₱–**	**₱151,729,554**	**₱151,729,554**
LTNCDs	**28,245,390**	**–**	**28,314,622**	**–**	**28,314,622**
Bonds payable	**53,383,421**	**38,997,788**	**15,727,174**	**–**	**54,724,962**
Bills payable	**45,843,901**	**–**	**–**	**45,860,995**	**45,860,995**
	₱279,202,266	**₱38,997,788**	**₱44,041,796**	**₱197,590,549**	**₱280,630,133**

* *Net of expected credit losses (Note 9)*
** *Net of expected credit losses and unearned and other deferred income (Note 10)*
*** *Net of impairment losses (Note 13)*

	Consolidated				
	2020				
	Carrying Value	Level 1	Level 2	Level 3	Total
Measured at fair value:					
Financial Assets					
Financial assets at FVTPL:					
Government securities	₱18,136,391	₱17,657,777	₱478,614	₱–	₱18,136,391
Private debt securities	4,296,100	3,198,949	1,097,151	–	4,296,100
Equity securities	1,019,626	1,019,626	–	–	1,019,626
Derivative assets	370,653	–	370,653	–	370,653
Investment in UITFs	2,938	–	2,938	–	2,938
(Forward)					
Financial assets at FVOCI:					
Government securities	₱110,846,766	₱67,513,412	₱43,333,354	₱–	₱110,846,766
Private debt securities	21,418,534	9,773,253	11,645,281	–	21,418,534
Equity securities	1,450,052	302,340	540,109	607,603	1,450,052
	₱157,541,060	₱99,465,357	₱57,468,100	₱607,603	₱157,541,060
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	₱701,239	₱–	₱701,239	₱–	₱701,239
Fair values are disclosed:					
Financial Assets					
Financial assets at amortized cost:					
Investment securities at amortized cost*	₱95,235,993	₱12,712,144	₱86,656,274	₱–	₱99,368,418
Receivables from customers**	585,855,937	–	–	622,821,007	622,821,007
	₱681,091,930	₱12,712,144	₱86,656,274	₱622,821,007	₱722,189,425
Nonfinancial Assets					
Investment property:					
Land***	₱12,488,869	₱–	₱–	₱26,970,597	₱26,970,597
Buildings and improvements***	1,956,887	–	–	3,947,077	3,947,077
	₱14,445,756	₱–	₱–	₱30,917,674	₱30,917,674
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	₱236,694,042	₱–	₱–	₱236,694,042	₱236,694,042
LTNCDs	28,212,034	–	28,541,261	–	28,541,261
Bonds payable	64,056,335	38,225,468	29,503,486	–	67,728,954
Bills payable	83,598,532	–	–	83,600,018	83,600,018
	₱412,560,943	₱38,225,468	₱58,044,747	₱320,294,060	₱416,564,275

* *Net of expected credit losses (Note 9)*
** *Net of expected credit losses and unearned and other deferred income (Note 10)*
*** *Net of impairment losses (Note 13)*

	Parent Company				
	2021				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Measured at fair value:					
Financial Assets					
Financial assets at FVTPL:					
Government securities	**₱7,956,013**	**₱3,309,163**	**₱4,646,850**	**₱–**	**₱7,956,013**
Private debt securities	**1,692,224**	**799,884**	**892,340**	**–**	**1,692,224**
Derivative assets	**1,362,041**	**–**	**1,362,041**	**–**	**1,362,041**
Financial assets at FVOCI:					
Government securities	**120,466,974**	**63,198,471**	**57,268,503**	**–**	**120,466,974**
Equity securities	**23,963,897**	**252,732**	**452,259**	**23,258,906**	**23,963,897**
Private debt securities	**23,115,479**	**10,175,734**	**12,939,745**	**–**	**23,115,479**
	₱178,556,628	**₱77,735,984**	**₱77,561,738**	**₱23,258,906**	**₱178,556,628**

(Forward)

	Parent Company				
	2021				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	**₱891,346**	**₱–**	**₱891,346**	**₱–**	**₱891,346**
Fair values are disclosed:					
Financial Assets					
Financial assets at amortized cost					
Investment securities at amortized cost*	**₱89,327,894**	**₱17,548,599**	**₱77,195,379**	**₱–**	**₱94,743,978**
Receivables from customers**	**579,021,317**	**–**	**–**	**612,711,110**	**612,711,110**
	₱668,349,211	**₱17,548,599**	**₱77,195,379**	**₱612,711,110**	**₱707,455,088**
Nonfinancial Assets					
Investment property:					
Land***	**₱9,053,906**	**₱–**	**₱–**	**₱25,982,290**	**₱25,982,290**
Buildings and improvements***	**1,124,421**	**–**	**–**	**2,761,872**	**2,761,872**
	₱10,178,327	**₱–**	**₱–**	**₱28,744,162**	**₱28,744,162**
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	**₱158,066,350**	**₱–**	**₱–**	**₱158,066,350**	**₱158,066,350**
LTNCDs	**28,245,390**	**–**	**28,314,622**	**–**	**28,314,622**
Bonds payable	**53,383,421**	**38,997,788**	**15,727,174**	**–**	**54,724,962**
Bills payable	**44,003,122**	**–**	**–**	**44,020,216**	**44,020,216**
	₱283,698,283	**₱38,997,788**	**₱44,041,796**	**₱202,086,566**	**₱285,126,150**

* *Net of expected credit losses (Note 9)*
** *Net of expected credit losses and unearned and other deferred income (Note 10)*
*** *Net of impairment losses (Note 13)*

	Parent Company				
	2020				
	Carrying Value	Level 1	Level 2	Level 3	Total
Measured at fair value:					
Financial Assets					
Financial assets at FVTPL:					
Government securities	₱18,136,391	₱17,657,777	₱478,614	₱–	₱18,136,391
Equity securities	2,433,904	1,336,753	1,097,151	–	2,433,904
Private debt securities	1,011,787	1,011,787	–	–	1,011,787
Derivative assets	365,558	–	365,558	–	365,558
Financial assets at FVOCI:					
Government securities	110,935,025	67,428,205	43,506,820	–	110,935,025
Private debt securities	21,418,534	9,773,253	11,645,281	–	21,418,534
Equity securities	910,199	302,170	421,109	186,920	910,199
	₱155,211,398	₱97,509,945	₱57,514,533	₱186,920	₱155,211,398
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	₱700,802	₱–	₱700,802	₱–	₱700,802
Fair values are disclosed:					
Financial Assets					
Financial assets at amortized cost					
Investment securities at amortized cost*	₱95,115,642	₱12,591,794	₱86,656,274	₱–	₱99,248,068
Receivables from customers**	572,237,603	–	–	609,202,673	609,202,673
	₱667,353,245	₱12,591,794	₱86,656,274	₱609,202,673	₱708,450,741
Nonfinancial Assets					
Investment property:					
Land***	₱11,971,463	₱–	₱–	₱26,430,230	₱26,430,230
Buildings and improvements***	1,950,335	–	–	3,642,298	3,642,298
	₱13,921,798	₱–	₱–	₱30,072,528	₱30,072,528

(Forward)

	Parent Company				
	2020				
	Carrying Value	Level 1	Level 2	Level 3	Total
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	₱240,584,601	₱–	₱–	₱240,584,601	₱240,584,601
LTNCDs	28,212,034	–	28,541,261	–	28,541,261
Bonds payable	64,056,335	38,225,468	29,503,485	–	67,728,953
Bills payable	81,256,442	–	–	81,257,927	81,257,927
	₱414,109,412	₱38,225,468	₱58,044,746	₱321,842,528	₱418,112,742

* *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, 2021 and 2020, there were no transfers between Level 1 and Level 2 fair value measurements. Transfers into Level 3 reflect changes in market conditions as a result of which instruments become less liquid.

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, 2021 and the range of values indicating the highest and lowest level input used in the valuation techniques.

	Significant Unobservable Input	**-2%**	**+2%**
Equity securities	Discount for lack of marketability	₱550,659	(₱550,659)

Discount for lack of marketability
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

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;
- Global Banking and Market - 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:

	2021					
	Retail Banking	**Corporate Banking**	**Global Banking and Market**	**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 expenditure						**1,016,364**
Total capital expenditure						**₱1,776,196**

(Forward)

	2021					
	Retail Banking	**Corporate Banking**	**Global Banking and Market**	**Others**	**Adjustments and Eliminations***	**Total**
Depreciation and amortization	**₱810,644**	**₱341,467**	**₱21,707**	**₱452,128**	**₱–**	**₱1,625,946**
Unallocated depreciation and amortization						**1,219,771**
Total depreciation and amortization						**₱2,845,717**
Provision for (reversal of) impairment, credit and other losses	**₱4,355,124**	**₱8,171,174**	**(₱600,974)**	**₱953,687**	**₱–**	**₱12,879,011**

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

	2020 (As restated – Note 36)					
	Retail Banking	Corporate Banking	Global Banking and Market	Others	Adjustments and Eliminations*	Total
Net interest margin						
Third party	₱103,187	₱30,817,596	₱4,802,612	₱140,191	(₱43,123)	₱35,820,463
Inter-segment	17,402,385	(17,307,550)	(94,835)	–	–	–
Net interest margin after inter-segment transactions	17,505,572	13,510,046	4,707,777	140,191	(43,123)	35,820,463
Other income	3,431,422	2,194,121	3,976,885	1,252,087	(383,782)	10,470,733
Segment revenue	20,936,994	15,704,167	8,684,662	1,392,278	(426,905)	46,291,196
Other expenses	14,579,502	18,655,970	1,152,761	739,242	(426,905)	34,700,570
Segment result	₱6,357,492	(₱2,951,803)	₱7,531,901	₱653,036	₱–	11,590,626
Unallocated expenses						11,042,209
Income before income tax						548,417
Income tax						(1,866,402)
Net income from continuing operations						2,414,819
Net income from discontinued operations						210,669
Net income						2,625,488
Non-controlling interests						10,835
Net income for the year attributable to equity holders of the Parent Company						₱2,614,653
Other segment information:						
Capital expenditures	₱631,935	₱3,521	₱12,986	₱202,179	₱–	₱850,621
Unallocated capital expenditure						664,098
Total capital expenditure						₱1,514,719
Depreciation and amortization	₱949,266	₱102,145	₱3,281	₱503,681	₱–	₱1,558,373
Unallocated depreciation and amortization						1,596,195
Total depreciation and amortization						₱3,154,568
Provision for impairment, credit and other losses	₱3,054,829	₱13,223,352	₱269,915	₱334,525	₱–	₱16,882,621

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

	2019 (As restated – Note 36)					
	Retail Banking	Corporate Banking	Global Banking and Market	Others	Adjustments and Eliminations*	Total
Net interest margin						
Third party	(₱5,844,018)	₱31,918,140	₱5,733,291	₱425,212	₱125,140	₱32,357,765
Inter-segment	23,647,539	(23,030,539)	(617,000)	–	–	–
Net interest margin after inter-segment transactions	17,803,521	8,887,601	5,116,291	425,212	125,140	32,357,765
Other income	3,211,234	2,685,445	1,772,206	1,133,641	604,081	9,406,607
Segment revenue	21,014,755	11,573,046	6,888,497	1,558,853	729,221	41,764,372
Other expenses	11,881,474	5,636,497	472,000	907,645	729,221	19,626,837
Segment result	₱9,133,281	₱5,936,549	₱6,416,497	₱651,208	₱–	22,137,535

(Forward)

	2019 (As restated – Note 36)					
	Retail Banking	Corporate Banking	Global Banking and Market	Others	Adjustments and Eliminations*	Total
Unallocated expenses						₱10,023,610
Income before income tax						12,113,925
Income tax						2,452,207
Net income from continuing operations						9,661,718
Net income from discontinued operations						99,488
Net income						9,761,206
Non-controlling interests						79,726
Net income for the year attributable to equity holders of the Parent Company						₱9,681,480
Other segment information:						
Capital expenditures	₱1,134,511	₱2,327	₱35,242	₱421,317	₱–	₱1,593,397
Unallocated capital expenditure						1,040,436
Total capital expenditure						₱2,633,833
Depreciation and amortization	₱1,201,558	₱138,114	₱1,850	₱585,804	₱–	₱1,927,326
Unallocated depreciation and amortization						867,185
Total depreciation and amortization						₱2,794,511
Provision for (reversal of) impairment, credit and other losses	₱1,671,154	₱1,289,340	₱–	(₱50,312)	₱–	₱2,910,182

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

	As of December 31, 2021					
	Retail Banking	**Corporate Banking**	**Global Banking and Market**	**Others**	**Adjustments and Eliminations***	**Total**
Segment assets	**₱730,811,300**	**₱264,879,265**	**₱113,978,883**	**₱95,128,444**	**(₱21,793,763)**	**₱1,183,004,129**
Unallocated assets						**7,780,533**
Total assets						**₱1,190,784,662**
Segment liabilities	**₱726,607,402**	**₱214,925,795**	**₱15,636,431**	**₱85,879,581**	**(₱21,417,503)**	**₱1,021,631,706**
Unallocated liabilities						**7,930,000**
Total liabilities						**₱1,029,561,706**

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

	As of December 31, 2020					
	Retail Banking	Corporate Banking	Global Banking and Market	Others	Adjustments and Eliminations*	Total
Segment assets	₱710,168,556	₱245,602,089	₱188,310,761	₱95,801,439	(₱16,089,256)	₱1,223,793,589
Unallocated assets						7,340,210
Total assets						₱1,231,133,799
Segment liabilities	₱695,809,767	₱180,732,406	₱125,848,434	₱78,210,224	(₱12,440,292)	₱1,068,160,539
Unallocated liabilities						6,990,252
Total liabilities						₱1,075,150,791

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

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 items and revenues by geographic region of the Group follows:

	Non-current Assets*		Liabilities		Capital Expenditures	
	2021	2020	**2021**	2020	**2021**	2020
Philippines	**₱634,529,203**	₱510,574,534	**₱980,065,000**	₱1,037,677,448	**₱1,728,280**	₱1,511,914
Asia (excluding Philippines)	**21,099,162**	11,632,923	**39,749,446**	35,588,190	**45,649**	1,726
USA and Canada	**1,593,358**	107,862,854	**9,629,585**	1,793,735	**2,267**	1,079
United Kingdom	**1,002**	1,096,326	**117,675**	91,418	**–**	–
	₱657,222,725	₱631,166,637	**₱1,029,561,706**	₱1,075,150,791	**₱1,776,196**	₱1,514,719

** Gross of allowance for impairment and credit losses (Note 16), unearned and other deferred income (Note 10), and accumulated amortization and depreciation (Notes 11, 13, and 14)*

	Credit Commitments		Revenues		
	2021	2020	**2021**	2020 (As restated – Note 36)	2019 (As restated – Note 36)
Philippines	**₱45,038,930**	₱44,036,152	**₱83,243,604**	₱56,002,435	₱57,458,293
Asia (excluding Philippines)	**–**	90,715	**1,561,499**	867,185	1,614,370
USA and Canada	**–**	–	**694,003**	348,775	717,489
United Kingdom	**–**	–	**106,259**	202,787	129,534
	₱45,038,930	₱44,126,867	**₱85,605,365**	₱57,421,182	₱59,919,686

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	
	2021	2020	**2021**	2020
Demand deposit (Note 17)	**₱81,273,307**	₱80,029,356	**₱81,273,307**	₱80,029,356
Term deposit facility (TDF)	**79,728,605**	122,100,000	**79,728,605**	122,100,000
	₱161,001,912	₱202,129,356	**₱161,001,912**	₱202,129,356

TDFs bear annual interest rates ranging from to 1.50% to 1.88% in 2021, from 1.62% to 3.80% in 2020 and 3.50% to 5.23% in 2019.

8. Interbank Loans Receivable and Securities Held Under Agreements to Resell

Interbank Loans Receivables

Interbank loans receivables of the Group and the Parent Company bear interest ranging from:

	Consolidated			Parent Company		
	2021	2020	2019	**2021**	2020	2019
Peso-denominated	**1.0% - 2.0%**	0.0% - 3.7%	N/A	**1.0% - 2.0%**	0.0% - 3.7%	N/A
Foreign currency-denominated	**0.0% - 1.5%**	0.0% - 2.2%	0.0% - 5.0%	**0.0% - 1.5%**	0.0% - 2.2%	0.0% - 5.0%

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

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Interbank loans receivable	**₱32,112,667**	₱39,703,864	**₱30,302,334**	₱37,861,553
Less: Allowance for credit losses (Note 16)	**6,579**	2,883	**6,579**	2,883
	32,106,088	39,700,981	**30,295,755**	37,858,670
Less: Interbank loans receivable not considered as cash and cash equivalents	**1,652,710**	761,409	**1,253,379**	394,166
	₱30,453,378	₱38,939,572	**₱29,042,376**	₱37,464,504

Securities Held under Agreements to Resell

Securities held under agreements to resell bear interest ranging from 1.50% to 2.50%, from 2.00% to 3.25%, and from 4.00% to 4.75% in 2021, 2020 and 2019, respectively. As of December 31, 2021 and 2020, allowance for credit losses on securities held under agreements to resell amounted to ₱3.6 million and nil, respectively (Note 16).

The fair value of the treasury bills pledged under these agreements as of December 31, 2021 and 2020 amounted to ₱16.0 billion and ₱16.5 billion, respectively, for the Group, and ₱16.0 billion and ₱16.5 billion, respectively, for the Parent Company (Note 35).

In 2021, 2020 and 2019, interest income on interbank loans receivable and securities held under agreements to resell amounted to ₱83.3 million, ₱244.0 million, and ₱668.2 million, respectively, for the Group and ₱31.0 million, ₱186.2 million, and ₱568.1 million, respectively, for the Parent Company.

9. Trading and Investment Securities

This account consists of:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Financial assets at FVTPL	**₱11,167,657**	₱23,825,708	**₱11,010,278**	₱21,947,640
Financial assets at FVOCI	**167,987,290**	133,715,352	**167,546,350**	133,263,758
Investment securities at amortized cost	**89,455,843**	95,235,993	**89,327,894**	95,115,642
	₱268,610,790	₱252,777,053	**₱267,884,522**	₱250,327,040

Financial Assets at FVTPL

This account consists of:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Government securities	**₱7,956,013**	₱18,136,391	**₱7,956,013**	₱18,136,391
Private debt securities	**1,841,548**	4,296,100	**1,692,224**	2,433,904
Derivative assets (Notes 23 and 35)	**1,365,051**	370,653	**1,362,041**	365,558
Equity securities	**5,045**	1,019,626	**–**	1,011,787
Investment in UITFs	**–**	2,938	**–**	–
	₱11,167,657	₱23,825,708	**₱11,010,278**	₱21,947,640

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

	Consolidated			Parent Company		
	2021	2020	2019	**2021**	2020	2019
Government securities	**1.4% - 9.5%**	2.6% - 8.0%	2.8% - 9.5%	**1.4% - 9.5%**	2.6% - 8.0%	2.8% - 9.5%
Private debt securities	**4.9% - 6.9%**	4.9% - 7.0%	5.5% - 7.4%	**4.9% - 6.9%**	4.9% - 7.0%	5.5% - 7.4%

<u>Financial Assets at FVOCI</u>
This account consists of:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Government securities (Note 19)	**₱120,453,593**	₱110,846,766	**₱120,466,974**	₱110,935,025
Private debt securities (Note 19)	**23,115,479**	21,418,534	**23,115,479**	21,418,534
Equity securities				
Quoted	**669,585**	707,358	**621,415**	588,188
Unquoted	**23,748,633**	742,694	**23,342,482**	322,011
	₱167,987,290	₱133,715,352	**₱167,546,350**	₱133,263,758

Unquoted equity securities include the Parent Company's retained 49.00% interest in PNB Holdings Corporation (PNB Holdings) amounting to ₱23.0 billion as of December 31, 2021 (Note 12). The fair value was determined using the net asset value method as discussed in Note 5. Further, the Parent Company applied 16.50% discount for lack of marketability by referring to a number of recent initial public offerings.

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

	Consolidated			Parent Company		
	2021	2020	2019	**2021**	2020	2019
Government securities	**0.1% - 18.3%**	0.2% - 18.3%	0.2% - 18.3%	**0.1% - 18.3%**	0.2% - 18.3%	0.2% - 18.3%
Private debt securities	**0.4% - 6.9%**	2.0% - 6.9%	3.5% - 6.9%	**0.4% - 6.9%**	2.0% - 6.9%	3.5% - 6.9%

As of December 31, 2021 and 2020, 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 ₱32.8 billion and ₱42.1 billion, respectively (Note 19). In 2020, the fair value of financial assets at FVOCI in the form of private bonds pledged as collateral amounted to ₱2.5 billion (Note 19). 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	
	2021	2020	**2021**	2020
Balance at the beginning of the year	**₱3,054,403**	₱3,250,651	**₱3,054,403**	₱3,250,651
Changes in fair values:				
Debt securities	**(1,617,239)**	1,872,952	**(1,594,699)**	1,815,304
Equity securities	**(21,809)**	(251,071)	**63,722**	(83,882)
Provisions for credit losses (Note 16)	**66,752**	19,163	**64,122**	15,760
Realized gains	**(1,540,192)**	(2,455,264)	**(1,540,192)**	(2,454,697)
Share in net unrealized gains (losses) of subsidiaries and an associate (Note 12)	**(558,030)**	662,951	**(663,471)**	556,246
Effect of disposal group classified as held-for-sale (Note 36)	–	(29,209)	–	(29,209)
	(616,115)	3,070,173	**(616,115)**	3,070,173
Income tax effect (Note 30)	**(87,622)**	(15,770)	**(87,622)**	(15,770)
	(₱703,737)	₱3,054,403	**(₱703,737)**	₱3,054,403

As of December 31, 2021 and 2020, the ECL on debt securities at FVOCI (included in 'Net unrealized gain (loss) on financial assets at FVOCI') amounted to ₱134.2 million and ₱67.4 million and ₱131.5 million and ₱67.4 million, respectively, for the Group and the Parent Company (Note 16). Movements in ECL on debt securities at FVOCI are mostly driven by movements in the corresponding gross figures.

Investment Securities at Amortized Cost

This account consists of:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Government securities (Notes 19 and 32)	**₱34,133,294**	₱42,713,634	**₱34,005,345**	₱42,593,283
Private debt securities	**59,144,715**	56,504,757	**59,144,715**	56,504,757
	93,278,009	99,218,391	**93,150,060**	99,098,040
Less allowance for credit losses (Note 16)	**3,822,166**	3,982,398	**3,822,166**	3,982,398
	₱89,455,843	₱95,235,993	**₱89,327,894**	₱95,115,642

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

	Consolidated			Parent Company		
	2021	2020	2019	**2021**	2020	2019
Government securities	**0.1% - 7.4%**	0.1% - 7.8%	0.5% - 7.6%	**0.1% - 7.4%**	0.1% - 7.8%	0.5% - 7.6%
Private debt securities	**0.4% - 6.9%**	0.3% - 8.3%	0.3% - 8.3%	**0.4% - 6.9%**	0.3% - 8.3%	0.3% - 8.3%

In 2021 and 2020, movements in allowance for expected credit losses on investment securities at amortized cost are mostly driven by newly originated assets which remained in Stage 1.

As of December 31, 2021 and 2020, 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 ₱5.6 billion and ₱27.6 billion, respectively (Note 19).

Interest Income on Investment Securities at Amortized Cost and FVOCI

This account consists of:

	Consolidated			Parent Company		
	2021	2020 (As restated – Note 36)	2019 (As restated – Note 36)	**2021**	2020	2019
Continuing operations:						
Financial assets at FVOCI	**₱3,015,328**	₱2,746,017	₱4,221,198	**₱3,015,524**	₱2,699,477	₱4,076,597
Investment securities at amortized cost	**3,265,371**	3,750,255	4,515,879	**3,264,195**	3,748,623	4,472,466
	6,280,699	6,496,272	8,737,077	**6,279,719**	6,448,100	8,549,063
Discontinued operations (Note 36):						
Financial assets at FVOCI	**11,135**	38,756	68,208	–	–	–
Investment securities at amortized cost	**8,695**	43,478	**–**	**–**	–	–
	19,830	82,234	68,208	–	–	–
	₱6,300,529	₱6,578,506	₱8,805,285	**₱6,279,719**	₱6,448,100	₱8,549,063

Trading and Investment Securities Gains - net

This account consists of:

	Consolidated			Parent Company		
	2021	2020 (As restated – Note 36)	2019 (As restated – Note 36)	**2021**	2020	2019
Continuing operations:						
Financial assets at FVTPL						
Government securities	**₱–**	₱395,156	₱1,199,840	**₱–**	₱395,156	₱1,199,934
Private debt securities	**(825,476)**	561,385	122,502	**(954,145)**	673,706	102,524
Equity securities	**2,323**	(71,685)	36,689	**–**	(64,507)	35,827
Derivatives (Note 23)	**(23,472)**	(2,532)	(3,733)	**(23,472)**	(2,532)	(3,733)
Investment in UITFs	**–**	–	181	**–**	–	–
Financial assets at FVOCI						
Government securities	**1,510,133**	2,031,425	(317,244)	**1,510,133**	2,031,425	(317,609)
Private debt securities	**30,057**	423,839	35,904	**30,057**	423,272	–
Equity securities	**2**	–	–	**2**	–	–
Investment securities at amortized cost	**38,005**	1	212	**38,005**	1	212
	731,572	3,337,589	1,074,351	**600,580**	3,456,521	1,017,155
Discontinued operations (Note 36):						
Financial assets at FVTPL						
Investment in UITFs	**–**	43	28	**–**	–	–
Equity securities	**–**	7	5	**–**	–	–
Government securities	**–**	–	94	**–**	–	–
Financial assets at FVOCI						
Government securities	**–**	8,829	–	**–**	–	–
Investment securities at amortized cost	**–**	294	–	**–**	–	–
	–	9,173	127	**–**	–	–
	₱731,572	₱3,346,762	₱1,074,478	**₱600,580**	₱3,456,521	₱1,017,155

10. Loans and Receivables

This account consists of:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Receivables from customers:				
Loans and discounts	**₱597,979,601**	₱587,478,355	**₱586,259,980**	₱576,156,244
Credit card receivables	**13,156,945**	12,530,569	**13,156,945**	12,530,569
Customers' liabilities on letters of credit and trust receipts	**8,315,300**	7,675,028	**8,143,281**	7,548,855
Customers' liabilities on acceptances (Note 19)	**7,109,896**	3,560,917	**7,109,896**	3,560,917
Lease contracts receivable (Note 29)	**2,615,992**	3,000,395	**5,850**	5,876
Bills purchased (Note 22)	**1,364,543**	1,815,653	**1,087,961**	1,583,648
	630,542,277	616,060,917	**615,763,913**	601,386,109
Less unearned and other deferred income	**1,118,244**	1,464,726	**856,408**	1,132,928
	629,424,033	614,596,191	**614,907,505**	600,253,181
Other receivables:				
Accrued interest receivable	**6,053,656**	6,636,538	**5,962,235**	6,546,063
Sales contract receivables (Note 33)	**6,029,384**	6,548,300	**5,980,029**	6,497,901
Accounts receivable	**4,191,402**	4,196,666	**3,579,515**	3,835,436
Miscellaneous	**596,037**	431,704	**1,295,454**	1,269,161
	16,870,479	17,813,208	**16,817,233**	18,148,561
	646,294,512	632,409,399	**631,724,738**	618,401,742
Less allowance for credit losses (Note 16)	**39,340,761**	32,414,651	**39,225,977**	31,499,881
	₱606,953,751	₱599,994,748	**₱592,498,761**	₱586,901,861

Included in 'Surplus reserves' is the amount of ₱4.5 billion and ₱4.4 billion as of December 31, 2021 and 2020, 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* (Note 25).

Below is the reconciliation of loans and receivables as to classes:

	Consolidated								
	2021								
	Corporate Loans	LGU	Credit Cards	Retail SMEs	Housing Loans	Auto Loans	Other Loans	Other Receivables	Total
Receivables from customers:									
Loans and discounts	₱537,441,467	₱4,332,372	₱–	₱7,551,964	₱30,917,379	₱8,838,908	₱8,897,511	₱–	₱597,979,601
Credit card receivables	–	–	13,156,945	–	–	–	–	–	13,156,945
Customers' liabilities on letters of credit and trust receipts	8,236,285	–	–	79,015	–	–	–	–	8,315,300
Customers' liabilities on acceptances (Note 19)	7,107,448	–	–	2,448	–	–	–	–	7,109,896
Lease contracts receivable (Note 29)	768,872	–	–	1,841,270	–	–	5,850	–	2,615,992
Bills purchased (Note 22)	1,123,658	–	–	48,973	–	–	191,912	–	1,364,543
	554,677,730	4,332,372	13,156,945	9,523,670	30,917,379	8,838,908	9,095,273	–	630,542,277
Other receivables:									
Accrued interest receivable	–	–	–	–	–	–	–	6,053,656	6,053,656
Sales contract receivables (Note 33)	–	–	–	–	–	–	–	6,029,384	6,029,384
Accounts receivable	–	–	–	–	–	–	–	4,191,402	4,191,402
Miscellaneous	–	–	–	–	–	–	–	596,037	596,037
	554,677,730	4,332,372	13,156,945	9,523,670	30,917,379	8,838,908	9,095,273	16,870,479	647,412,756
Less: Unearned and other deferred income	603,496	12,659	–	184,765	(190)	74,135	240,624	2,755	1,118,244
Allowance for credit losses (Note 16)	25,630,373	78,695	2,407,927	1,815,980	3,432,766	1,478,746	967,208	3,529,066	39,340,761
	₱528,443,861	₱4,241,018	₱10,749,018	₱7,522,925	₱27,484,803	₱7,286,027	₱7,887,441	₱13,338,658	₱606,953,751

	Consolidated								
	2020								
	Corporate Loans	LGU	Credit Cards	Retail SMEs	Housing Loans	Auto Loans	Other Loans	Other Receivables	Total
Receivables from customers:									
Loans and discounts	₱513,285,506	₱6,422,388	₱–	₱10,396,965	₱25,344,170	₱11,199,499	₱20,829,827	₱–	₱587,478,355
Credit card receivables	–	–	12,530,569	–	–	–	–	–	12,530,569
Customers' liabilities on letters of credit and trust receipts	6,806,450	–	–	192,544	–	–	676,034	–	7,675,028
Customers' liabilities on acceptances (Note 19)	3,560,917	–	–	–	–	–	–	–	3,560,917
Lease contracts receivable (Note 29)	950,542	–	–	2,043,976	–	–	5,877	–	3,000,395
Bills purchased (Note 22)	1,106,246	–	–	37,502	–	–	671,905	–	1,815,653
	525,709,661	6,422,388	12,530,569	12,670,987	25,344,170	11,199,499	22,183,643	–	616,060,917
Other receivables:									
Accrued interest receivable	–	–	–	–	–	–	–	6,636,538	6,636,538
Sales contract receivables (Note 33)	–	–	–	–	–	–	–	6,548,300	6,548,300
Accounts receivable	–	–	–	–	–	–	–	4,196,666	4,196,666
Miscellaneous	–	–	–	–	–	–	–	431,704	431,704
	525,709,661	6,422,388	12,530,569	12,670,987	25,344,170	11,199,499	22,183,643	17,813,208	633,874,125
Less: Unearned and other deferred income	611,704	–	–	232,078	231,866	111,788	257,424	19,866	1,464,726
Allowance for credit losses (Note 16)	19,220,256	50,693	2,587,668	1,808,192	2,373,886	1,032,804	2,054,765	3,286,387	32,414,651
	₱505,877,701	₱6,371,695	₱9,942,901	₱10,630,717	₱22,738,418	₱10,054,907	₱19,871,454	₱14,506,955	₱599,994,748

	Parent Company								
	2021								
	Corporate Loans	LGU	Credit Cards	Retail SMEs	Housing Loans	Auto Loans	Other Loans	Other Receivables	Total
Receivables from customers:									
Loans and discounts	₱529,367,021	₱4,332,372	₱–	₱6,281,693	₱30,022,079	₱8,838,908	₱7,417,907	₱–	₱586,259,980
Credit card receivables	–	–	13,156,945	–	–	–	–	–	13,156,945
Customers' liabilities on letters of credit and trust receipts	8,064,266	–	–	79,015	–	–	–	–	8,143,281
Customers' liabilities on acceptances (Note 19)	7,107,448	–	–	2,448	–	–	–	–	7,109,896
Lease contracts receivable (Note 29)	–	–	–	–	–	–	5,850	–	5,850
Bills purchased (Note 22)	847,077	–	–	48,973	–	–	191,911	–	1,087,961
	545,385,812	4,332,372	13,156,945	6,412,129	30,022,079	8,838,908	7,615,668	–	615,763,913
Other receivables:									
Accrued interest receivable	–	–	–	–	–	–	–	5,962,235	5,962,235
Sales contract receivables	–	–	–	–	–	–	–	5,980,029	5,980,029
Accounts receivable	–	–	–	–	–	–	–	3,579,515	3,579,515
Miscellaneous	–	–	–	–	–	–	–	1,295,454	1,295,454
	545,385,812	4,332,372	13,156,945	6,412,129	30,022,079	8,838,908	7,615,668	16,817,233	632,581,146
Less: Unearned and other deferred income	518,725	12,659	–	8,150	(190)	74,135	240,624	2,305	856,408
Allowance for credit losses (Note 16)	26,900,880	78,695	2,407,927	653,014	3,414,969	1,478,746	954,262	3,337,484	39,225,977
	₱517,966,207	₱4,241,018	₱10,749,018	₱5,750,965	₱26,607,300	₱7,286,027	₱6,420,782	₱13,477,444	₱592,498,761

	Parent Company								
	2020								
	Corporate Loans	LGU	Credit Cards	Retail SMEs	Housing Loans	Auto Loans	Other Loans	Other Receivables	Total
Receivables from customers:									
Loans and discounts	₱506,062,142	₱6,422,388	₱–	₱8,606,447	₱24,719,056	₱11,199,499	₱19,146,712	₱–	₱576,156,244
Credit card receivables	–	–	12,530,569	–	–	–	–	–	12,530,569
Customers' liabilities on letters of credit and trust receipts	6,680,277	–	–	192,544	–	–	676,034	–	7,548,855
Customers' liabilities on acceptances (Note 19)	3,560,917	–	–	–	–	–	–	–	3,560,917
Lease contracts receivable (Note 29)	–	–	–	–	–	–	5,876	–	5,876
Bills purchased (Note 22)	874,240	–	–	37,502	–	–	671,906	–	1,583,648
	517,177,576	6,422,388	12,530,569	8,836,493	24,719,056	11,199,499	20,500,528	–	601,386,109
Other receivables:									
Accrued interest receivable	–	–	–	–	–	–	–	6,546,063	6,546,063
Sales contract receivables	–	–	–	–	–	–	–	6,497,901	6,497,901
Accounts receivable	–	–	–	–	–	–	–	3,835,436	3,835,436
Miscellaneous	–	–	–	–	–	–	–	1,269,161	1,269,161
	517,177,576	6,422,388	12,530,569	8,836,493	24,719,056	11,199,499	20,500,528	18,148,561	619,534,670
Less: Unearned and other deferred income	516,988	–	–	12,826	231,866	111,788	257,424	2,036	1,132,928
Allowance for credit losses (Note 16)	19,027,613	50,693	2,587,668	906,590	2,367,615	1,032,804	2,042,594	3,484,304	31,499,881
	₱497,632,975	₱6,371,695	₱9,942,901	₱7,917,077	₱22,119,575	₱10,054,907	₱18,200,510	₱14,662,221	₱586,901,861

Lease Contract Receivables

An analysis of the Group's and the Parent Company's lease contract receivables follows:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Minimum lease payments				
Due within one year	**₱1,232,961**	₱1,364,058	**₱5,850**	₱3,926
Due beyond one year but not over five years	**643,821**	906,513	**–**	1,950
Due beyond five years	**14,344**	31,845	**–**	–
	1,891,126	2,302,416	**5,850**	5,876
Residual value of leased equipment				
Due within one year	**505,784**	374,959	**–**	–
Due beyond one year but not over five years	**219,082**	323,020	**–**	–
	724,866	697,979	**–**	–
Gross investment in lease contract receivables (Note 29)	**₱2,615,992**	₱3,000,395	**₱5,850**	₱5,876

Interest Income on Loans and Receivables

As of December 31, 2021 and 2020, 69.4% and 68.8%, respectively, of the total receivables from customers of the Group were subject to interest repricing. As of December 31, 2021 and 2020, 68.3% and 68.7%, 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 2021, from 1.1% to 9.0% in 2020 and from 1.0% to 9.0% in 2019 for foreign currency-denominated receivables, and from 1.1% to 31.5% in 2021, from 1.1% to 21.0% in 2020 and from 2.5% to 19.4% in 2019 for peso-denominated receivables. Sales contract receivables bear fixed interest rates per annum ranging from 3.3% to 21.0% in 2021, 2020 and 2019.

11. Property and Equipment

The composition of and movements in property and equipment follow:

	Consolidated							
	2021							
	Land	**Building**	**Furniture, Fixtures and Equipment**	**Long-term Leasehold Land**	**Construction in-progress**	**Leasehold Improvements**	**Right-of-Use Asset – Bank Premises**	**Total**
Cost								
Balance at beginning of year	**₱11,681,540**	**₱7,306,064**	**₱8,021,090**	**₱558,206**	**₱450,453**	**₱1,831,386**	**₱2,402,907**	**₱32,251,646**
Additions	**–**	**52,562**	**958,466**	**–**	**21,483**	**88,230**	**3,352,354**	**4,473,095**
Disposals	**(6,903,931)**	**(4,996,308)**	**(227,513)**	**–**	**–**	**–**	**–**	**(12,127,752)**
Transfers/others	**365,633**	**1,271,705**	**(32,808)**	**13,700**	**(93,377)**	**89,140**	**(364,540)**	**1,249,453**
Balance at end of year	**5,143,242**	**3,634,023**	**8,719,235**	**571,906**	**378,559**	**2,008,756**	**₱5,390,721**	**25,846,442**
Accumulated Depreciation and Amortization								
Balance at beginning of year	**–**	**3,539,412**	**4,729,038**	**51,455**	**–**	**1,707,836**	**1,176,303**	**11,204,044**
Depreciation and amortization	**–**	**377,186**	**1,000,213**	**5,362**	**–**	**191,025**	**564,168**	**2,137,954**
Disposals	**–**	**(2,313,920)**	**(129,362)**	**–**	**–**	**–**	**–**	**(2,443,282)**
Transfers/others	**–**	**450,992**	**(41,839)**	**6,065**	**–**	**(13,052)**	**(95,647)**	**306,519**
Balance at end of year	**–**	**2,053,670**	**5,558,050**	**62,882**	**–**	**1,885,809**	**1,644,824**	**11,205,235**
Allowance for Impairment Losses (Note 16)	**543,175**	**625,712**	**–**	**–**	**–**	**–**	**–**	**1,168,887**
Net Book Value at End of Year	**₱4,600,067**	**₱954,641**	**₱3,161,185**	**₱509,024**	**₱378,559**	**₱122,947**	**₱3,745,897**	**₱13,472,320**

	Consolidated							
	2020							
	Land	Building	Furniture, Fixtures and Equipment	Long-term Leasehold Land	Construction in-progress	Leasehold Improvements	Right-of-Use Asset – Bank Premises	Total
Cost								
Balance at beginning of year	₱11,677,104	₱7,026,901	₱7,801,970	₱570,456	₱793,698	₱1,510,890	₱2,279,267	₱31,660,286
Additions	–	228,386	839,396	–	–	163,465	122,420	1,353,667
Disposals	–	–	(306,808)	–	–	(2,143)	–	(308,951)
Transfers/others	4,436	50,777	(267,198)	(12,250)	(343,245)	165,412	67,053	(335,015)
Effect of disposal group classified as held for sale (Note 36)	–	–	(46,270)	–	–	(6,238)	(65,833)	(118,341)
Balance at end of year	11,681,540	7,306,064	8,021,090	558,206	450,453	1,831,386	2,402,907	32,251,646

(Forward)

	Consolidated							
	2020							
	Land	Building	Furniture, Fixtures and Equipment	Long-term Leasehold Land	Construction in-progress	Leasehold Improvements	Right-of-Use Asset – Bank Premises	Total
Accumulated Depreciation and Amortization								
Balance at beginning of year	₱–	₱3,210,442	₱4,257,395	₱51,093	₱–	₱1,289,338	₱568,067	₱9,376,335
Depreciation and amortization	–	339,006	586,637	5,561	–	231,862	1,159,449	2,322,515
Disposals	–	–	(278,069)	–	–	(1,909)	–	(279,978)
Transfers/others	–	(10,036)	203,287	(5,199)	–	194,362	(527,337)	(144,923)
Effect of disposal group classified as held for sale (Note 36)	–	–	(40,212)	–	–	(5,817)	(23,876)	(69,905)
Balance at end of year	–	3,539,412	4,729,038	51,455	–	1,707,836	1,176,303	11,204,044
Allowance for Impairment Losses (Note 16)	543,175	625,712	–	–	–	–	–	1,168,887
Net Book Value at End of Year	₱11,138,365	₱3,140,940	₱3,292,052	₱506,751	₱450,453	₱123,550	₱1,226,604	₱19,878,715

	Parent Company						
	2021						
	Land	**Building**	**Furniture, Fixtures and Equipment**	**Construction in-progress**	**Leasehold Improvements**	**Right-of-Use Asset – Bank Premises**	**Total**
Cost							
Balance at beginning of year	**₱11,681,540**	**₱7,234,289**	**₱6,217,199**	**₱450,452**	**₱1,733,319**	**₱2,335,489**	**₱29,652,288**
Additions	**–**	**52,562**	**514,992**	**21,483**	**86,693**	**3,350,486**	**4,026,216**
Disposals	**(6,903,931)**	**(4,996,308)**	**(42,151)**	**–**	**–**	**–**	**(11,942,390)**
Transfers/others	**365,633**	**1,269,732**	**(42,371)**	**(93,375)**	**82,557**	**126,531**	**1,708,707**
Balance at end of year	**5,143,242**	**3,560,275**	**6,647,669**	**378,560**	**1,902,569**	**5,812,506**	**23,444,821**
Accumulated Depreciation and Amortization							
Balance at beginning of year	**–**	**3,529,281**	**3,797,886**	**–**	**1,645,854**	**1,103,399**	**10,076,420**
Depreciation and amortization	**–**	**376,090**	**764,403**	**–**	**184,959**	**510,723**	**1,836,175**
Disposals	**–**	**(2,313,920)**	**(42,105)**	**–**	**–**	**–**	**(2,356,025)**
Transfers/others	**–**	**449,990**	**(46,024)**	**–**	**(17,393)**	**519,800**	**906,373**
Balance at end of year	**–**	**2,041,441**	**4,474,160**	**–**	**1,813,420**	**2,133,922**	**10,462,943**
Allowance for Impairment Losses (Note 16)	**543,175**	**625,712**	**–**	**–**	**–**	**–**	**1,168,887**
Net Book Value at End of Year	**₱4,600,067**	**₱893,122**	**₱2,173,509**	**₱378,560**	**₱89,149**	**₱ 3,678,584**	**₱11,812,991**

	Parent Company						
	2020						
	Land	Building	Furniture, Fixtures and Equipment	Construction in-progress	Leasehold Improvements	Right-of-Use Asset – Bank Premises	Total
Cost							
Balance at beginning of year	₱11,473,905	₱6,795,026	₱5,637,147	₱793,697	₱1,498,124	₱2,032,318	₱ 28,230,217
Additions	–	228,386	636,785	–	162,500	122,420	1,150,091
Disposals	–	–	(210,854)	–	–	–	(210,854)
Transfers/others	207,635	210,877	154,121	(343,245)	72,695	180,751	482,834
Balance at end of year	11,681,540	7,234,289	6,217,199	450,452	1,733,319	2,335,489	29,652,288
Accumulated Depreciation and Amortization							
Balance at beginning of year	–	3,152,505	3,686,338	–	990,738	488,171	8,317,752
Depreciation and amortization	–	337,780	277,477	–	216,061	1,066,601	1,897,919
Disposals	–	–	(210,829)	–	–	–	(210,829)
Transfers/others	–	38,996	44,900	–	439,055	(451,373)	71,578
Balance at end of year	–	3,529,281	3,797,886	–	1,645,854	1,103,399	10,076,420
Allowance for Impairment Losses (Note 16)	543,175	625,712	–	–	–	–	1,168,887
Net Book Value at End of Year	₱11,138,365	₱3,079,296	₱ 2,419,313	₱450,452	₱87,465	₱1,232,090	₱18,406,981

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 ₱1.5 billion as of December 31, 2021 and 2020.

Certain property and equipment of the Parent Company with carrying amount of ₱92.6 million are temporarily idle as of December 31, 2021 and 2020. As of December 31, 2021 and 2020, property and equipment of the Parent Company with gross carrying amount of ₱9.8 billion and ₱8.3 billion are fully depreciated but are still being used.

Gain (loss) on disposal of property and equipment in 2021, 2020 and 2019 amounted to ₱8.4 million, ₱7.8 million, and (₱9.0 million), respectively, for the Group and (₱0.8 million), ₱1.3 million and ₱1.0 million, respectively, for the Parent Company (Note 26).

Depreciation and amortization consists of:

	Consolidated			Parent Company		
	2021	2020 (As restated – Note 36)	2019 (As restated – Note 36)	2021	2020	2019
Continuing operations:						
Depreciation						
Property and equipment	**₱2,137,954**	₱2,322,515	₱2,112,689	**₱1,836,175**	₱1,897,919	₱1,616,928
Investment properties (Note 13)	**76,575**	259,128	178,908	**55,337**	167,536	120,604
Chattel mortgage properties	**2,717**	14,188	17,024	**–**	–	–
Amortization of intangible assets (Note 14)	**628,471**	558,737	485,890	**607,559**	541,814	469,539
	2,845,717	3,154,568	2,794,511	**2,499,071**	2,607,269	2,207,071
Discontinued operations (Note 36):						
Investment properties	**42,450**	711	711	**–**	–	–
Property and equipment	**6,592**	26,761	6,634	**–**	–	–
Intangible assets	**–**	2,101	2,267	**–**	–	–
	49,042	29,573	9,612	**–**	–	–
	₱2,894,759	₱3,184,141	₱2,804,123	**₱2,499,071**	₱2,607,269	₱2,207,071

The Parent Company is undertaking a series of transactions to monetize its low-earning assets. On September 10, 2020, the Parent Company's BOD approved the plan to realize the market value of certain real estate properties of the Parent Company with a total carrying value of ₱12.6 billion. The plan aims to reduce the low-earning assets of the Parent Company to strengthen its financial position. As part of a series of transactions which will be carried out to meet the objectives of the said plan, on September 25, 2020, the Parent Company's BOD approved the subscription of additional 466,770,000 shares of PNB Holdings with a par value of ₱100 per share, to be issued out of an increase in the authorized capital stock of PNB Holdings, at a subscription price of ₱100 per share in exchange for the above real estate properties, subject to regulatory approvals (Note 12).

12. Investments in Subsidiaries and an Associate

The consolidated financial statements of the Group include:

	Industry	Principal Place of Business/Country of Incorporation	Functional Currency	Percentage of Ownership Direct	Percentage of Ownership Indirect
Subsidiaries					
Allied Integrated Holdings, Inc. (AIHI)	Holding Company	Philippines	Php	**100.00**	–
PNB Capital and Investment Corporation (PNB Capital)	Investment	- do -	Php	**100.00**	–
PNB Securities, Inc. (PNB Securities)	Securities Brokerage	- do -	Php	**100.00**	–
PNB Corporation – Guam [(a)]	Remittance	USA	USD	**100.00**	–
PNB International Investments Corporation (PNB IIC)	Investment	- do -	USD	**100.00**	–
PNB Remittance Centers, Inc. (PNB RCI) [(b)]	Remittance	- do -	USD	**–**	**100.00**
PNB Remittance Co. (Nevada) [(c)]	Remittance	-do-	USD	**–**	**100.00**
PNB RCI Holding Co. Ltd. (PNB RHCL)	Holding Company	- do -	USD	**–**	**100.00**
PNB Remittance Co. (Canada) [(d)]	Remittance	Canada	CAD	**–**	**100.00**
PNB Europe PLC	Banking	United Kingdom	GBP	**100.00**	–
Allied Commercial Bank (ACB)	Banking	China	CNY	**99.04**	–
PNB-Mizuho Leasing and Finance Corporation (PMLFC)	Leasing/Financing	Philippines	Php	**75.00**	–
PNB-Mizuho Equipment Rentals Corporation [(e)]	Rental	- do -	Php	**–**	**75.00**
PNB Global Remittance & Financial Co. (HK) Ltd. (PNB GRF)	Remittance	Hong Kong	HKD	**100.00**	–
Allied Banking Corporation (Hong Kong) Limited (ABCHKL)	Banking	- do -	HKD	**51.00**	–
ACR Nominees Limited [(f)]	Service	- do -	HKD	**–**	**51.00**
Oceanic Holding (BVI) Ltd.	Holding Company	British Virgin Islands	USD	**27.78**	–
Associate					
Allianz-PNB Life Insurance, Inc. (APLII)	Insurance	- do -	Php	**44.00**	–

[(a)] *Ceased operations on June 30, 2012 and license status became dormant thereafter*
[(b)] *Owned through PNB IIC*
[(c)] *Owned through PNB RCI*
[(d)] *Owned through PNB RHCL*
[(e)] *Owned through PMLFC*
[(f)] *Owned through ABCHKL*

The details of this account follow:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Investment in Subsidiaries				
AIHI	**₱–**	₱–	**₱10,935,041**	₱10,935,041
ACB	**–**	–	**6,087,520**	6,087,520
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
PNB Holdings	**–**	–	**–**	377,876
	–	–	**23,772,610**	24,150,486
Investment in an Associate – APLII	**2,973,089**	2,728,089	**2,973,089**	2,728,089
Accumulated equity in net earnings (losses) of subsidiaries and an associate:				
Balance at beginning of year	**164,150**	75,674	**63,633**	(155,888)
Equity in net earnings (losses) for the year	**50,789**	88,476	**(650,134)**	95,939
Cash dividends declared by a subsidiary	**–**	–	**(300,000)**	–
Effect of loss of control over PNB Holdings	**–**	–	**616,231**	–
Effect of disposal group classified as held for sale (Note 36)	**–**	–	**32,987**	123,582
	214,939	164,150	**(237,283)**	63,633
Accumulated share in:				
Aggregate losses on life insurance policies	**(626,394)**	(1,038,838)	**(626,394)**	(1,038,838)
Net unrealized gains (losses) on financial assets at FVOCI (Note 9)	**(93,926)**	464,105	**(66,165)**	561,453
Accumulated translation adjustments	**–**	–	**1,381,305**	478,711
Remeasurement gain (loss) on retirement plan	**399**	(7,096)	**78,289**	73,400
Reserves of a disposal group classified as held for sale (Note 36)	**–**	–	**–**	88,616
	(719,921)	(581,829)	**767,035**	163,342
	₱2,468,107	₱2,310,410	**₱27,275,451**	₱27,105,550

In 2002, the Parent Company underwent a quasi-reorganization which was approved by the SEC on November 7, 2002. As of December 31, 2021 and 2020, the acquisition cost of the investments in the Parent Company's separate financial statements includes the balance of ₱2.1 billion consisting of the translation adjustment and accumulated equity in net earnings, net of dividends subsequently received from the quasi-reorganization date, that were closed to deficit on restructuring date and are not available for dividend declaration.

<u>Investment in AIHI (formerly PNB Savings Bank or PNBSB)</u>
On March 1, 2020, the integration of PNBSB to the Parent Company took effect through acquisition of the former's assets and assumption of its liabilities in exchange for cash, equivalent to the fair values of the net assets acquired. The integration was accounted for using the pooling of interests method since it involves business combination between entities under common control. Accordingly, the Parent Company recognized the net assets of PNBSB at their carrying values, and the excess of the carrying values of the net assets acquired over the settlement price amounting to ₱390.5 million is accounted for as 'Other equity reserves' in the parent company financial statements.

On March 5, 2020, PNBSB surrendered its banking license to the BSP.

On October 28, 2020, the BOD of PNBSB approved the following amendments to its Amended Articles of Incorporation and Amended By-Laws:

- Change in the name of the corporation from “PNB Savings Bank” to “Allied Integrated Holdings, Inc.”
- Change in the primary purpose of the corporation from banking to a holding company
- Change in all references to, and use of, the word “bank” in the Articles of Incorporation and By-Laws to “corporation”
- Removal of provisions that are related to banking, unless such provision has already been previously amended and approved by the BOD and stockholders of PNBSB
- Shortening of the corporation’s term to December 31, 2022

On December 3, 2020, the Monetary Board (MB) of the BSP approved the conversion of PNBSB to a holding company, a non-bank corporation, under the new name as discussed above.

On February 23, 2021, the SEC approved the change of the corporate name of PNB Savings Bank to Allied Integrated Holdings, Inc.

On July 28, 2021, the BOD and stockholder of AIHI approved the Amendments of the Articles of Incorporation and By-Laws and the decrease of the authorized capital stock of AIHI. On February 18, 2022, capital of AIHI amounting to ₱7.5 billion was returned to the Parent Company (Note 37).

Investment in PNB Holdings

On December 28, 2020, the MB of the BSP approved the request of the Parent Company for temporary exemption from prudential limits on its equity investments in PNB Holdings.

On January 13, 2021, the SEC approved the increase in the authorized capital stock of PNB Holdings from ₱500.0 million divided into 5,000,000 shares with par value of ₱100 per share, to ₱50.5 billion divided into 505,000,000 shares with the same par value. On the same date, the Parent Company proceeded with the subscription of additional 466,770,000 shares of PNB Holdings shares in exchange for certain real estate properties with fair values of ₱46.7 billion (Notes 11 and 13).

On April 23, 2021, the Parent Company’s BOD approved the property dividend declaration of up to 239,353,710 common shares of PNB Holdings, representing 51.00% ownership, with a par value of ₱100 per share, to all stockholders of record as of May 18, 2021, or ₱23.9 billion.

On May 21, 2021, the Parent Company’s BOD approved the issuance of a proxy in favor of LTG to vote all shares registered in the name of the Parent Company on any and all matters in the Annual Stockholders’ Meeting of PNB Holdings (Note 33).

On December 24, 2021, the SEC approved the property dividend declaration. On the same date, the Parent Company assessed that it has lost control over PNB Holdings, and accordingly classified its retained interest of 49.00% in PNB Holdings as financial asset at FVOCI with no recycling to profit or loss, in accordance with PFRS 9. Such investment was remeasured from its carrying amount of ₱6.6 billion to its fair value as of December 24, 2021 of ₱23.0 billion, resulting in a gain on remeasurement of ₱16.5 billion and ₱16.4 billion in the consolidated and parent company financial statements, respectively (Note 33).

Further, the Group and the Parent Company recognized gain on loss of control over PNB Holdings of ₱17.0 billion and ₱17.1 billion in the consolidated and parent company financial statements, respectively. On December 21, 2021, the Parent Company was able to secure ruling from the Bureau of Internal Revenue (BIR) that the transfer of properties to PNB Holdings is not subject to tax, except for documentary stamps tax (DST). Further, on March 10, 2022, the Parent Company was able to secure another ruling from the BIR that the property dividends distribution is exempt from tax, except for DST.

The Parent Company was able to demonstrate loss of control over PNB Holdings because of the following:
- Declaration of 51.00% ownership in PNB Holdings as property dividends
- Execution of proxy in favor of LTG for the remaining 49.00% held by the Group
- Election of new BOD made by the stockholders of PNB Holdings in January 2021, effectively resulting in the Group having no representations in the BOD of PNB Holdings
- Appointment of key management personnel by the BOD of PNB Holdings, resulting in the Group having no officers and staff participating in the day-to-day operations of PNB Holdings
- Approval of the SEC of the property dividend declaration and distribution to all stockholders as of May 18, 2021

The foregoing corporate actions were taken by PNB and LTG to allow PNB to focus on its core banking business.

Accordingly, these factors demonstrate that the Group no longer exercises control over PNB Holdings as certain elements of control under PFRS 10, *Consolidated Financial Statements,* are no longer demonstrated.
Further, the Group no longer has a significant influence over PNB Holdings given the execution of proxy forms in favor of LTG and the fact that the latter controls both the Parent Company and PNB Holdings.

<u>Investment in PNB General Insurers Co., Inc. (PNB Gen)</u>
On October 9 and December 11, 2020, the respective BODs of PNB Holdings and the Parent Company approved 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 (the Purchase Price), subject to regulatory and other necessary approvals.

Under the Sale and Purchase Agreement (SPA), the Purchase Price shall be payable as follows:
- PNB Holdings Purchase Price (₱521.8 million) – payable in full on PNB Holdings Closing Date (i.e., the completion of the purchase of PNB Holdings Shares by ABIC, which shall be December 28, 2020, or such other date subsequently agreed upon by the parties)
- PNB Purchase Price (₱1.0 billion) – payable in three tranches (10%, 45% and 45%) on January 21, March 21, and June 21, 2021, respectively

The SPA also provides for a grant of an exclusive bancassurance arrangement for the non-life insurance business of the Group to ABIC with a minimum guaranteed term of 15 years. As an additional consideration, ABIC shall pay the Group ₱50.0 million on PNB Closing Date (i.e., the completion of the purchase of PNB Shares by ABIC to coincide with the payment of PNB Tranche 3 or such final installment of the PNB Purchase Price), subject to regulatory approvals. For the PNB Purchase Price, ABIC shall also pay interest on each payment date on each payment tranche date at the rate of 6.00% per annum, which shall commence to run after the PNB Holdings Closing Date and be based on the outstanding amount of the PNB Purchase Price, as adjusted after each payment made to the Parent Company.

On December 29, 2020, the Insurance Commission approved the above acquisition of ABIC. As of December 31, 2020, only the sale of PNB Holdings of its shares in PNB Gen met all the closing conditions for the sale. Accordingly, PNB Holdings closed and completed the sale of its 34.25% shareholdings in PNB Gen, recognizing gain on sale of ₱344.7 million, which is included under 'Equity in net earnings of subsidiaries' in the parent company financial statements, but treated as an equity transaction in the consolidated financial statements as 'Other equity reserves'. The Group also reclassified the assets and liabilities of PNB Gen to 'Assets and liabilities of disposal group classified as held for sale' in the consolidated statement of financial position as of December 31, 2020 (Note 36).

On January 21 and March 19, 2021, the Parent Company received from ABIC the first two tranches representing 10.00% and 45.00%, respectively, of the selling price for the sale of PNB's shares in PNB Gen). On March 31, 2021, ABIC advanced 80.00% of the last tranche of the selling price. On April 30, 2021, the Parent Company received from ABIC the remaining 20.00% of the last tranche of the selling price for the sale of its shares in PNB Gen. In 2021, the Group and the Parent Company recognized loss on sale of its shares in PNB Gen amounting to ₱149.5 million and ₱134.9 million, respectively, recorded under 'Gain on loss of control of subsidiaries - net'. The Parent Company also received interest income of ₱14.1 million from ABIC for this transaction.

Investments in PMLFC

On February 19, 2021, the Parent Company's BOD approved the infusion of additional capital of up to ₱515.0 million to PMLFC, subject to regulatory and other necessary approvals. The infusion of additional capital will increase the Parent Company shareholdings in PMLFC from 75.00% to 83.50%. On July 2, 2021, the BSP approved such additional equity investment in PMLFC. As of December 31, 2021, the additional capital infusion is still subject to discussions with the foreign partner of the Group.

As of December 31, 2021, the carrying value of the Parent Company's equity investment in PMLFC is already reduced to nil. However, by virtue of the Parent Company's commitment to provide further funding in PMLFC, the Parent Company recognized additional losses amounting to ₱164.5 million representing its share in the accumulated net losses of PMLFC. Further, the Parent Company recognized provision for liability amounting to ₱125.1 million relating to the undrawn loan commitments of PMLFC. These provisions were recorded under 'Miscellaneous expenses' in the statement of income (Notes 27 and 33).

Material Non-controlling Interests

Proportion of equity interest held by material NCI follows:

		Equity interest of NCI		**Accumulated balances of material NCI**		**Profit allocated to material NCI**	
	Principal Activities	**2021**	2020	**2021**	2020	**2021**	2020
ABCHKL	Banking	**49.00%**	49.00%	**₱1,912,800**	₱1,760,176	**₱65,399**	₱81,187
OHBVI	Holding Company	**72.22%**	72.22%	**985,794**	928,071	**201**	4,667
PNB Gen	Insurance	−	34.25%	−	519,278	−	−

The following table presents financial information of ABCHKL as of December 31, 2021 and 2020:

	2021	2020
Statement of Financial Position		
Current assets	**₱8,426,632**	₱7,162,167
Non-current assets	**2,583,273**	3,180,314
Current liabilities	**6,299,157**	5,924,195
Non-current liabilities	**807,075**	826,090
Statement of Comprehensive Income		
Revenues	**₱374,407**	₱406,294
Expenses	**240,940**	240,606
Net income	**133,467**	165,688
Total comprehensive income	**320,506**	3,915
Statement of Cash Flows		
Net cash provided by (used in) operating activities	**543,634**	(142,489)
Net cash used in investing activities	**(320)**	(782)
Net cash used in financing activities	**(6,768)**	(6,411)

The following table presents financial information of OHBVI as of December 31, 2021 and 2020:

	2021	2020
Statement of Financial Position		
Current assets	**₱1,364,988**	₱1,285,061
Statement of Comprehensive Income		
Revenues/Net income/Total comprehensive income	**278**	6,463
Statement of Cash Flows		
Net cash provided by (used in) operating activities	**79,927**	(63,383)

The Parent Company determined that it controls OHBVI through its combined voting rights of 70.56% which arises from its direct ownership of 27.78% and voting rights of 42.78% assigned by certain stockholders of OHBVI to the Parent Company through a voting trust agreement.

Investment in APLII

On June 6, 2016, the Parent Company entered into agreements with Allianz SE (Allianz), a German company engaged in insurance and asset management, for the sale of the 51.00% interest in PNB Life Insurance, Inc. (PNB Life) for a total consideration of USD66.0 million to form a new joint venture company named "Allianz-PNB Life Insurance, Inc."; and a 15-year exclusive distribution access to the branch network of the Parent Company and PNBSB (Exclusive Distribution Rights or EDR).

The purchase consideration of USD66.0 million was allocated between the sale of the 51.00% interest in PNB Life and the EDR amounting to USD44.9 million (₱2.1 billion) and USD21.1 million (₱1.0 billion), respectively. The consideration allocated to the EDR was recognized as 'Deferred revenue – Bancassurance' (Note 22) and is amortized to income over 15 years from date of sale. The Parent Company also receives variable annual and fixed bonus earn-out payments based on milestones achieved over the 15-year term of the distribution agreement.

On March 26, 2021, the Parent Company's BOD approved and confirmed the infusion of additional capital of up to ₱245.0 million to APLII subject to regulatory and other necessary approvals. On June 14, 2021, the BSP approved the capital infusion, and the Parent Company recorded the additional investment in APLII in the same month.

Summarized financial information of APLII as of December 31, 2021 and 2020 follows:

	2021	2020
Current assets	**₱2,189,208**	₱1,697,490
Noncurrent assets	**76,895,902**	50,584,277
Total assets	**79,085,110**	52,281,767
Current liabilities	**3,217,567**	2,636,733
Noncurrent liabilities	**73,827,220**	47,905,927
Total liabilities	**77,044,787**	50,542,660
Net assets	**2,040,323**	1,739,107
Percentage of ownership of the Group	**44%**	44%
Share in the net assets of the associate	**₱897,742**	₱765,207

The difference between the share in the net assets of APLII and the carrying value of the investments represents premium on acquisition/retained interest.

Summarized statement of comprehensive income of APLII in 2021 and 2020 follows:

	2021	2020
Revenues	**₱3,729,488**	₱3,132,745
Costs and expenses	**3,614,058**	2,846,825
Net income	**115,430**	285,920
Other comprehensive income	**(313,853)**	297,095
Total comprehensive income	**(₱198,423)**	₱583,015
Group's share in comprehensive income for the year	**(₱87,306)**	₱256,527

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**	
	2021	2020	**2021**	2020
Foreclosed or acquired in settlement of loans	**₱10,556,014**	₱10,046,604	**₱9,998,445**	₱9,522,646
Held for lease	**179,882**	4,399,152	**179,882**	4,399,152
Total	**₱10,735,896**	₱14,445,756	**₱10,178,327**	₱13,921,798

The composition of and movements in this account follow:

	Consolidated		
	2021		
	Land	**Buildings and Improvements**	**Total**
Cost			
Beginning balance	**₱14,840,368**	**₱4,354,738**	**₱19,195,106**
Additions	**280,030**	**244,693**	**524,723**
Disposals	**(3,600,962)**	**(1,324,806)**	**(4,925,768)**
Transfers/others	**12,089**	**(148,120)**	**(136,031)**
Balance at end of year	**11,531,525**	**3,126,505**	**14,658,030**
Accumulated Depreciation			
Balance at beginning of year	**–**	**2,165,680**	**2,165,680**
Depreciation (Note 11)	**–**	**76,575**	**76,575**
Disposals	**–**	**(502,878)**	**(502,878)**
Transfers/others	**–**	**(22,065)**	**(22,065)**
Balance at end of year	**–**	**1,717,312**	**1,717,312**
Allowance for Impairment Losses (Note 16)	**1,948,609**	**256,213**	**2,204,822**
Net Book Value at End of Year	**₱9,582,916**	**₱1,152,980**	**₱10,735,896**

	Consolidated		
	2020		
	Land	Buildings and Improvements	Total
Cost			
Beginning balance	₱14,849,087	₱4,377,277	₱19,226,364
Additions	44,736	41,957	86,693
Disposals	(10,827)	(12,341)	(23,168)
Transfers/others	(42,628)	(52,155)	(94,783)
Balance at end of year	14,840,368	4,354,738	19,195,106
Accumulated Depreciation			
Balance at beginning of year	–	2,033,630	2,033,630
Depreciation (Note 11)	–	259,128	259,128
Disposals	–	(8,075)	(8,075)
Transfers/others	–	(119,003)	(119,003)
Balance at end of year	–	2,165,680	2,165,680
Allowance for Impairment Losses (Note 16)	2,351,499	232,171	2,583,670
Net Book Value at End of Year	₱12,488,869	₱1,956,887	₱14,445,756

	Parent Company		
	2021		
	Land	**Buildings and Improvements**	**Total**
Cost			
Beginning balance	**₱14,322,250**	**₱4,215,771**	**₱18,538,021**
Additions	**280,030**	**54,381**	**334,411**
Disposals	**(3,600,962)**	**(1,324,806)**	**(4,925,768)**
Transfers/others	**485**	**1,999**	**2,484**
Balance at end of year	**11,001,803**	**2,947,345**	**13,949,148**
Accumulated Depreciation			
Balance at beginning of year	**–**	**2,042,691**	**2,042,691**
Depreciation (Note 11)	**–**	**55,337**	**55,337**
Disposals	**–**	**(502,877)**	**(502,877)**
Balance at end of year	**–**	**1,595,151**	**1,595,151**
Allowance for Impairment Losses (Note 16)	**1,947,897**	**227,773**	**2,175,670**
Net Book Value at End of Year	**₱9,053,906**	**₱1,124,421**	**₱10,178,327**

	Parent Company		
	2020		
	Land	Buildings and Improvements	Total
Cost			
Beginning balance	₱14,478,418	₱4,344,378	₱18,822,796
Additions	51,053	26,973	78,026
Disposals	(10,827)	(12,341)	(23,168)
Transfers/others	(196,394)	(143,239)	(339,633)
Balance at end of year	14,322,250	4,215,771	18,538,021
Accumulated Depreciation			
Balance at beginning of year	–	1,992,096	1,992,096
Depreciation (Note 11)	–	167,536	167,536
Disposals	–	(8,075)	(8,075)
Transfers/others	–	(108,866)	(108,866)
Balance at end of year	–	2,042,691	2,042,691
Allowance for Impairment Losses (Note 16)	2,350,787	222,745	2,573,532
Net Book Value at End of Year	₱11,971,463	₱1,950,335	₱13,921,798

Included in the real estate properties transferred to PNB Holdings in exchange for 466,770,000 shares of PNB Holdings are investment properties with carrying value amounting to ₱4.2 billion (Note 12).

Foreclosed properties of the Parent Company still subject to redemption period by the borrowers amounted to ₱229.8 million and ₱181.2 million, as of December 31, 2021 and 2020, respectively. Valuations were derived on the basis of recent sales of similar properties in the same area as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made. The Group and the Parent Company are exerting continuing efforts to dispose these properties.

The total recoverable value of certain investment properties of the Group and the Parent Company that were impaired amounted to ₱4.7 billion and ₱4.2 billion as of December 31, 2021 and 2020, respectively.

For the Group and the Parent Company, direct operating expenses on investment properties that generated rental income during the year (other than depreciation and amortization), included under ‘Miscellaneous expenses’, amounted to ₱28.2 million, ₱6.0 million and ₱12.3 million in 2021, 2020, and 2019, respectively. Direct operating expenses on investment properties that did not generate rental income included under ‘Miscellaneous expenses’, amounted to ₱173.3 million, ₱204.6 million and ₱190.7 million in 2021, 2020, and 2019, respectively.

14. Goodwill and Intangible Assets

These accounts consist of:

	Consolidated				
	2021				
	Intangible Assets with Finite Lives				
	CDI	**CRI**	**Software Cost**	**Total**	**Goodwill**
Cost					
Balance at beginning of year	**₱1,897,789**	**₱391,943**	**₱4,134,403**	**₱6,424,135**	**₱13,375,407**
Additions	**–**	**–**	**655,455**	**655,455**	**–**
Others	**–**	**–**	**(84,225)**	**(84,225)**	**–**
Balance at end of year	**1,897,789**	**391,943**	**4,705,633**	**6,995,365**	**13,375,407**

(Forward)

	Consolidated				
	2021				
	Intangible Assets with Finite Lives				
	CDI	**CRI**	**Software Cost**	**Total**	**Goodwill**
Accumulated Amortization					
Balance at beginning of year	**₱1,498,199**	**₱391,943**	**₱2,021,980**	**₱3,912,122**	**₱–**
Amortization (Note 11)	**189,779**	**–**	**438,692**	**628,471**	**–**
Others	**–**	**–**	**25,338**	**25,338**	**–**
Balance at end of year	**1,687,978**	**391,943**	**2,486,010**	**4,565,931**	**–**
Accumulated Impairment Losses (Note 16)	**–**	**–**	**–**	**–**	**2,153,997**
Net Book Value at End of Year	**₱209,811**	**₱–**	**₱2,219,623**	**₱2,429,434**	**₱11,221,410**

	Consolidated				
	2020				
	Intangible Assets with Finite Lives				
	CDI	CRI	Software Cost	Total	Goodwill
Cost					
Balance at beginning of year	₱1,897,789	₱391,943	₱3,918,769	₱6,208,501	₱13,375,407
Additions	–	–	283,472	283,472	–
Others	–	–	(47,517)	(47,517)	–
Effect of disposal group classified as held for sale (Note 36)	–	–	(20,321)	(20,321)	–
Balance at end of year	1,897,789	391,943	4,134,403	6,424,135	13,375,407
Accumulated Amortization					
Balance at beginning of year	1,308,420	391,943	1,666,149	3,366,512	–
Amortization (Note 11)	189,779	–	368,958	558,737	–
Others	–	–	2,060	2,060	–
Effect of disposal group classified as held for sale (Note 36)	–	–	(15,187)	(15,187)	–
Balance at end of year	1,498,199	391,943	2,021,980	3,912,122	–
Net Book Value at End of Year	₱399,590	₱–	₱2,112,423	₱2,512,013	₱13,375,407

	Parent Company				
	2021				
	Intangible Assets with Finite Lives				
	CDI	**CRI**	**Software Cost**	**Total**	**Goodwill**
Cost					
Balance at beginning of year	**₱1,897,789**	**₱391,943**	**₱5,167,531**	**₱7,457,263**	**₱13,515,765**
Additions	**–**	**–**	**612,515**	**612,515**	**–**
Others	**–**	**–**	**(100,120)**	**(100,120)**	**–**
Balance at end of year	**1,897,789**	**391,943**	**5,679,926**	**7,969,658**	**13,515,765**
Accumulated Amortization					
Balance at beginning of year	**1,498,199**	**391,943**	**3,128,461**	**5,018,603**	**–**
Amortization (Note 11)	**189,779**	**–**	**417,780**	**607,559**	**–**
Others	**–**	**–**	**14,539**	**14,539**	**–**
Balance at end of year	**1,687,978**	**391,943**	**3,560,780**	**5,640,701**	**–**
Accumulated Impairment Losses (Note 16)	**–**	**–**	**–**	**–**	**2,153,997**
Net Book Value at End of Year	**₱209,811**	**₱–**	**₱2,119,146**	**₱2,328,957**	**₱11,361,768**

	Parent Company				
	2020				
	Intangible Assets with Finite Lives				
	CDI	CRI	Software Cost	Total	Goodwill
Cost					
Balance at beginning of year	₱1,897,789	₱391,943	₱4,886,120	₱7,175,852	₱13,515,765
Additions	–	–	268,768	268,768	–
Others	–	–	12,643	12,643	–
Balance at end of year	1,897,789	391,943	5,167,531	7,457,263	13,515,765
Accumulated Amortization					
Balance at beginning of year	1,308,420	391,943	2,776,335	4,476,698	–
Amortization (Note 11)	189,779	–	352,035	541,814	–
Others	–	–	91	91	–
Balance at end of year	1,498,199	391,943	3,128,461	5,018,603	–
Net Book Value at End of Year	₱399,590	₱–	₱2,039,070	₱2,438,660	₱13,515,765

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.

Software cost
Software cost as of December 31, 2021 and 2020 includes capitalized development costs amounting to ₱2.0 billion, related to the Parent Company's new core banking system.

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. As of December 31, 2021 and 2020, goodwill for each CGU amounted to:

	2021	2020
Retail Banking	**₱6,110,312**	₱6,110,312
Global Banking and Market	**3,074,730**	3,074,730
Corporate Banking	**2,036,368**	4,190,365
	₱11,221,410	₱13,375,407

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. As of December 31, 2021, the goodwill impairment test performed by the Parent Company resulted in an impairment loss of ₱2.2 billion in the Corporate Banking segment (recorded under 'Provision for impairment, credit and other losses') with the recoverable amount being lower than its carrying amount.

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:

	2021			2020		
	Retail Banking	**Corporate Banking**	**Global Banking and Market**	Retail Banking	Corporate Banking	Global Banking and Market
Pre-tax discount rate	**10.48%**	**10.48%**	**8.32%**	10.83%	10.83%	6.95%
Projected growth rate	**6.60%**	**6.60%**	**6.60%**	5.00%	5.00%	5.00%

The calculation of VIU is most sensitive to estimates of future cash flows from the business, interest margin, discount rates, projected long-term growth rates (derived based on the forecast local gross domestic product) used to extrapolate cash flows beyond the budget period.

The discount rate applied have been determined based on cost of equity for Retail and Corporate Banking segments and weighted average cost of capital (WACC) for Global Banking and Market segment. WACC is computed by multiplying the cost of equity and the post-tax cost of debt by their relevant weights using debt-equity mix of comparable listed banks, and adding the products together. The cost of equity is derived using the capital asset pricing model which is comprised of a market risk premium, risk-free interest rate and the beta factor, all of which were obtained from external sources of information. The post-tax cost of debt is comprised of the risk-free interest rate and the Group's credit spread, after applying the prevailing corporate income tax.

15. Other Assets

This account consists of:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Financial				
Return checks and other cash items	**₱133,631**	₱78,589	**₱133,631**	₱78,589
Security deposits	**12,984**	13,080	**–**	–
Receivable from special purpose vehicle (SPV)	**500**	500	**500**	500
Checks for clearing	**–**	4,904	**–**	4,904
Miscellaneous	**2,907**	2,836	**2,211**	2,280
	150,022	99,909	**136,342**	86,273
Non-financial				
Creditable withholding taxes	**1,686,145**	2,397,473	**1,436,059**	2,144,781
Deferred charges	**1,065,090**	1,095,022	**1,053,876**	989,748
Prepaid expenses	**645,222**	491,796	**587,871**	431,722
Real estate inventories held under development (Note 33)	**638,875**	638,875	**638,875**	638,875
Documentary stamps on hand	**357,884**	988,610	**356,586**	986,410
Dividends receivable (Note 12)	**–**	–	**300,000**	–
Chattel mortgage properties – net of depreciation	**227,187**	115,356	**99,691**	111,817
Input value added tax	**119,762**	104,096	**–**	–
Stationeries and supplies	**87,651**	81,337	**87,476**	80,924
Other investments	**30,760**	28,617	**27,270**	25,397
Miscellaneous (Note 28)	**868,538**	1,337,715	**847,524**	492,000
	5,727,114	7,278,897	**5,435,228**	5,901,674
	5,877,136	7,378,806	**5,571,570**	5,987,947
Less allowance for credit and impairment losses (Note 16)	**1,069,216**	1,040,596	**1,046,072**	1,040,213
	₱4,807,920	₱6,338,210	**₱4,525,498**	₱4,947,734

Deferred charges
This account includes the share of the Group in the cost of transportation equipment acquired under the Group's car plan which shall be amortized monthly.

Real estate inventories held under development
This represents parcels of land contributed by the Parent Company under joint arrangements with real estate developers to be developed as residential condominium units and subdivision lots.

Prepaid expenses
This represents expense prepayments expected to benefit the Group for a future period not exceeding one year, such as insurance premiums and taxes.

Chattel mortgage properties
As of December 31, 2021 and 2020, accumulated depreciation on chattel mortgage properties acquired by the Group in settlement of loans amounted to ₱241.8 million and ₱140.1 million, respectively. As of December 31, 2021 and 2020, accumulated depreciation on chattel mortgage properties acquired by the Parent Company in settlement of loans amounted to ₱227.5 million and ₱130.3 million, respectively. As of December 31, 2021 and 2020, the total recoverable value of certain chattel mortgage properties of the Group and the Parent Company that were impaired is at ₱0.9 million.

Receivable from SPV
This represents fully provisioned subordinated notes received by the Parent Company from Golden Dragon Star Equities and its assignee, Opal Portfolio Investing, Inc. (an SPV), relative to the sale of certain non-performing assets of the Group.

Miscellaneous
Other financial assets include revolving fund, petty cash fund and miscellaneous cash and other cash items. Other nonfinancial assets include postages, refundable deposits, notes taken for interest and sundry debits.

16. Allowance for Impairment and Credit Losses

Provision for Impairment, Credit and Other Losses
This account consists of:

	Consolidated			**Parent Company**		
	2021	2020 (As restated – Note 36)	2019 (As restated – Note 36)	**2021**	2020	2019
Continuing operations:						
Provision for credit losses	**₱10,980,450**	₱16,054,991	₱2,481,965	**₱11,220,504**	₱15,723,927	₱1,648,491
Provision for (reversal of) impairment and other losses	**1,898,561**	827,630	428,217	**1,905,233**	810,408	(55,272)
	12,879,011	16,882,621	2,910,182	**13,125,737**	16,534,335	1,593,219
Discontinued operations (Note 36):						
Provision for (reversal of) credit and impairment losses	**88,141**	29,781	(324)	**–**	–	–
	₱12,967,152	₱16,912,402	₱2,909,858	**₱13,125,737**	₱16,534,335	₱1,593,219

Changes in the allowance for impairment and credit losses on financial assets follow:

	Consolidated							
	2021							
	Securities Held Under Agreements to Resell	**Due from Other Banks**	**Interbank Loans Receivable**	**Financial Assets at FVOCI**	**Investment Securities at Amortized Cost**	**Loans and Receivables**	**Other Assets**	**Total**
Balance at beginning of year	**₱–**	**₱9,898**	**₱2,883**	**₱67,399**	**₱3,982,398**	**₱32,414,652**	**₱500**	**₱36,477,730**
Provisions (reversals)	**3,644**	**695**	**3,696**	**66,752**	**(142,249)**	**11,047,912**	**–**	**10,980,450**
Accounts charged-off	**–**	**–**	**–**	**–**	**–**	**(1,439,313)**	**–**	**(1,439,313)**
Sale of receivables (Note 26)	**–**	**–**	**–**	**–**	**–**	**(2,520,236)**	**–**	**(2,520,236)**
Transfers and others	**–**	**–**	**–**	**–**	**(17,983)**	**(162,254)**	**–**	**(180,237)**
Balance at end of year	**₱3,644**	**₱10,593**	**₱6,579**	**₱134,151**	**₱3,822,166**	**₱39,340,761**	**₱500**	**₱43,318,394**

	Consolidated							
	2020							
	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	₱1,912	₱3,359	₱6,719	₱51,639	₱3,785,196	₱18,413,228	₱500	₱22,262,553
Provisions:								
Continuing operations	–	6,338	1,610	19,163	197,405	15,830,475	–	16,054,991
Discontinued operation	–	–	–	–	28	30,280	–	30,308
Accounts charged-off	–	–	–	–	–	(749,829)	–	(749,829)
Transfers and others	(1,912)	201	(5,446)	(3,403)	(203)	(849,334)	–	(860,097)
Effect of discontinued operations	–	–	–	–	(28)	(260,168)	–	(260,196)
Balance at end of year	₱–	₱9,898	₱2,883	₱67,399	₱3,982,398	₱32,414,652	₱500	₱36,477,730

	Parent Company							
	2021							
	Securities Held Under Agreements to Resell	**Due from Other Banks**	**Interbank Loans Receivable**	**Financial Assets at FVOCI**	**Investment Securities at Amortized Cost**	**Loans and Receivables**	**Other Assets**	**Total**
Balance at beginning of year	**₱–**	**₱9,873**	**₱2,883**	**₱67,399**	**₱3,982,398**	**₱31,499,881**	**₱500**	**₱35,562,934**
Provisions (reversals)	**3,644**	**–**	**3,696**	**64,122**	**(142,249)**	**11,291,291**	**–**	**11,220,504**
Accounts charged-off	**–**	**–**	**–**	**–**	**–**	**(1,439,313)**	**–**	**(1,439,313)**
Sale of receivables (Note 26)	**–**	**–**	**–**	**–**	**–**	**(2,520,236)**	**–**	**(2,520,236)**
Transfers and others	**–**	**–**	**–**	**–**	**(17,983)**	**394,354**	**–**	**376,371**
Balance at end of year	**₱3,644**	**₱9,873**	**₱6,579**	**₱131,521**	**₱3,822,166**	**₱39,225,977**	**₱500**	**₱43,200,260**

	Parent Company						
	2020						
	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	₱3,359	₱1,293	₱51,639	₱3,728,243	₱14,292,784	₱500	₱18,077,818
Provisions	6,334	1,610	15,760	197,405	15,502,818	–	15,723,927
Accounts charged-off	–	–	–	–	(749,829)	–	(749,829)
Transfers and others	180	(20)	–	56,750	2,454,108	–	2,511,018
Balance at end of year	₱9,873	₱2,883	₱67,399	₱3,982,398	₱31,499,881	₱500	₱35,562,934

Movements in the allowance for impairment losses on nonfinancial assets follow:

	Consolidated								
	2021					2020			
	Property and Equipment	**Investment Properties**	**Other Assets**	**Goodwill**	**Total**	Property and Equipment	Investment Properties	Other Assets	Total
Balance at beginning of year	**₱1,168,887**	**₱2,583,670**	**₱1,040,096**	**₱–**	**₱4,792,653**	₱1,115,157	₱2,148,908	₱1,057,623	₱4,321,688
Provisions (reversals):									
Continuing operations	**–**	**(238,052)**	**(17,384)**	**2,153,997**	**1,898,561**	–	423,952	403,678	827,630
Discontinued operation	**–**	**–**	**88,141**	**–**	**88,141**	–	–	(527)	(527)
Disposals	**–**	**(197,986)**	**(4,772)**	**–**	**(202,758)**	–	–	–	–
Transfers and others	**–**	**57,190**	**(37,365)**	**–**	**19,825**	53,730	10,810	(391,085)	(326,545)
Effect of discontinued operations	**–**	**–**	**–**	**–**	**–**	–	–	(29,593)	(29,593)
Balance at end of year	**₱1,168,887**	**₱2,204,822**	**₱1,068,716**	**₱2,153,997**	**₱6,596,422**	₱1,168,887	₱2,583,670	₱1,040,096	₱4,792,653

	Parent Company								
	2021					2020			
	Property and Equipment	**Investment Properties**	**Other Assets**	**Goodwill**	**Total**	Property and Equipment	Investment Properties	Other Assets	Total
Balance at beginning of year	**₱1,168,887**	**₱2,573,532**	**₱1,039,713**	**₱–**	**₱4,782,132**	₱1,115,157	₱2,154,313	₱1,027,852	₱4,297,322
Provisions (reversals)	**–**	**(238,051)**	**(10,712)**	**2,153,997**	**1,905,233**	–	419,219	391,189	810,408
Disposals	**–**	**(197,986)**	**(4,772)**	**–**	**(202,758)**	–	–	–	–
Transfers and others	**–**	**38,175**	**21,343**	**–**	**59,518**	53,730	–	(379,328)	(325,598)
Balance at end of year	**₱1,168,887**	**₱2,175,670**	**₱1,045,572**	**₱2,153,997**	**₱6,544,125**	₱1,168,887	₱2,573,532	₱1,039,713	₱4,782,132

The reconciliation of allowance for loans and receivables are shown below:

	Consolidated							
	2021				2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Corporate Loans								
Beginning Balance	**₱437,633**	**₱690,482**	**₱18,092,141**	**₱19,220,256**	₱1,351,699	₱862,403	₱5,838,830	₱8,052,932
Transfers to Stage 1	**1,375,088**	**(51,070)**	**(1,324,018)**	**–**	127,422	(104,193)	(23,229)	–
Transfers to Stage 2	**(21,796)**	**170,627**	**(148,831)**	**–**	(49,891)	74,188	(24,297)	–
Transfers to Stage 3	**(41,035)**	**(97,886)**	**138,921**	**–**	(201,545)	(65,790)	267,335	–
Accounts charged off	**–**	**–**	**(1,100)**	**(1,100)**	–	–	–	–
Provisions (reversals)	**1,136,551**	**501,195**	**10,381,492**	**12,019,238**	(741,893)	(77,013)	12,041,160	11,222,254
Sale of receivables (Note 26)	**–**	**–**	**(2,520,236)**	**(2,520,236)**	–	–	–	–
Effect of collections and other movements	**(2,427,218)**	**(353,595)**	**(306,972)**	**(3,087,785)**	(48,159)	887	(7,658)	(54,930)
Ending Balance	**459,223**	**859,753**	**24,311,397**	**25,630,373**	437,633	690,482	18,092,141	19,220,256
LGU								
Beginning Balance	**24,040**	**1,737**	**24,916**	**50,693**	30,089	11,092	26,469	67,650
Provisions (reversals)	**22,642**	**3,902**	**2,296**	**28,840**	(1,196)	(1,226)	–	(2,422)
Effect of collections and other movements	**(46,417)**	**4,993**	**40,586**	**(838)**	(4,853)	(8,129)	(1,553)	(14,535)
Ending Balance	**265**	**10,632**	**67,798**	**78,695**	24,040	1,737	24,916	50,693
Credit Cards								
Beginning Balance	**38,224**	**26,246**	**2,523,198**	**2,587,668**	37,867	41,397	1,526,487	1,605,751
Transfers to Stage 1	**39,251**	**(6,432)**	**(32,819)**	**–**	14,459	(8,245)	(6,214)	–
Transfers to Stage 2	**(2,254)**	**5,721**	**(3,467)**	**–**	(631)	701	(70)	–
Transfers to Stage 3	**(9,135)**	**(9,282)**	**18,417**	**–**	(5,473)	(28,914)	34,387	–
Accounts charged off	**–**	**–**	**(1,399,465)**	**(1,399,465)**	(1,077)	(4,023)	(603,693)	(608,793)
Provisions (reversals)	**(98,840)**	**17,705**	**1,085,746**	**1,004,611**	61,271	21,095	1,495,684	1,578,050
Effect of collections and other movements	**94,226**	**(7,272)**	**128,159**	**215,113**	(68,192)	4,235	76,617	12,660
Ending Balance	**61,472**	**26,686**	**2,319,769**	**2,407,927**	38,224	26,246	2,523,198	2,587,668
Retail SMEs								
Beginning Balance	**361,274**	**20,786**	**1,426,132**	**1,808,192**	377,435	73,581	1,031,436	1,482,452
Transfers to Stage 1	**7,502**	**(1,634)**	**(5,868)**	**–**	13,826	(706)	(13,120)	–
Transfers to Stage 2	**(351)**	**2,151**	**(1,800)**	**–**	(20,257)	31,634	(11,377)	–
Transfers to Stage 3	**(5,680)**	**(6,204)**	**11,884**	**–**	(3,530)	(3,036)	6,566	–
Accounts charged off	**–**	**–**	**–**	**–**	–	–	(2,477)	(2,477)
Provisions (reversals)	**31,995**	**(1,617)**	**42,831**	**73,209**	249,043	(7,814)	305,381	546,610
Effect of collections and other movements	**(238,017)**	**2,520**	**170,076**	**(65,421)**	(255,243)	(72,873)	109,723	(218,393)
Ending Balance	**156,723**	**16,002**	**1,643,255**	**1,815,980**	361,274	20,786	1,426,132	1,808,192
Housing Loans								
Beginning Balance	**99,896**	**107,786**	**2,166,204**	**2,373,886**	889,425	547,589	114,407	1,551,421
Transfers to Stage 1	**395,713**	**(45,005)**	**(350,708)**	**–**	24,929	(6,896)	(18,033)	
Transfers to Stage 2	**(2,061)**	**35,012**	**(32,951)**	**–**	(1,780)	5,252	(3,472)	–
Transfers to Stage 3	**(11,394)**	**(53,478)**	**64,872**	**–**	(5,524)	(12,767)	18,291	–
Accounts charged off	**–**	**–**	**–**	**–**	–	–	–	–
Provisions (reversals)	**391,794**	**(7,381)**	**(888,382)**	**(503,969)**	(66,831)	83,538	1,109,858	1,126,565
Effect of collections and other movements	**(616,995)**	**17,433**	**2,162,411**	**1,562,849**	(740,323)	(508,930)	945,153	(304,100)
Ending Balance	**256,953**	**54,367**	**3,121,446**	**3,432,766**	99,896	107,786	2,166,204	2,373,886
Auto Loans								
Beginning Balance	**146,165**	**43,152**	**843,487**	**1,032,804**	154,130	45,312	44,401	243,843
Transfers to Stage 1	**58,625**	**(2,965)**	**(55,660)**	**–**	4,234	(800)	(3,434)	–
Transfers to Stage 2	**(113)**	**8,396**	**(8,283)**	**–**	(1,876)	2,199	(323)	–
Transfers to Stage 3	**(615)**	**(3,229)**	**3,844**	**–**	(4,139)	(3,506)	7,645	–
Accounts charged off	**–**	**–**	**(9,133)**	**(9,133)**	–	–	(1,488)	(1,488)
Provisions (reversals)	**73,402**	**6,628**	**(708,378)**	**(628,348)**	(6,271)	2,916	770,300	766,945
Effect of collections and other movements	**(268,468)**	**(49,816)**	**1,401,707**	**1,083,423**	87	(2,969)	26,386	23,504
Ending Balance	**8,996**	**2,166**	**1,467,584**	**1,478,746**	146,165	43,152	843,487	1,032,804
Other Loans								
Beginning Balance	**72,427**	**59,443**	**1,922,895**	**2,054,765**	8,924	62,189	998,074	1,069,187
Transfers to Stage 1	**222,313**	**(12,979)**	**(209,334)**	**–**	10,769	(2,287)	(8,482)	–
Transfers to Stage 2	**(875)**	**90,473**	**(89,598)**	**–**	(958)	15,050	(14,092)	–
Transfers to Stage 3	**(4,109)**	**(20,370)**	**24,479**	**–**	(1,817)	(7,764)	9,581	–
Accounts charged off	**–**	**–**	**(20,328)**	**(20,328)**	–	–	(136,732)	(136,732)
Provisions (reversals)	**(131,066)**	**(583)**	**(333,647)**	**(465,296)**	(26,947)	29,844	(141,644)	(138,747)
Effect of collections and other movements	**84,250**	**(107,748)**	**(578,435)**	**(601,933)**	82,456	(37,589)	1,216,190	1,261,057
Ending Balance	**242,940**	**8,236**	**716,032**	**967,208**	72,427	59,443	1,922,895	2,054,765

(Forward)

	Consolidated							
	2021				2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Other Receivables								
Beginning Balance	**₱69,326**	**₱19,486**	**₱3,197,574**	**₱3,286,386**	₱77,497	₱21,915	₱4,240,580	₱4,339,992
Transfers to Stage 1	**1,295**	**(15)**	**(1,280)**	**–**	186	(23)	(163)	–
Transfers to Stage 2	**(967)**	**22,649**	**(21,682)**	**–**	(1,739)	1,741	(2)	–
Transfers to Stage 3	**(12,748)**	**(67,882)**	**80,630**	**–**	(51,149)	(2,811)	53,960	–
Accounts charged off	**–**	**–**	**(9,287)**	**(9,287)**	–	–	336	336
Provisions (reversals)	**(598,194)**	**(13,427)**	**131,248**	**(480,373)**	44,946	12,167	674,108	731,221
Effect of collections and other movements	**622,795**	**72,548**	**36,997**	**732,340**	(415)	(13,503)	(1,771,245)	(1,785,163)
Ending Balance	**81,507**	**33,359**	**3,414,200**	**3,529,066**	69,326	19,486	3,197,574	3,286,386
Total Loans and Receivables								
Beginning Balance	**1,248,985**	**969,118**	**30,196,547**	**32,414,650**	2,927,066	1,665,478	13,820,684	18,413,228
Transfers to Stage 1	**2,099,787**	**(120,100)**	**(1,979,687)**	**–**	195,825	(123,150)	(72,675)	–
Transfers to Stage 2	**(28,417)**	**335,029**	**(306,612)**	**–**	(77,132)	130,765	(53,633)	–
Transfers to Stage 3	**(84,716)**	**(258,331)**	**343,047**	**–**	(273,177)	(124,588)	397,765	–
Accounts charged off	**–**	**–**	**(1,439,313)**	**(1,439,313)**	(1,077)	(4,023)	(744,054)	(749,154)
Provisions (reversals)	**828,284**	**506,422**	**9,713,206**	**11,047,912**	(487,878)	63,507	16,254,847	15,830,476
Sale of receivables (Note 26)	**–**	**–**	**(2,520,236)**	**(2,520,236)**	–	–	–	–
Effect of collections and other movements	**(2,795,844)**	**(420,937)**	**3,054,529**	**(162,252)**	(1,034,642)	(638,871)	593,613	(1,079,900)
Ending Balance	**₱1,268,079**	**₱1,011,201**	**₱37,061,481**	**₱39,340,761**	₱1,248,985	₱969,118	₱30,196,547	₱32,414,650

	Parent Company							
	2021				2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Corporate Loans								
Beginning Balance	**₱314,124**	**₱680,087**	**₱18,033,402**	**₱19,027,613**	₱1,223,420	₱814,289	₱5,635,394	₱7,673,103
Transferred loans	**–**	**–**	**–**	**–**	327	37,685	102,927	140,939
Transfers to Stage 1	**1,375,022**	**(51,067)**	**(1,323,955)**	**–**	127,731	(104,327)	(23,404)	–
Transfers to Stage 2	**(21,486)**	**170,317**	**(148,831)**	**–**	(49,902)	74,199	(24,297)	–
Transfers to Stage 3	**(41,034)**	**(97,886)**	**138,920**	**–**	(201,545)	(65,790)	267,335	–
Accounts charged off	**–**	**–**	**(1,100)**	**(1,100)**	–	–	–	–
Provisions (reversals)	**856,709**	**501,195**	**10,912,432**	**12,270,336**	(741,930)	(77,013)	12,083,198	11,264,255
Sale of receivables (Note 26)	**–**	**–**	**(2,520,236)**	**(2,520,236)**	–	–	–	–
Effect of collections and other movements	**(1,684,888)**	**(353,959)**	**163,114**	**(1,875,733)**	(43,977)	1,044	(7,751)	(50,684)
Ending Balance	**798,447**	**848,687**	**25,253,746**	**26,900,880**	314,124	680,087	18,033,402	19,027,613
LGU								
Beginning Balance	**24,040**	**1,737**	**24,916**	**50,693**	25,236	15,945	26,469	67,650
Provisions (reversals)	**22,642**	**3,902**	**2,296**	**28,840**	(1,196)	(1,226)	–	(2,422)
Effect of collections and other movements	**(46,417)**	**4,993**	**40,586**	**(838)**	–	(12,982)	(1,553)	(14,535)
Ending Balance	**265**	**10,632**	**67,798**	**78,695**	24,040	1,737	24,916	50,693
Credit Cards								
Beginning Balance	**38,224**	**26,246**	**2,523,198**	**2,587,668**	37,867	41,397	1,526,487	1,605,751
Transfers to Stage 1	**39,251**	**(6,432)**	**(32,819)**	**–**	14,459	(8,245)	(6,214)	–
Transfers to Stage 2	**(2,254)**	**5,721**	**(3,467)**	**–**	(631)	701	(70)	–
Transfers to Stage 3	**(9,135)**	**(9,282)**	**18,417**	**–**	(5,473)	(28,914)	34,387	–
Accounts charged off	**–**	**–**	**(1,399,465)**	**(1,399,465)**	(1,077)	(4,023)	(603,693)	(608,793)
Provisions (reversals)	**(98,840)**	**17,705**	**1,085,746**	**1,004,611**	61,271	21,095	1,495,684	1,578,050
Effect of collections and other movements	**94,226**	**(7,272)**	**128,159**	**215,113**	(68,192)	4,235	76,617	12,660
Ending Balance	**61,472**	**26,686**	**2,319,769**	**2,407,927**	38,224	26,246	2,523,198	2,587,668
Retail SMEs								
Beginning Balance	**336,912**	**10,289**	**559,389**	**906,590**	85,709	14,016	322,664	422,389
Transferred loans	**–**	**–**	**–**	**–**	22,197	83	336,854	359,134
Transfers to Stage 1	**7,502**	**(1,634)**	**(5,868)**	**–**	5,025	–	(5,025)	–
Transfers to Stage 2	**(351)**	**2,151**	**(1,800)**	**–**	(19,823)	27,019	(7,196)	–
Transfers to Stage 3	**(5,680)**	**(6,204)**	**11,884**	**–**	(2,290)	(3,036)	5,326	–
Accounts charged off	**–**	**–**	**–**	**–**	–	–	(2,477)	(2,477)
Provisions (reversals)	**31,995**	**(1,617)**	**42,831**	**73,209**	249,043	(7,814)	48,875	290,104
Effect of collections and other movements	**(219,177)**	**727**	**(108,335)**	**(326,785)**	(2,949)	(19,979)	(139,632)	(162,560)
Ending Balance	**151,201**	**3,712**	**498,101**	**653,014**	336,912	10,289	559,389	906,590

(Forward)

	Parent Company							
	2021				2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Housing Loans								
Beginning Balance	**₱90,814**	**₱104,984**	**₱2,171,817**	**₱2,367,615**	₱28,924	₱3,684	₱42,421	₱75,029
Transferred loans	**–**	**–**	**–**	**–**	115,826	98,765	952,480	1,167,071
Transfers to Stage 1	**395,354**	**(45,005)**	**(350,349)**	**–**	24,744	(6,711)	(18,033)	–
Transfers to Stage 2	**(2,061)**	**35,012**	**(32,951)**	**–**	(1,780)	3,851	(2,071)	–
Transfers to Stage 3	**(11,312)**	**(53,478)**	**64,790**	**–**	(5,450)	(12,767)	18,217	–
Accounts charged off	**–**	**–**	**–**	**–**	–	–	–	–
Provisions (reversals)	**384,586**	**(7,381)**	**(888,382)**	**(511,177)**	(67,773)	83,538	1,117,975	1,133,740
Effect of collections and other movements	**(616,523)**	**20,235**	**2,154,819**	**1,558,531**	(3,677)	(65,376)	60,828	(8,225)
Ending Balance	**240,858**	**54,367**	**3,119,744**	**3,414,969**	90,814	104,984	2,171,817	2,367,615
Auto Loans								
Beginning Balance	**22,525**	**6,943**	**1,003,336**	**1,032,804**	23,108	3,558	35,422	62,088
Transferred loans	**–**	**–**	**–**	**–**	7,382	5,545	168,829	181,756
Transfers to Stage 1	**58,625**	**(2,965)**	**(55,660)**	**–**	4,234	(800)	(3,434)	–
Transfers to Stage 2	**(113)**	**8,396**	**(8,283)**	**–**	(1,876)	2,199	(323)	–
Transfers to Stage 3	**(615)**	**(3,229)**	**3,844**	**–**	(4,139)	(3,506)	7,645	–
Accounts charged off	**–**	**–**	**(9,133)**	**(9,133)**	–	–	(1,488)	(1,488)
Provisions (reversals)	**73,402**	**6,628**	**(708,378)**	**(628,348)**	(6,271)	2,916	770,300	766,945
Effect of collections and other movements	**(144,828)**	**(13,607)**	**1,241,858**	**1,083,423**	87	(2,969)	26,385	23,503
Ending Balance	**8,996**	**2,166**	**1,467,584**	**1,478,746**	22,525	6,943	1,003,336	1,032,804
Other Loans								
Beginning Balance	**72,423**	**59,443**	**1,910,728**	**2,042,594**	4,565	11,318	1,385,452	1,401,335
Transferred loans	**–**	**–**	**–**	**–**	42,188	34,499	486,804	563,491
Transfers to Stage 1	**222,313**	**(12,979)**	**(209,334)**	**–**	10,769	(2,287)	(8,482)	–
Transfers to Stage 2	**(875)**	**90,473**	**(89,598)**	**–**	(958)	15,050	(14,092)	–
Transfers to Stage 3	**(4,109)**	**(20,370)**	**24,479**	**–**	(1,817)	(7,764)	9,581	–
Accounts charged off	**–**	**–**	**(20,328)**	**(20,328)**	–	–	(136,736)	(136,736)
Provisions (reversals)	**(131,066)**	**(583)**	**(333,615)**	**(465,264)**	(26,949)	29,844	(141,570)	(138,675)
Effect of collections and other movements	**84,250**	**(107,748)**	**(579,242)**	**(602,740)**	44,625	(21,217)	329,771	353,179
Ending Balance	**242,936**	**8,236**	**703,090**	**954,262**	72,423	59,443	1,910,728	2,042,594
Other Receivables								
Beginning Balance	**74,242**	**19,393**	**3,390,669**	**3,484,304**	59,453	9,761	2,916,225	2,985,439
Transferred receivables	**–**	**–**	**–**	**–**	6,614	2,152	641,639	650,405
Transfers to Stage 1	**1,295**	**(15)**	**(1,280)**	**–**	186	(23)	(163)	–
Transfers to Stage 2	**(967)**	**22,649**	**(21,682)**	**–**	(1,739)	1,741	(2)	–
Transfers to Stage 3	**(12,748)**	**(67,882)**	**80,630**	**–**	(51,149)	(2,811)	53,960	–
Accounts charged off	**–**	**–**	**(9,287)**	**(9,287)**	–	–	336	336
Provisions (reversals)	**(598,737)**	**(13,427)**	**131,248**	**(480,916)**	26,685	12,167	571,969	610,821
Effect of collections and other movements	**582,158**	**72,102**	**(310,877)**	**343,383**	34,192	(3,594)	(793,295)	(762,697)
Ending Balance	**45,243**	**32,820**	**3,259,421**	**3,337,484**	74,242	19,393	3,390,669	3,484,304
(Forward)								
Total Loans and Receivables								
Beginning Balance	**₱973,304**	**₱909,122**	**₱29,617,455**	**₱31,499,881**	₱1,488,282	₱913,968	₱11,890,534	₱14,292,784
Transferred loans and receivables	**–**	**–**	**–**	**–**	194,534	178,729	2,689,533	3,062,796
Transfers to Stage 1	**2,099,362**	**(120,097)**	**(1,979,265)**	**–**	187,148	(122,393)	(64,755)	–
Transfers to Stage 2	**(28,107)**	**334,719**	**(306,612)**	**–**	(76,709)	124,760	(48,051)	–
Transfers to Stage 3	**(84,633)**	**(258,331)**	**342,964**	**–**	(271,863)	(124,588)	396,451	–
Accounts charged off	**–**	**–**	**(1,439,313)**	**(1,439,313)**	(1,077)	(4,023)	(744,058)	(749,158)
Provisions (reversals)	**540,691**	**506,422**	**10,244,178**	**11,291,291**	(507,120)	63,507	15,946,431	15,502,818
Sale of receivables (Note 26)	**–**	**–**	**(2,520,236)**	**(2,520,236)**				
Effect of collections and other movements	**(1,951,199)**	**(384,529)**	**2,730,082**	**394,354**	(39,891)	(120,838)	(448,630)	(609,359)
Ending Balance	**₱1,549,418**	**₱987,306**	**₱36,689,253**	**₱39,225,977**	₱973,304	₱909,122	₱29,617,455	₱31,499,881

Movements of the gross carrying amounts of loans and receivables are shown below:

	Consolidated							
	2021				2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Corporate Loans								
Beginning Balance	₱444,131,392	₱30,217,054	₱50,749,511	₱525,097,957	₱521,841,837	₱16,083,886	₱10,711,692	₱548,637,415
Newly originated assets which remained in Stage 1 at yearend	227,012,002	–	–	227,012,002	224,883,356	–	–	224,883,356
Newly originated assets which moved to Stages 2 and 3 at yearend	–	4,990,294	8,456,400	13,446,694	–	11,908,018	7,094,061	19,002,079
Transfers to Stage 1	11,278,904	(4,981,067)	(6,297,837)	–	1,769,771	(1,711,336)	(58,435)	–
Transfers to Stage 2	(7,592,547)	7,936,935	(344,388)	–	(16,869,294)	16,926,407	(57,113)	–
Transfers to Stage 3	(1,383,777)	(4,625,936)	6,009,713	–	(32,541,294)	(974,321)	33,515,615	–
Accounts charged off	–	–	(1,100)	(1,100)	–	–	(3)	(3)
Sale of receivables (Note 26)	–	–	(5,478,200)	(5,478,200)	–	–	–	–
Effect of collections and other movements	(199,733,587)	(8,604,137)	2,334,605	(206,003,119)	(254,952,984)	(12,015,600)	(456,306)	(267,424,890)
Ending Balance	473,712,387	24,933,143	55,428,704	554,074,234	444,131,392	30,217,054	50,749,511	525,097,957
LGU								
Beginning Balance	6,390,022	7,450	24,916	6,422,388	6,703,842	65,674	26,986	6,796,502
Newly originated assets which remained in Stage 1 at yearend	108,593	–	–	108,593	759,563	–	–	759,563
Effect of collections and other movements	(2,282,283)	38,704	32,311	(2,211,268)	(1,073,383)	(58,224)	(2,070)	(1,133,677)
Ending Balance	4,216,332	46,154	57,227	4,319,713	6,390,022	7,450	24,916	6,422,388
Credit Cards								
Beginning Balance	9,198,867	199,627	3,132,075	12,530,569	13,641,354	420,109	1,808,483	15,869,946
Newly originated assets which remained in Stage 1 at yearend	992,672	–	–	992,672	749,939	–	–	749,939
Newly originated assets which moved to Stages 2 and 3 at yearend	–	28,877	21,120	49,997	–	21,356	40,779	62,135
Transfers to Stage 1	105,067	(60,241)	(44,826)	–	96,163	(87,508)	(8,655)	–
Transfers to Stage 2	(192,298)	196,528	(4,230)	–	(184,734)	184,821	(87)	–
Transfers to Stage 3	(684,443)	(88,078)	772,521	–	(1,464,762)	(291,121)	1,755,883	–
Accounts charged off	–	–	(1,399,465)	(1,399,465)	(209,128)	(38,141)	(778,559)	(1,025,828)
Effect of collections and other movements	1,049,072	(7,300)	(58,600)	983,172	(3,429,965)	(9,889)	314,231	(3,125,623)
Ending Balance	10,468,937	269,413	2,418,595	13,156,945	9,198,867	199,627	3,132,075	12,530,569
Retail SMEs								
Beginning Balance	10,689,770	881,726	867,413	12,438,909	18,808,671	207,750	2,063,029	21,079,450
Newly originated assets which remained in Stage 1 at yearend	3,054,855	–	–	3,054,855	5,714,334	–	–	5,714,334
Newly originated assets which moved to Stages 2 and 3 at yearend	–	52,047	121,159	173,206	–	15,702	2,311	18,013
Transfers to Stage 1	192,038	(118,733)	(73,305)	–	850,597	(69,149)	(781,448)	–
Transfers to Stage 2	(119,746)	196,940	(77,194)	–	(2,663,688)	2,964,354	(300,666)	–
Transfers to Stage 3	(172,180)	(193,682)	365,862	–	(201,733)	(13,065)	214,798	–
Accounts charged off	–	–	–	–	–	–	(2,477)	(2,477)
Effect of collections and other movements	(7,212,621)	(659,286)	1,543,842	(6,328,065)	(11,818,411)	(2,223,866)	(328,134)	(14,370,411)
Ending Balance	6,432,116	159,012	2,747,777	9,338,905	10,689,770	881,726	867,413	12,438,909
Housing Loans								
Beginning Balance	15,883,951	1,257,045	7,971,308	25,112,304	26,601,243	1,571,291	5,396,033	33,568,567
Newly originated assets which remained in Stage 1 as at yearend	1,334,034	–	–	1,334,034	1,729,048	–	–	1,729,048
Newly originated assets which moved to Stages 2 and 3 at yearend	–	52,555	28,779	81,334	–	77,373	177,191	254,564
Transfers to Stage 1	1,842,273	(438,646)	(1,403,627)	–	164,876	(95,262)	(69,614)	–
Transfers to Stage 2	(254,573)	380,851	(126,278)	–	(285,503)	401,919	(116,416)	–
Transfers to Stage 3	(1,803,489)	(519,103)	2,322,592	–	(819,124)	(143,488)	962,612	–
Effect of collections and other movements	2,999,847	(245,959)	1,636,009	4,389,897	(11,506,589)	(554,788)	1,621,502	(10,439,875)
Ending Balance	20,002,043	486,743	10,428,783	30,917,569	15,883,951	1,257,045	7,971,308	25,112,304

(Forward)

	Consolidated							
	2021				2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Auto Loans								
Beginning Balance	**₱7,794,010**	**₱600,641**	**₱2,693,060**	**₱11,087,711**	₱11,578,913	₱458,841	₱1,067,434	₱13,105,188
Newly originated assets which remained in Stage 1 at yearend	**1,568,420**	**–**	**–**	**1,568,420**	1,336,675	–	–	1,336,675
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**15,431**	**26,153**	**41,584**	–	90,892	128,170	219,062
Transfers to Stage 1	**531,091**	**(257,287)**	**(273,804)**	**–**	40,194	(25,262)	(14,932)	–
Transfers to Stage 2	**(184,128)**	**222,315**	**(38,187)**	**–**	(269,948)	271,949	(2,001)	–
Transfers to Stage 3	**(722,315)**	**(273,436)**	**995,751**	**–**	(537,277)	(95,211)	632,488	–
Accounts charged off	**–**	**–**	**(9,133)**	**(9,133)**	–	–	(1,488)	(1,488)
Effect of collections and other movements	**(3,118,712)**	**(144,749)**	**(660,348)**	**(3,923,809)**	(4,354,547)	(100,568)	883,389	(3,571,726)
Ending Balance	**5,868,366**	**162,915**	**2,733,492**	**8,764,773**	7,794,010	600,641	2,693,060	11,087,711
Other Loans								
Beginning Balance	**15,054,993**	**1,531,084**	**5,340,142**	**21,926,219**	9,065,874	705,435	2,195,359	11,966,668
Newly originated assets which remained in Stage 1 at yearend	**2,883,321**	**–**	**–**	**2,883,321**	4,833,867	–	–	4,833,867
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**20,323**	**236,874**	**257,197**	–	609,450	286,341	895,791
Transfers to Stage 1	**1,379,908**	**(552,924)**	**(826,984)**	**–**	54,147	(25,406)	(28,741)	–
Transfers to Stage 2	**(1,253,877)**	**1,419,173**	**(165,296)**	**–**	(109,736)	127,678	(17,942)	–
Transfers to Stage 3	**(642,400)**	**(183,343)**	**825,743**	**–**	(292,916)	(83,055)	375,971	–
Accounts charged off	**–**	**–**	**(20,328)**	**(20,328)**	–	–	(136,736)	(136,736)
Effect of collections and other movements	**(10,100,414)**	**(1,867,179)**	**(4,224,167)**	**(16,191,760)**	1,503,757	196,982	2,665,890	4,366,629
Ending Balance	**7,321,531**	**367,134**	**1,165,984**	**8,854,649**	15,054,993	1,531,084	5,340,142	21,926,219
Other Receivables								
Beginning Balance	**14,846,752**	**(1,417,280)**	**4,363,870**	**17,793,342**	16,365,625	5,351,013	3,596,611	25,313,249
Newly originated assets which remained in Stage 1 at yearend	**(11,596)**	**–**	**–**	**(11,596)**	644,270	–	–	644,270
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**21,867**	**19,079**	**40,946**	–	41,154	31,577	72,731
Transfers to Stage 1	**53,294**	**(45,655)**	**(7,639)**	**–**	6,091	(5,383)	(708)	–
Transfers to Stage 2	**(39,576)**	**448,866**	**(409,290)**	**–**	(174,011)	174,390	(379)	–
Transfers to Stage 3	**(39,376)**	**(97,570)**	**136,946**	**–**	(197,680)	(6,228)	203,908	–
Accounts charged off	**–**	**–**	**(9,287)**	**(9,287)**	–	–	336	336
Effect of collections and other movements	**(199,803)**	**(114,102)**	**(631,776)**	**(945,681)**	(1,797,543)	(6,972,226)	532,525	(8,237,244)
Ending Balance	**14,609,695**	**(1,203,874)**	**3,461,903**	**16,867,724**	14,846,752	(1,417,280)	4,363,870	17,793,342
Total Loans and Receivables								
Beginning Balance	**523,989,757**	**33,277,347**	**75,142,295**	**632,409,399**	624,607,359	24,863,999	26,865,627	676,336,985
Newly originated assets which remained in Stage 1 at yearend	**236,942,301**	**–**	**–**	**236,942,301**	240,651,052	–	–	240,651,052
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**5,181,394**	**8,909,564**	**14,090,958**	–	12,763,945	7,760,430	20,524,375
Transfers to Stage 1	**15,382,575**	**(6,454,553)**	**(8,928,022)**	**–**	2,981,839	(2,019,306)	(962,533)	–
Transfers to Stage 2	**(9,636,745)**	**10,801,608**	**(1,164,863)**	**–**	(20,556,914)	21,051,518	(494,604)	–
Transfers to Stage 3	**(5,447,980)**	**(5,981,148)**	**11,429,128**	**–**	(36,054,786)	(1,606,489)	37,661,275	–
Accounts charged off	**–**	**–**	**(1,439,313)**	**(1,439,313)**	(209,128)	(38,141)	(918,927)	(1,166,196)
Sale of receivables (Note 26)	**–**	**–**	**(5,478,200)**	**(5,478,200)**	–	–	–	–
Effect of collections and other movements	**(218,598,501)**	**(11,604,008)**	**(28,124)**	**(230,230,633)**	(287,429,665)	(21,738,179)	5,231,027	(303,936,817)
Ending Balance	**₱542,631,407**	**₱25,220,640**	**₱78,442,465**	**₱646,294,512**	₱523,989,757	₱33,277,347	₱75,142,295	₱632,409,399

	Parent Company							
	2021				2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Corporate Loans								
Beginning Balance	435,934,894	30,214,439	50,511,255	516,660,588	₱512,864,358	₱16,005,670	₱7,801,279	₱536,671,307
Transferred loans	–	–	–	–	745,960	269,729	220,192	1,235,881
Newly originated assets which remained in Stage 1 at yearend	220,776,849	–	–	220,776,849	219,584,230	–	–	219,584,230
Newly originated assets which moved to Stages 2 and 3 at yearend	–	4,988,831	8,456,400	13,445,231	–	11,908,018	7,093,943	19,001,961
Transfers to Stage 1	11,276,501	(4,980,418)	(6,296,083)	–	1,743,067	(1,699,147)	(43,920)	–
Transfers to Stage 2	(7,469,151)	7,813,539	(344,388)	–	(16,856,122)	16,913,235	(57,113)	–
Transfers to Stage 3	(1,383,777)	(4,625,936)	6,009,713	–	(32,384,828)	(974,321)	33,359,149	–
Accounts charged off	–	–	(1,100)	(1,100)	–	–	–	–
Sale of receivables (Note 26)	–	–	(5,478,200)	(5,478,200)	–	–	–	–
Effect of collections and other movements	(194,349,797)	(8,557,799)	2,371,315	(200,536,281)	(249,761,771)	(12,208,745)	2,137,725	(259,832,791)
Ending Balance	464,785,519	24,852,656	55,228,912	544,867,087	435,934,894	30,214,439	50,511,255	516,660,588
LGU								
Beginning Balance	6,390,022	7,450	24,916	6,422,388	6,703,842	65,674	26,986	6,796,502
Newly originated assets which remained in Stage 1 at yearend	108,593	–	–	108,593	759,563	–	–	759,563
Effect of collections and other movements	(2,282,283)	38,704	32,311	(2,211,268)	(1,073,383)	(58,224)	(2,070)	(1,133,677)
Ending Balance	4,216,332	46,154	57,227	4,319,713	6,390,022	7,450	24,916	6,422,388
Credit Cards								
Beginning Balance	₱9,198,867	₱199,627	₱3,132,075	₱12,530,569	₱13,582,771	₱420,109	₱1,867,066	₱15,869,946
Newly originated assets which remained in Stage 1 at yearend	992,672	–	–	992,672	749,939	–	–	749,939
Newly originated assets which moved to Stages 2 and 3 at yearend	–	28,877	21,120	49,997	–	21,356	40,779	62,135
Transfers to Stage 1	105,067	(60,241)	(44,826)	–	96,163	(87,508)	(8,655)	–
Transfers to Stage 2	(192,298)	196,528	(4,230)	–	(184,734)	184,821	(87)	–
Transfers to Stage 3	(684,443)	(88,078)	772,521	–	(1,464,762)	(291,121)	1,755,883	–
Accounts charged off	–	–	(1,399,465)	(1,399,465)	(209,128)	(38,141)	(778,559)	(1,025,828)
Effect of collections and other movements	1,049,072	(7,300)	(58,600)	983,172	(3,371,382)	(9,889)	255,648	(3,125,623)
Ending Balance	10,468,937	269,413	2,418,595	13,156,945	9,198,867	199,627	3,132,075	12,530,569
Retail SMEs								
Beginning Balance	7,334,196	313,830	1,175,641	8,823,667	11,681,560	101,084	668,104	12,450,748
Newly originated assets which remained in Stage 1 at yearend	2,829,299	–	–	2,829,299	3,834,534	3,063	366,384	4,203,981
Newly originated assets which moved to Stages 2 and 3 at yearend	–	35,119	79,327	114,446	5,407,150	–	–	5,407,150
Transfers to Stage 1	108,463	(70,731)	(37,732)	–	5,046	–	(5,046)	–
Transfers to Stage 2	(18,421)	30,420	(11,999)	–	(2,623,980)	2,629,989	(6,009)	–
Transfers to Stage 3	(135,027)	(173,631)	308,658	–	(195,976)	(13,065)	209,041	–
Accounts charged off	–	–	–	–		–	(2,477)	(2,477)
Effect of collections and other movements	(4,925,444)	(81,582)	(356,407)	(5,363,433)	(10,774,138)	(2,407,241)	(54,356)	(13,235,735)
Ending Balance	5,193,066	53,425	1,157,488	6,403,979	7,334,196	313,830	1,175,641	8,823,667
Housing Loans								
Beginning Balance	15,372,581	1,041,658	8,072,951	24,487,190	3,698,821	37,277	111,670	3,847,768
Transferred loans	–	–	–	–	17,204,340	1,118,420	4,063,136	22,385,896
Newly originated assets which remained in Stage 1 at yearend	1,222,996	–	–	1,222,996	1,574,071	–	–	1,574,071
Newly originated assets which moved to Stages 2 and 3 at yearend	–	52,555	28,779	81,334	–	77,373	177,191	254,564
Transfers to Stage 1	1,840,598	(438,646)	(1,401,952)	–	149,616	(80,001)	(69,615)	–
Transfers to Stage 2	(254,573)	380,851	(126,278)	–	(285,503)	294,225	(8,722)	–
Transfers to Stage 3	(1,798,685)	(519,103)	2,317,788	–	(811,796)	(143,488)	955,284	–
Effect of collections and other movements	2,735,103	(30,572)	1,526,218	4,230,749	(6,156,968)	(262,148)	2,844,007	(3,575,109)
Ending Balance	19,118,020	486,743	10,417,506	30,022,269	15,372,581	1,041,658	8,072,951	24,487,190

(Forward)

	Parent Company							
	2021				2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Auto Loans								
Beginning Balance	**7,794,010**	**600,641**	**2,693,060**	**11,087,711**	2,687,127	41,958	43,247	2,772,332
Transferred loans	–	–	–	–	8,254,512	393,457	943,922	9,591,891
Newly originated assets which remained in Stage 1 at yearend	**1,568,420**	–	–	**1,568,420**	1,336,675	–	–	1,336,675
Newly originated assets which moved to Stages 2 and 3 at yearend	–	**15,431**	**26,153**	**41,584**	–	90,892	128,170	219,062
Transfers to Stage 1	**531,091**	**(257,287)**	**(273,804)**	–	40,195	(25,262)	(14,933)	–
Transfers to Stage 2	**(184,128)**	**222,315**	**(38,187)**	–	(269,948)	271,949	(2,001)	–
Transfers to Stage 3	**(722,315)**	**(273,436)**	**995,751**	–	(537,277)	(95,211)	632,488	–
Accounts charged off	–	–	**(9,133)**	**(9,133)**	–	–	(1,488)	(1,488)
Effect of collections and other movements	**(3,118,712)**	**(144,749)**	**(660,348)**	**(3,923,809)**	(3,717,274)	(77,142)	963,655	(2,830,761)
Ending Balance	**5,868,366**	**162,915**	**2,733,492**	**8,764,773**	7,794,010	600,641	2,693,060	11,087,711
Other Loans								
Beginning Balance	**13,385,322**	**1,531,084**	**5,326,698**	**20,243,104**	3,447,590	420,820	1,443,059	5,311,469
Transferred loans					10,223,071	397,388	1,869,871	12,490,330
Newly originated assets which remained in Stage 1 at yearend	**2,883,091**	–	–	**2,883,091**	4,833,867	–	–	4,833,867
Newly originated assets which moved to Stages 2 and 3 at yearend	–	**20,323**	**236,874**	**257,197**	–	609,450	286,341	895,791
Transfers to Stage 1	**1,379,908**	**(552,924)**	**(826,984)**	–	54,147	(25,406)	(28,741)	–
Transfers to Stage 2	**(1,253,877)**	**1,419,173**	**(165,296)**	–	(109,736)	127,678	(17,942)	–
Transfers to Stage 3	**(642,400)**	**(183,343)**	**825,743**	–	(292,916)	(83,055)	375,971	–
Accounts charged off	–	–	**(20,328)**	**(20,328)**	–	–	(136,736)	(136,736)
Effect of collections and other movements	**(9,896,193)**	**(1,867,179)**	**(4,224,648)**	**(15,988,020)**	(4,770,701)	84,209	1,534,875	(3,151,617)
Ending Balance	**5,855,851**	**367,134**	**1,152,059**	**7,375,044**	13,385,322	1,531,084	5,326,698	20,243,104
(Forward)								
Other Receivables								
Beginning Balance	**₱13,610,734**	**₱304,633**	**₱4,231,158**	**₱18,146,525**	₱14,046,122	₱1,210,740	₱2,561,746	₱17,818,608
Transferred receivables	–	–	–	–	882,153	64,670	985,295	1,932,118
Newly originated assets which remained in Stage 1 at yearend	**696,937**	–	–	**696,937**	576,857	–	–	576,857
Newly originated assets which moved to Stages 2 and 3 as at year-end	–	**21,867**	**17,538**	**39,405**	–	41,154	31,577	72,731
Transfers to Stage 1	**53,270**	**(45,648)**	**(7,622)**	–	6,092	(5,383)	(709)	–
Transfers to Stage 2	**(39,322)**	**448,612**	**(409,290)**	–	(174,011)	174,390	(379)	–
Transfers to Stage 3	**(39,357)**	**(97,570)**	**136,927**	–	(197,680)	(6,228)	203,908	–
Accounts charged off	–	–	**(9,287)**	**(9,287)**	–	–	336	336
Effect of collections and other movements	**(1,274,938)**	**(116,161)**	**(667,553)**	**(2,058,652)**	(1,528,799)	(1,174,710)	449,384	(2,254,125)
Ending Balance	**13,007,324**	**515,733**	**3,291,871**	**16,814,928**	13,610,734	304,633	4,231,158	18,146,525
Total Loans and Receivables								
Beginning Balance	**509,020,626**	**34,213,362**	**75,167,754**	**618,401,742**	568,712,191	18,303,332	14,523,157	601,538,680
Transferred Loans	–	–	–	–	37,310,036	2,243,664	8,082,416	47,636,116
Newly originated assets which remained in Stage 1 at yearend	**231,078,857**	–	–	**231,078,857**	233,249,736	3,063	366,384	233,619,183
Newly originated assets which moved to Stages 2 and 3 as at year-end	–	**5,163,003**	**8,866,191**	**14,029,194**	5,407,150	12,748,243	7,758,001	25,913,394
Transfers to Stage 1	**15,294,898**	**(6,405,895)**	**(8,889,003)**	–	2,094,326	(1,922,707)	(171,619)	–
Transfers to Stage 2	**(9,411,770)**	**10,511,438**	**(1,099,668)**	–	(20,504,034)	20,596,287	(92,253)	–
Transfers to Stage 3	**(5,406,004)**	**(5,961,097)**	**11,367,101**	–	(35,885,235)	(1,606,489)	37,491,724	–
Accounts charged off	–	–	**(1,439,313)**	**(1,439,313)**	(209,128)	(38,141)	(918,924)	(1,166,193)
Sale of receivables (Note 26)	–	–	**(5,478,200)**	**(5,478,200)**	–	–	–	–
Effect of collections and other movements	**(212,063,192)**	**(10,766,638)**	**(2,037,712)**	**(224,867,542)**	(281,154,416)	(16,113,890)	8,128,868	(289,139,438)
Ending Balance	**₱528,513,415**	**₱26,754,173**	**₱76,457,150**	**₱631,724,738**	₱509,020,626	₱34,213,362	₱75,167,754	₱618,401,742

17. **Deposit Liabilities**

As of December 31, 2021 and 2020, noninterest-bearing deposit liabilities amounted to ₱28.6 billion and ₱30.0 billion, respectively, for the Group, and ₱28.5 billion and ₱29.3 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**		
	2021	2020	2019	**2021**	2020	2019
Peso-denominated	**0.10% - 6.75%**	0.10% - 10.00%	0.10% - 10.00%	**0.10% - 5.00%**	0.10% - 10.00%	0.10% - 10.00%
Foreign currency-denominated	**0.01% - 3.00%**	0.01% - 4.75%	0.01% - 8.00%	**0.01% - 3.00%**	0.01% - 4.75%	0.01% - 8.00%

As of December 31, 2021 and 2020, non-FCDU deposit liabilities of the Parent Company are subject to reserves equivalent to 12.00%.

Available reserves booked under 'Due from BSP' amounted to ₱81.3 billion and ₱80.0 billion as of December 31, 2021 and 2020, respectively.

LTNCDs issued by the Parent Company consist of:

Issue Date	**Maturity Date**	**Face Value**	**Coupon Rate**	**Interest Repayment Terms**	**Carrying Value 2021**	**Carrying Value 2020**
October 11, 2019	April 11, 2025	₱4,600,000	4.38%	Quarterly	**₱4,578,946**	₱4,573,124
February 27, 2019	August 27, 2024	8,220,000	5.75%	Quarterly	**8,187,523**	8,176,616
October 26, 2017	April 26, 2023	6,350,000	3.88%	Quarterly	**6,339,910**	6,332,653
April 27, 2017	October 27, 2022	3,765,000	3.75%	Quarterly	**3,761,261**	3,756,911
December 6, 2016	June 6, 2022	5,380,000	3.25%	Quarterly	**5,377,750**	5,372,730
		₱28,315,000			**₱28,245,390**	₱28,212,034

As of December 31, 2021 and 2020, peso-denominated LTNCDs of the Parent Company are subject to reserves equivalent to 4.00%.

Interest expense on deposit liabilities consists of:

	Consolidated			**Parent Company**		
	2021	2020	2019	**2021**	2020	2019
Savings	**₱1,942,687**	₱2,930,115	₱6,706,938	**₱2,014,705**	₱2,778,153	₱6,639,928
Time	**1,411,973**	2,852,325	5,870,981	**1,411,974**	2,852,325	4,127,553
LTNCDs	**1,269,356**	1,429,301	1,386,082	**1,269,356**	1,429,301	1,386,082
Demand	**189,750**	167,277	60,898	**189,750**	167,277	48,213
	₱4,813,766	₱7,379,018	₱14,024,899	**₱4,885,785**	₱7,227,056	₱12,201,776

In 2021, 2020 and 2019, interest expense on LTNCDs for both the Group and the Parent Company includes amortization of transaction costs amounting to ₱33.4 million, ₱59.9 million and ₱40.5 million, respectively. Unamortized transaction costs of the LTNCDs amounted to ₱69.6 million and ₱103.0 million as of December 31, 2021 and 2020, respectively.

18. Financial Liabilities at Fair Value Through Profit or Loss

As of December 31, 2021 and 2020, this account consists of derivative liabilities amounting to ₱891.5 million and ₱701.2 million, respectively, for the Group, and ₱891.3 million and ₱700.8 million, respectively, for the Parent Company (Notes 23 and 35).

19. Bills and Acceptances Payable

This account consists of:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Bills payable to:				
Foreign banks	**₱8,263,434**	₱50,482,387	**₱7,849,009**	₱49,874,309
BSP and local banks (Note 33)	**37,482,381**	33,116,145	**36,154,113**	31,382,133
Others	**98,086**	–	–	–
	45,843,901	83,598,532	**44,003,122**	81,256,442
Acceptances outstanding (Note 10)	**7,109,896**	3,560,918	**7,109,896**	3,560,918
	₱52,953,797	₱87,159,450	**₱51,113,018**	₱84,817,360

Bills payable of the Group and the Parent Company earn annual fixed interest rates ranging from:

	Consolidated			Parent Company		
	2021	2020	2019	**2021**	2020	2019
Peso-denominated	**1.0% - 2.0%**	4.0% - 6.5%	4.0% - 5.4%	**1.0% - 2.0%**	4.0% - 6.5%	4.0% - 5.4%
Foreign currency-denominated	**0.1% - 1.2%**	0.1% - 4.4%	0.2% - 4.4%	**0.1% -1.2 %**	0.1% - 4.4%	0.2% - 4.4%

As of December 31, 2021 and 2020, bills payable with a carrying amount of ₱38.5 billion and ₱69.9 billion are secured by a pledge of financial assets at FVOCI with fair values of ₱32.8 billion and ₱44.6 billion, respectively, and investment securities at amortized cost with carrying values of ₱5.3 billion and ₱26.1 billion, respectively, and fair values of ₱5.6 billion and ₱27.6 billion, respectively (Note 9).

Interest expense on bills payable and other borrowings consists of:

	Consolidated			Parent Company		
	2021	2020 (As restated – Note 36)	2019 (As restated – Note 36)	**2021**	2020	2019
Continuing operations:						
Bills payable	**₱391,404**	₱663,567	₱2,034,690	**₱315,097**	₱482,810	₱1,578,614
Lease liabilities (Note 29)	**112,591**	120,675	131,661	**107,052**	120,181	118,365
Others	**7,926**	62,198	18,567	**2,931**	34,487	43,643
	511,921	846,440	2,184,918	**425,080**	637,478	1,740,622
Discontinued operations (Note 36):						
Lease liabilities	**3,528**	2,900	128	**–**	–	–
	₱515,449	₱849,340	₱2,185,046	**₱425,080**	₱637,478	₱1,740,622

20. **Accrued Taxes, Interest and Other Expenses**

This account consists of:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Accrued taxes and other expenses	**₱7,106,616**	₱5,540,591	**₱6,865,474**	₱5,191,696
Accrued interest	**659,034**	908,435	**638,907**	883,320
	₱7,765,650	₱6,449,026	**₱7,504,381**	₱6,075,016

Accrued taxes and other expenses consist of:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Financial liabilities:				
Promotional expenses	**₱802,454**	₱905,470	**₱802,454**	₱905,470
Information technology-related expenses	**541,510**	331,627	**541,510**	331,627
Rent and utilities payable	**362,868**	267,559	**359,805**	264,193
Management, directors and other professional fees	**285,648**	88,652	**263,133**	61,831
Repairs and maintenance	**85,128**	81,090	**83,762**	80,415
	2,077,608	1,674,398	**2,050,664**	1,643,536
Nonfinancial liabilities:				
Monetary value of leave credits	**1,920,153**	1,859,275	**1,878,856**	1,829,251
PDIC insurance premiums	**970,140**	832,069	**954,662**	816,591
Other taxes and licenses	**477,917**	662,446	**428,290**	544,533
Employee benefits	**443,886**	155,450	**421,505**	128,113
Other expenses	**1,216,912**	356,953	**1,131,497**	229,672
	5,029,008	3,866,193	**4,814,810**	3,548,160
	₱7,106,616	₱5,540,591	**₱6,865,474**	₱5,191,696

'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 2021**	Carrying Value 2020
Fixed rate medium term senior notes						
June 27, 2019	September 27, 2024	USD750,000	3.28%	Semi-annually	**₱38,117,754**	₱35,851,428
April 26, 2018	April 27, 2023	300,000	4.25%	Semi-annually	**15,265,667**	14,352,368
		USD1,050,000			**53,383,421**	50,203,796
Fixed rate bonds						
May 8, 2019	May 8, 2021	₱13,870,000	6.30%	Quarterly	–	13,852,539
					₱53,383,421	₱64,056,335

The fixed rate medium term senior notes are drawdowns from the Parent Company's Medium Term Note Programme (the MTN Programme), which was established on April 13, 2018 with an initial nominal size of US$1.0 billion. On June 14, 2019, the Parent Company increased the size of its MTN Programme to US$2.0 billion. Both issued fixed rate medium term senior notes are listed in the Singapore Exchange Securities Trading Limited.

The fixed rate bonds represent the Parent Company's maiden issuance of Philippine peso-denominated bonds in Philippine Dealing & Exchange Corp.

As of December 31, 2021 and 2020, the unamortized transaction costs of bonds payable amounted to ₱168.7 million and ₱252.2 million, respectively. In 2021 and 2020, amortization of transaction costs amounting to ₱83.5 million and ₱169.5 million, were charged to 'Interest expense on bonds payable' in the statements of income.

22. Other Liabilities

This account consists of:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Financial				
Accounts payable	**₱4,724,720**	₱5,789,144	**₱4,285,545**	₱5,472,811
Dormant credits	**1,303,713**	1,258,502	**1,272,553**	1,230,991
Manager's checks and demand drafts outstanding	**1,256,121**	1,302,745	**1,256,121**	1,302,745
Bills purchased - contra (Note 10)	**1,053,517**	1,548,226	**1,053,517**	1,548,226
Deposits on lease contracts	**593,903**	878,193	**53,774**	104,363
Accounts payable - electronic money	**408,858**	448,794	**408,858**	448,794
Margin deposits and cash letters of credit	**325,829**	329,432	**314,326**	267,564
Payment order payable	**196,718**	263,959	**196,206**	263,959
Due to other banks (Note 33)	**154,949**	537,116	**52,198**	69,484
Transmission liability	**58,308**	24,468	**–**	–
Deposit for keys on safety deposit boxes	**16,742**	16,861	**16,742**	16,861
	10,093,378	12,397,440	**8,909,840**	10,725,798
Nonfinancial				
Provisions (Note 34)	**1,095,325**	979,067	**685,230**	979,067
Retirement benefit liability (Note 28)	**926,259**	1,213,888	**923,116**	1,205,212
Due to Treasurer of the Philippines	**882,769**	675,835	**882,769**	675,835
Deferred revenue - Bancassurance (Note 12)	**573,674**	646,874	**573,674**	646,874
Deferred revenue - Credit card-related	**548,630**	489,711	**548,630**	489,711
Withholding tax payable	**309,897**	265,884	**304,039**	262,793
Deferred tax liabilities (Note 30)	**165,228**	161,152	**–**	–
SSS, Philhealth, Employer's compensation premiums and Pag-IBIG contributions payable	**43,359**	37,627	**42,989**	37,359
Miscellaneous	**1,081,353**	1,006,350	**642,564**	524,245
	5,626,494	5,476,388	**4,603,011**	4,821,096
	₱15,719,872	₱17,873,828	**₱13,512,851**	₱15,546,894

'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 (Note 12). In 2021 and 2020, amortization of other deferred revenue amounting to ₱75.4 million were recognized under 'Service fees and commission income' (Note 26).

'Deferred revenue - Credit card-related' includes portion of fee allocated to the loyalty points, deferred by the Group and recognized as revenue when the points are redeemed or have expired.

'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’ (Note 9) or ‘Financial liabilities at FVTPL’ (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, 2021 and 2020 and are not indicative of either market risk or credit risk (amounts in thousands, except average forward rate).

	Consolidated			
	2021			
	Assets	**Liabilities**	**Average Forward Rate***	**Notional Amount***
Currency forwards and spots:				
BUY:				
USD	**₱1,355,660**	**₱274**	**51.00**	**₱3,861,673**
EUR	**6**	**5**	**1.13**	**12,645**
GBP	**47**	**16**	**1.35**	**6,325**
PHP	**–**	**1,544**	**1.00**	**1,788,750**
SGD	**31**	**–**	**0.74**	**1**
SELL:				
USD	**990**	**887,819**	**51.00**	**1,374,345**
AUD	**–**	**228**	**0.72**	**500**
CAD	**141**	**11**	**0.78**	**2,125**
EUR	**2**	**153**	**1.13**	**19,443**
GBP	**30**	**884**	**1.35**	**8,500**
HKD	**1,714**	**108**	**0.13**	**2,217,580**
JPY	**6,124**	**9**	**0.01**	**1,080,000**
NZD	**–**	**36**	**0.68**	**400**
PHP	**290**	**8**	**1.00**	**509,708**
SGD	**16**	**436**	**0.74**	**1,400**
	₱1,365,051	**₱891,531**		

**The notional amounts and average forward rates pertain to original currencies.*

	Consolidated			
	2020			
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
Currency forwards and spots:				
BUY:				
USD	₱3,819	₱556,154	48.02	₱3,088,554
AUD	2,373	–	0.76	68,028
EUR	11	30	1.22	8,216
GBP	–	186	1.35	800
HKD	163	–	0.13	1,584,875
PHP	123	–	1.00	2,401,273
SELL:				
USD	212,405	120	48.02	877,320
AUD	–	200	0.76	400
CAD	91	84	0.78	9,461
EUR	–	3,823	1.22	16,700
GBP	1,163	–	1.35	2,500
HKD	19	51	0.13	726,829
JPY	12	665	0.01	1,170,000
NZD	63	–	0.71	350
PHP	3	23	1.00	7,023
SGD	–	440	0.75	708
Interest rate swaps	150,408	139,463		
	₱370,653	₱701,239		

**The notional amounts and average forward rates pertain to original currencies.*

	Parent Company			
	2021			
	Assets	**Liabilities**	**Average Forward Rate***	**Notional Amount***
Currency forwards and spots:				
BUY:				
USD	**₱1,354,160**	**₱185**	**51.00**	**₱1,652,850**
EUR	**2**	**–**	**1.13**	**50**
GBP	**47**	**16**	**1.35**	**6,325**
PHP	**–**	**1,544**	**1.00**	**1,788,750**
SGD	**31**	**–**	**0.74**	**1**
SELL:				
USD	**986**	**887,816**	**51.00**	**1,361,750**
AUD	**–**	**228**	**0.72**	**500**
CAD	**141**	**11**	**0.78**	**2,125**
EUR	**–**	**147**	**1.13**	**3,500**
GBP	**30**	**884**	**1.35**	**8,500**
HKD	**214**	**26**	**0.13**	**24,700**
JPY	**6,124**	**9**	**0.01**	**1,080,000**
NZD	**–**	**36**	**0.68**	**400**
PHP	**290**	**8**	**1.00**	**509,708**
SGD	**16**	**436**	**0.74**	**1,400**
	₱1,362,041	**₱891,346**		

**The notional amounts and average forward rates pertain to original currencies.*

	Parent Company			
	2020			
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
Currency forwards and spots:				
BUY:				
USD	₱1,272	₱556,153	48.02	₱1,433,304
EUR	–	30	1.22	254
GBP	–	186	1.35	800
PHP	123	–	1.00	2,401,273
SELL:				
USD	212,405	37	48.02	860,806
AUD	–	200	0.76	400
CAD	91	–	0.78	1,500
EUR	–	3,823	1.22	16,700
GBP	1,163	–	1.35	2,500
HKD	19	–	0.13	6,500
JPY	12	665	0.01	1,170,000
NZD	63	–	0.71	350
PHP	3	23	1.00	7,023
SGD	–	440	0.75	708
Interest rate swaps	150,407	139,245		
	₱365,558	₱700,802		

**The notional amounts and average forward rates pertain to original currencies.*

The rollforward analysis of net derivative assets in 2021 and 2020 follows:

	Consolidated		**Parent Company**	
	2021	2020	**2021**	2020
Balance at the beginning of the year:				
Derivative assets	**₱370,653**	₱373,040	**₱365,558**	₱373,006
Derivative liabilities	**701,239**	245,619	**700,802**	231,992
	(330,586)	127,421	**(335,244)**	141,014
Changes in fair value				
Currency forwards and spots*	**805,748**	(459,964)	**806,069**	(477,566)
Interest rate swaps and warrants**	**(23,472)**	(2,532)	**(23,472)**	(2,532)
	782,276	(462,496)	**782,597**	(480,098)
Net availments	**21,830**	4,489	**23,342**	3,840

(Forward)

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Balance at end of year:				
Derivative assets	**₱1,365,051**	₱370,653	**₱1,362,041**	₱365,558
Derivative liabilities	**891,531**	701,239	**891,346**	700,802
	₱473,520	(₱330,586)	**₱470,695**	(₱335,244)

* *Presented as part of 'Foreign exchange gains - net'*
** *Recorded under 'Trading and investment securities gains - net' (Note 9)*

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					
	2021			2020		
	Less than Twelve Months	**Over Twelve Months**	**Total**	Less than Twelve Months	Over Twelve Months	Total
Financial Assets						
Cash and other cash items	**₱27,552,773**	**₱–**	**₱27,552,773**	₱25,135,724	₱–	₱25,135,724
Due from BSP	**161,001,912**	**–**	**161,001,912**	202,129,356	–	202,129,356
Due from other banks	**27,232,676**	**–**	**27,232,676**	19,743,198	–	19,743,198
Interbank loans receivable (Note 8)	**32,112,667**	**–**	**32,112,667**	39,703,864	–	39,703,864
Securities held under agreements to resell (Note 8)	**15,800,317**	**–**	**15,800,317**	15,819,273	–	15,819,273
Financial assets at FVTPL (Note 9)	**11,167,657**	**–**	**11,167,657**	23,825,708	–	23,825,708
Financial assets at FVOCI (Note 9)	**75,692,741**	**92,294,549**	**167,987,290**	57,356,398	76,358,954	133,715,352
Investment securities at amortized cost (Note 9)	**45,931,953**	**47,346,056**	**93,278,009**	39,947,435	59,270,956	99,218,391
Loans and receivables (Note 10)	**200,773,178**	**445,914,712**	**646,687,890**	222,441,041	410,735,105	633,176,146
Other assets (Note 15)	**136,324**	**13,698**	**150,022**	85,689	14,220	99,909
	597,402,198	**585,569,015**	**1,182,971,213**	646,187,686	546,379,235	1,192,566,921
Nonfinancial Assets						
Property and equipment (Note 11)	**–**	**25,846,442**	**25,846,442**	–	32,251,646	32,251,646
Investment in an associate (Note 12)	**–**	**2,468,107**	**2,468,107**	–	2,310,410	2,310,410
Investment properties (Note 13)	**–**	**14,658,030**	**14,658,030**	–	19,195,106	19,195,106
Deferred tax assets (Note 30)	**–**	**6,405,505**	**6,405,505**	–	9,036,908	9,036,908
Goodwill (Note 14)	**–**	**13,375,407**	**13,375,407**	–	13,375,407	13,375,407
Intangible assets (Note 14)	**–**	**6,995,365**	**6,995,365**	–	6,424,135	6,424,135
Residual value of leased assets (Note 10)	**505,784**	**219,082**	**724,866**	374,959	323,020	697,979
Other assets (Note 15)	**4,041,342**	**1,685,772**	**5,727,114**	5,408,127	1,870,770	7,278,897
	4,547,126	**71,653,710**	**76,200,836**	5,783,086	84,787,402	90,570,488
Assets of a disposal group classified as held for sale (Note 36)	**–**	**–**	**–**	7,945,945	–	7,945,945
Less: Allowance for impairment and credit losses (Note 16)			**49,780,665**			41,202,984
Unearned and other deferred income (Note 10)			**1,118,244**			1,464,726
Accumulated depreciation and amortization (Notes 11, 13 and 14)			**17,488,478**			17,281,845
			₱1,190,784,662			₱1,231,133,799

(Forward)

	Consolidated					
	2021			2020		
	Less than Twelve Months	**Over Twelve Months**	**Total**	Less than Twelve Months	Over Twelve Months	Total
Financial Liabilities						
Deposit liabilities (Note 17)	**₱856,415,554**	**₱38,508,755**	**₱894,924,309**	₱831,907,680	₱58,380,209	₱890,287,889
Financial liabilities at FVTPL (Note 18)	**891,531**	**–**	**891,531**	561,995	139,244	701,239
Bills and acceptances payable (Note 19)	**49,780,354**	**3,173,443**	**52,953,797**	84,924,978	2,234,472	87,159,450
Accrued interest payable (Note 20)	**657,063**	**1,971**	**659,034**	778,428	130,007	908,435
Accrued other expenses payable (Note 20)	**1,657,913**	**419,695**	**2,077,608**	1,030,988	643,410	1,674,398
Bonds payable (Note 21)	**–**	**53,383,421**	**53,383,421**	13,852,538	50,203,797	64,056,335
Other liabilities (Note 22)	**7,704,872**	**2,388,506**	**10,093,378**	10,519,523	1,877,917	12,397,440
	917,107,287	**97,875,791**	**1,014,983,078**	943,576,130	113,609,056	1,057,185,186
Nonfinancial Liabilities						
Lease liabilities (Note 29)	**2,698,373**	**1,067,018**	**3,765,391**	552,617	813,399	1,366,016
Accrued taxes and other expenses (Note 20)	**2,288,247**	**2,740,761**	**5,029,008**	593,042	3,273,151	3,866,193
Income tax payable	**157,735**	**–**	**157,735**	903,044	–	903,044
Other liabilities (Note 22)	**2,564,240**	**3,062,254**	**5,626,494**	1,827,690	3,648,698	5,476,388
	7,708,595	**6,870,033**	**14,578,628**	3,876,393	7,735,248	11,611,641
Liabilities of a disposal group classified as held for sale (Note 36)	**–**	**–**	**–**	6,353,964	–	6,353,964
	₱924,815,882	**₱104,745,824**	**₱1,029,561,706**	₱953,806,487	₱121,344,304	₱1,075,150,791

	Parent Company					
	2021			2020		
	Less than Twelve Months	**Over Twelve Months**	**Total**	Less than Twelve Months	Over Twelve Months	Total
Financial Assets						
Cash and other cash items	**₱27,454,459**	**₱–**	**₱27,454,459**	₱25,038,434	₱–	₱25,038,434
Due from BSP	**161,001,912**	**–**	**161,001,912**	202,129,356	–	202,129,356
Due from other banks	**19,333,873**	**–**	**19,333,873**	12,141,599	–	12,141,599
Interbank loans receivable (Note 8)	**30,302,334**	**–**	**30,302,334**	37,861,553	–	37,861,553
Securities held under agreements to resell (Note 8)	**15,800,317**	**–**	**15,800,317**	15,819,273	–	15,819,273
Financial assets at FVTPL (Note 9)	**11,010,278**	**–**	**11,010,278**	21,947,640	–	21,947,640
Financial assets at FVOCI (Note 9)	**75,706,122**	**91,840,228**	**167,546,350**	58,640,049	74,623,709	133,263,758
Investment securities at amortized cost (Note 9)	**45,814,197**	**47,335,863**	**93,150,060**	40,524,889	58,573,151	99,098,040
Loans and receivables (Note 10)	**193,490,020**	**439,091,126**	**632,581,146**	217,224,095	402,310,575	619,534,670
Other assets (Note 15)	**134,840**	**1,502**	**136,342**	85,746	527	86,273
	580,048,352	**578,268,719**	**1,158,317,071**	631,412,634	535,507,962	1,166,920,596
Nonfinancial Assets						
Property and equipment (Note 11)	**–**	**23,444,821**	**23,444,821**	–	29,652,288	29,652,288
Investment in subsidiaries and an associate (Note 12)	**–**	**27,275,451**	**27,275,451**	–	27,105,550	27,105,550
Investment properties (Note 13)	**–**	**13,949,148**	**13,949,148**	–	18,538,021	18,538,021
Deferred tax assets (Note 30)	**–**	**6,271,578**	**6,271,578**	–	8,522,411	8,522,411
Goodwill (Note 14)	**–**	**13,515,765**	**13,515,765**	–	13,515,765	13,515,765
Intangible assets (Note 14)	**–**	**7,969,658**	**7,969,658**	–	7,457,263	7,457,263
Other assets (Note 15)	**3,761,622**	**1,673,606**	**5,435,228**	4,199,440	1,702,234	5,901,674
	3,761,622	**94,100,027**	**97,861,649**	4,199,440	106,493,532	110,692,972
Assets of a disposal group classified as held for sale (Note 36)	**–**	**–**	**–**	1,136,418	–	1,136,418
Less: Allowance for impairment and credit losses (Note 16)			**49,612,865**			40,277,667
Unearned and other deferred income (Note 10)			**856,408**			1,132,928
Accumulated amortization and depreciation (Notes 11, 13 and 14)			**17,698,795**			17,137,714
			₱1,188,010,652			₱1,220,201,677

(Forward)

	Parent Company					
	2021			2020		
	Less than Twelve Months	**Over Twelve Months**	**Total**	Less than Twelve Months	Over Twelve Months	Total
Financial Liabilities						
Deposit liabilities (Note 17)	**₱861,706,050**	**₱37,819,145**	**₱899,525,195**	₱835,750,531	₱57,797,513	₱893,548,044
Financial liabilities at FVTPL (Note 18)	**891,346**	**–**	**891,346**	561,558	139,244	700,802
Bills and acceptances payable (Note 19)	**48,305,700**	**2,807,318**	**51,113,018**	83,135,081	1,682,279	84,817,360
Accrued interest payable (Note 20)	**638,907**	**–**	**638,907**	754,310	129,010	883,320
Accrued other expenses payable (Note 20)	**1,630,969**	**419,695**	**2,050,664**	1,000,126	643,410	1,643,536
Bonds payable (Note 21)	**–**	**53,383,421**	**53,383,421**	13,852,538	50,203,797	64,056,335
Other liabilities (Note 22)	**6,909,027**	**2,000,813**	**8,909,840**	9,240,263	1,485,536	10,725,799
	920,081,999	**96,430,392**	**1,016,512,391**	944,294,407	112,080,789	1,056,375,196
Nonfinancial Liabilities						
Lease liabilities (Note 29)	**2,686,906**	**1,011,504**	**3,698,410**	478,204	892,002	1,370,206
Accrued taxes and other expenses (Note 20)	**2,086,159**	**2,728,651**	**4,814,810**	286,989	3,261,171	3,548,160
Income tax payable	**89,328**	**–**	**89,328**	842,038	–	842,038
Other liabilities (Note 22)	**1,538,221**	**3,064,790**	**4,603,011**	1,314,107	3,506,989	4,821,096
	6,400,614	**6,804,945**	**13,205,559**	2,921,338	7,660,162	10,581,500
	₱926,482,613	**₱103,235,337**	**₱1,029,717,950**	₱947,215,745	₱119,740,951	₱1,066,956,696

25. Equity

Capital Stock

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

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

The history of share issuances of the Parent Company since its initial public offering follows:

Date	Type of issuance	Number of common shares	Par value	Offer price
July 2019	Stock rights	276,625,172	₱40.00	₱43.38
February 2014	Stock rights	162,931,262	40.00	71.00
February 2013	Share-for-share swap with ABC common and preferred shares *	423,962,500	40.00	97.90
September 2000	Pre-emptive stock rights	71,850,215	100.00	60.00
September 1999	Stock rights	68,740,086	100.00	137.80
December 1995	Third public offering	7,200,000	100.00	260.00
April 1992	Second public offering	8,033,140	100.00	265.00
June 1989	Initial public offering	10,800,000	100.00	100.00

In January 2013, the SEC approved the conversion of the Parent Company's 195,175,444 authorized preferred shares into common shares, thereby increasing its authorized common shares to 1,250,000,001.

The Parent Company's shares are listed in the PSE. As of December 31, 2021 and 2020, the Parent Company had 36,286 and 36,394 stockholders, respectively.

On July 22, 2019, the Parent Company successfully completed its Stock Rights Offering (the Offer) of 276,625,172 common shares (Rights Shares) with a par value of ₱40.0 per share at a price of ₱43.38 each, raising gross proceeds of ₱12.0 billion. The Rights Shares were offered to all eligible shareholders of the Parent Company from July 3 to 12, 2019 at the proportion of one Rights Share for every 4.516 existing common shares as of the record date of June 21, 2019. The Parent Company incurred transaction costs of ₱312.5 million, of which ₱159.7 million was deducted against 'Capital paid in excess of par value'. Out of the ₱159.7 million transaction costs, underwriting fees amounting to ₱10.0 million paid to PNB Capital, being one of the joint lead managers of the Offer, was eliminated in the consolidated financial statements.

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, 2021 and 2020, surplus amounting to ₱9.6 billion, representing the balances of the following equity items that have been applied to eliminate the Parent Company's deficit through quasi-reorganizations in 2002 and 2000, is not available for dividend declaration without prior approval from the SEC and the BSP:

Revaluation increment on land and buildings	₱7,691,808
Accumulated translation adjustment	1,315,685
Accumulated equity in net earnings of investees	563,048
	₱9,570,541

Surplus Reserves
This account consists of:

	2021	2020
Reserves under BSP Circular 1011	**₱4,461,857**	₱4,369,668
Reserves for trust business (Note 32)	**605,583**	582,429
Reserves for self-insurance	**80,000**	80,000
	₱5,147,440	₱5,032,097

'Reserves under BSP Circular 1011' represents the appropriation for the excess of 1.00% general loan loss provisions over the computed ECL for Stage 1 accounts in accordance with BSP Circular 1011.

'Reserves for self-insurance' represents the amount set aside to cover losses due to fire or defalcation by, and other unlawful acts of, the Parent Company's personnel or third parties.

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.

Other Equity Reserves

On August 26, 2016, the Parent Company's BOD approved the grant of centennial bonus to its employees, officers and directors on record as of July 22, 2016, in the form of the Parent Company's shares of stock. The acquisition and distribution of the estimated 3.0 million shares shall be done over a period of five years, and are subject to service conditions. The grant is accounted for as equity-settled share-based payments. Grant date is April 27, 2017 when the fair value of the centennial bonus shares is ₱65.20. In 2021, 2020 and 2019, the Parent Company awarded 306 thousand, 316 thousand and 277 thousand, respectively, centennial bonus shares and applied the settlement of the awards against 'Other equity reserves' amounting to ₱29.0 million, ₱6.4 million and ₱18.4 million, respectively.

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.

BSP reporting for capital management

Under existing BSP regulations, the determination of the Group's compliance with regulatory requirements and ratios is based on the amount of the Group's unimpaired capital (regulatory net worth) reported to the BSP, which is determined based on RAP, which differ from PFRS in some respects. In addition, the risk-based capital ratio of a bank or Capital Adequacy Ratio (CAR), expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10.00% at all times for both solo basis (head office and branches) and consolidated basis (Parent Company and subsidiaries engaged in financial allied undertakings but excluding insurance companies). Qualifying capital and risk-weighted assets are computed based on RAP. Risk-weighted assets consist of total assets less cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits and other non-risk items determined by the MB of the BSP.

On May 16, 2002, the BSP approved the booking of additional appraisal increment on properties of ₱431.8 million and recognition of the same in determining the CAR, and booking of translation adjustment of ₱1.6 billion representing the increase in peso value of the investment in foreign subsidiaries for purposes of the quasi-reorganization and rehabilitation of the Parent Company, provided that the same shall be excluded for dividend purposes.

On August 29, 2019, the MB of the BSP approved the integration of PNBSB with the Parent Company. One of the integration incentives granted by the BSP was a temporary capital relief by not deducting the amount of investment of the Parent Company in PNBSB from CET1 Capital in computing the CAR on a solo basis. The relief commenced on the date of net asset transfer and shall become effective until approval by the SEC of the reduction of authorized capital stock of PNBSB.

As of December 31, 2021 and 2020, CAR reported to the BSP with certain adjustments is shown in the table below (amounts, except ratios, are expressed in millions):

	2021		2020	
Consolidated	**Actual**	**Required**	Actual	Required
CET1 Capital (Gross)	**₱152,857**		₱144,298	
Less: Regulatory Adjustments to CET 1	**48,541**		28,838	
CET1 Capital (Net)	**104,316**		115,460	
Add: Additional Tier 1 Capital (AT1)	**–**		–	
Tier 1 Capital	**104,316**		115,460	
Add: Tier 2 Capital	**5,634**		5,377	
Total qualifying capital	**₱109,950**	**₱80,490**	₱120,837	₱79,817
Total risk-weighted assets	**₱804,903**		₱798,170	
Tier 1 capital ratio	**12.96%**		14.47%	
Total capital ratio	**13.66%**		15.14%	

	2021		2020	
Parent Company	**Actual**	**Required**	Actual	Required
CET1 Capital (Gross)	**₱149,117**		₱142,235	
Less: Regulatory Adjustments to CET 1	**61,982**		42,732	
CET1 Capital (Net)	**87,135**		99,503	
Add: AT1	**–**		–	
Tier 1 Capital	**87,135**		99,503	
Add: Tier 2 Capital	**5,442**		5,236	
Total qualifying capital	**₱92,577**	**₱79,135**	₱104,739	₱77,910
Total risk-weighted assets	**₱791,349**		₱779,103	
Tier 1 capital ratio	**11.01%**		12.77%	
Total capital ratio	**11.70%**		13.44%	

The Group considered BSP regulations, which set out a minimum CET1 ratio of 6.00% and Tier 1 capital ratio of 7.50%, and require capital conservation buffer of 2.50% comprised of CET1 capital.

In line with its ICAAP document, the Parent Company maintains a capital level that not only meets the BSP's CAR requirement, but also covers all material risks that it may encounter in the course of its business. The ICAAP process highlights close integration of capital planning and strategic management with risk management. The Parent Company has in place a risk management framework that involves a collaborative process for assessing and managing identified Pillar 1 and Pillar 2 risks. The Parent Company complies with the required annual submission of updated ICAAP.

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, 2021 and 2020, BLR reported to the BSP with certain adjustments is shown in the table below (amounts, except ratios, are expressed in millions):

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Tier 1 capital	**₱104,316**	₱119,279	**₱87,135**	₱103,321
Total exposure measure	**1,189,481**	1,244,747	**1,171,530**	1,226,577
BLR	**8.77%**	9.58%	**7.44%**	8.42%

BLR is computed based on RAP.

Capital build-up plan
In 2021, the Parent Company prepared its capital build-up plan which aims to increase its qualifying capital for the succeeding three years. The capital build-up plan has the following main components:

- Returning the excess capital of AIHI (formerly PNBSB) (Note 37)
- Improving the Parent Company's earnings and asset quality
- Disposing the Parent Company's real estate properties
- Selling NPLs under the Financial Institutions Strategic Transfer Act
- Selling of remaining stake in PNB Holdings upon its listing in the PSE
- Receiving commitment from the major shareholders of the Parent Company to infuse capital

Further, while the Parent Company is executing its capital build-up plan, it intends to apply the regulatory reliefs provided under BSP Memoranda M-2021-055 and M-2021-056 in calculating its CAR in 2022.

26. Other Operating Income

Service Fees and Commission Income
This account consists of:

	Consolidated			Parent Company		
	2021	2020 (As restated – Note 36)	2019 (As restated – Note 36)	**2021**	2020	2019
Continuing operations:						
Loan-related	**₱1,432,909**	₱1,072,459	₱1,042,011	**₱1,425,149**	₱1,124,608	₱647,215
Deposit-related	**1,326,692**	1,058,033	1,120,069	**1,326,692**	1,054,359	1,101,249
Credit card-related	**697,962**	622,302	456,176	**697,962**	622,302	456,176
Remittance	**652,262**	646,494	714,330	**351,392**	340,364	373,330
Underwriting fees	**511,032**	227,494	655,450	**–**	–	–
Bancassurance (Note 22)	**495,512**	206,686	188,263	**495,512**	206,686	188,263
Interchange fees	**383,271**	329,059	506,521	**383,271**	329,059	506,521
Trust fees (Note 32)	**319,422**	314,851	281,228	**319,422**	314,851	281,228
Miscellaneous	**521,264**	207,194	204,992	**311,329**	142,290	123,707
	6,340,326	4,684,572	5,169,040	**5,310,729**	4,134,519	3,677,689
Discontinued operations:						
Miscellaneous (Note 36)	**110**	19,718	7,460	–	–	–
	₱6,340,436	₱4,704,290	₱5,176,500	**₱5,310,729**	₱4,134,519	₱3,677,689

'Interchange fees' and 'Credit card-related fees' were generated from the credit card business of the Parent Company.

'Miscellaneous' includes income from securities brokering activities and other fees and commission.

Net Gains (Losses) on Sale or Exchange of Assets
This account consists of:

	Consolidated			Parent Company		
	2021	2020	2019	**2021**	2020	2019
Net gains from sale of receivables	**₱766,968**	₱104,181	₱165,310	**₱766,968**	₱104,181	₱165,310
Net gains from foreclosure and repossession of investment properties	**138,697**	72,109	482,661	**138,697**	13,209	505,137
Net gains from sale of other assets	**52,206**	–	3,016	**60,880**	–	8,753
Net gains from sale of investment properties (Note 33)	**15,192**	11,775	48,599	**8,268**	11,806	6,218
Net gains (losses) from sale of property and equipment (Note 11)	**8,399**	7,777	(8,961)	**(789)**	1,297	1,023
	₱981,462	₱195,842	₱690,625	**₱974,024**	₱130,493	₱686,441

In September 2021, the Parent Company sold certain NPLs with aggregate outstanding balances before sale, including accrued interest, of ₱5.5 billion, resulting in a gain on sale of receivables of ₱767.0 million.

27. Miscellaneous Income and Expenses

Miscellaneous Income
This account consists of:

	Consolidated			Parent Company		
	2021	2020 (As restated – Note 36)	2019 (As restated – Note 36)	**2021**	2020	2019
Continuing operations:						
Rental income (Note 29)	**₱513,904**	₱680,332	₱725,745	**₱211,775**	₱383,733	₱466,451
Income from assets acquired	**183,173**	258,708	100,214	**183,173**	253,128	100,214
Recoveries	**85,164**	33,000	76,362	**84,463**	24,685	66,694
Dividends	**63,608**	86,139	89,528	**23,584**	45,811	60,046
Miscellaneous - Loan-related	**25,763**	29,224	79,409	**25,763**	29,224	79,409
Miscellaneous - Credit card-related	**15,912**	8,812	16,958	**15,912**	8,812	16,958
Referral fees	**2,491**	3,188	2,912	**–**	–	–
Miscellaneous - Trade-related	**188**	17,055	23,588	**188**	17,055	23,588
Others	**179,844**	128,241	349,580	**214,968**	144,304	163,462
	1,070,047	1,244,699	1,464,296	**759,826**	906,752	976,822
Discontinued operations (Note 36):						
Rental income	**375,556**	–	–	**–**	–	–
Others	**111,401**	243,860	186	**–**	–	–
	486,957	243,860	186	**–**	–	–
	₱1,557,004	₱1,488,559	₱1,464,482	**₱759,826**	₱906,752	₱976,822

'Others' consist of income from wire transfers, tellers' overages, and penalty payments received by the Group which are related to loan accounts.

Miscellaneous Expenses
This account consists of:

	Consolidated			Parent Company		
	2021	2020 (As restated – Note 36)	2019 (As restated – Note 36)	2021	2020	2019
Continuing operations:						
Insurance	**₱1,997,478**	₱1,833,686	₱1,851,769	**₱1,983,103**	₱1,787,331	₱1,632,028
Secretarial, janitorial and messengerial	**1,682,794**	1,631,137	1,636,755	**1,669,906**	1,605,223	1,521,042
Information technology	**1,304,930**	1,448,623	811,574	**1,283,294**	1,431,600	796,016
Marketing expenses	**719,070**	737,110	1,136,082	**713,832**	732,788	1,117,113
Litigation and assets acquired expenses	**395,386**	248,302	326,588	**394,534**	243,489	290,775
Management and other professional fees	**294,090**	363,710	487,115	**245,853**	291,457	432,425
Travelling	**284,484**	289,765	373,143	**280,090**	282,758	345,626
Stationery and supplies	**269,813**	265,226	237,659	**261,679**	255,914	216,837
Entertainment, amusement and recreation (EAR) (Note 30)	**189,098**	147,421	166,089	**181,251**	137,152	153,999
Postage, telephone and cable	**151,560**	163,160	228,066	**124,270**	125,244	165,533
Value-added tax on leases	**88,116**	–	–	**88,116**	–	–
Repairs and maintenance	**70,375**	62,161	73,601	**70,375**	62,161	73,601
Freight	**42,418**	30,973	41,811	**42,320**	29,428	38,003
Fuel and lubricants	**14,172**	14,157	18,671	**11,477**	10,931	12,677
Loss on loan modifications	**–**	1,587,605	–	**–**	1,587,605	–
Others (Notes 13, 27 and 33)	**698,971**	190,403	292,459	**624,455**	54,893	58,984
	8,202,755	9,013,439	7,681,382	**7,974,555**	8,637,974	6,854,659
Discontinued operations (Note 36):						
Management and other professional fees (Note 33)	**109,776**	1,843	1,380	**–**	–	–
Insurance	**10,363**	457	225	**–**	–	–
Information technology	**2,906**	6,918	7,322	**–**	–	–
Marketing expenses	**2,236**	8,514	5,161	**–**	–	–
Secretarial, janitorial and messengerial	**1,620**	6,015	11,467	**–**	–	–
Postage, telephone and cable	**751**	3,232	3,108	**–**	–	–
Travelling	**508**	2,390	4,235	**–**	–	–
Stationery and supplies	**449**	2,090	3,254	**–**	–	–
Fuel and lubricants	**411**	2,327	–	**–**	–	–
EAR	**142**	2,575	888	**–**	–	–
Others	**2,832**	8,649	14,109	**–**	–	–
	131,994	45,010	51,149	**–**	–	–
	₱8,334,749	₱9,058,449	₱7,732,531	**₱7,974,555**	₱8,637,974	₱6,854,659

'Loss on loan modifications' pertains to the adjustment for the changes in expected cash flows of credit exposures, as a result of modifications in the original terms and conditions of the loan which include, but not limited to, changes in interest rates, principal amount, maturity date, and payment terms. The Group accommodated modifications in the terms and conditions of certain loans of borrowers, which have been directly impacted by the COVID-19 pandemic. The loss is computed as the difference between the gross carrying amount of the loan and the present value of the modified contractual cash flows, discounted at the original effective interest rate of the loan. Subsequent accretion to interest income in 2021 and 2020 amounted to ₱351.5 million and ₱901.7 million, respectively.

'Others' include stationery and supplies used, donation, fines, penalties, periodicals, magazines and other charges.

28. **Retirement Plan**

The Parent Company and certain subsidiaries of the Group have separate funded, noncontributory defined benefit retirement plans covering substantially all its officers and regular employees. Under these retirement plans, all covered officers and employees are entitled to cash benefits after satisfying certain age and service requirements.

The amounts of net defined benefit liability in the statements of financial position follow:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Retirement benefit liability (included in 'Other liabilities') (Note 22)	**₱926,259**	₱1,213,888	**₱923,116**	₱1,205,212
Net plan assets (included in 'Other assets - miscellaneous') (Note 15)	**5,678**	7,538	**–**	–
	₱920,581	₱1,206,350	**₱923,116**	₱1,205,212

The Group's annual contribution to the retirement plan consists of a payment covering the current service cost, unfunded actuarial accrued liability and interest on such unfunded actuarial liability. The retirement plan provides each eligible employer with a defined amount of retirement benefit dependent on one or more factors such as age, years of service and salary.

As of December 31, 2021 and 2020, the Parent Company has two separate regular retirement plans for its employees. In addition, the Parent Company provides certain post-employee benefit through a guarantee of a specified return on contributions in one of its employee investment plans (EIP).

The changes in the present value obligation and fair value of plan assets are as follows:

	Consolidated												
	2021												
		Net benefit cost					**Remeasurements in other comprehensive income**						
	January 1, 2021	**Current Service Cost**	**Past Service Cost**	**Net interest**	**Subtotal**	**Benefits paid**	**Return on plan asset excluding amount included in net interest**	**Actuarial changes arising from experience adjustments**	**Actuarial changes arising from changes in financial assumptions**	**Subtotal**	**Contributions by employer**	**Effect of disposal group clasisifed as held for sale** (Note 36)	**December 31, 2021**
Present value of pension obligation	**₱9,138,303**	**₱581,774**	**₱–**	**₱309,967**	**₱891,741**	**(₱635,622)**	**₱–**	**(₱114,426)**	**(₱263,234)**	**(₱377,660)**	**₱–**	**₱–**	**₱9,016,762**
Fair value of plan assets	**7,931,953**	**–**	**–**	**269,847**	**269,847**	**(635,622)**	**(220,117)**	**–**	**–**	**(220,117)**	**750,120**	**–**	**8,096,181**
	₱1,206,350	**₱581,774**	**₱–**	**₱40,120**	**₱621,894**	**₱–**	**₱220,117**	**(₱114,426)**	**(₱263,234)**	**(₱157,543)**	**(₱750,120)**	**₱–**	**₱920,581**

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

	Consolidated												
	2020												
		Net benefit cost					Remeasurements in other comprehensive income						
	January 1, 2020	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	Effect of disposal group clasisifed as held for sale (Note 36)	December 31, 2020
Present value of pension obligation	₱8,165,350	₱535,165	₱25,454	₱369,524	₱930,143	(₱486,637)	₱–	(₱20,328)	₱612,674	₱592,346	₱–	(₱62,899)	₱9,138,303
Fair value of plan assets	7,365,620	–	–	317,891	317,891	(486,637)	(110,671)	–	–	(110,671)	894,487	(48,737)	7,931,953
	₱799,730	₱535,165	₱25,454	₱51,633	₱612,252	₱–	₱110,671	(₱20,328)	₱612,674	₱703,017	(₱894,487)	(₱14,162)	₱1,206,350

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

Parent Company

2021

	January 1, 2021	**Current Service Cost**	**Past Service Cost**	**Net interest**	**Subtotal**	**Benefits paid**	**Return on plan asset excluding amount included in net interest**	**Actuarial changes arising from experience adjustments**	**Actuarial changes arising from changes in financial assumptions**	**Subtotal**	**Contributions by employer**	**Effect of disposal group clasisifed as held for sale** (Note 36)	**December 31, 2021**
		Net benefit cost					**Remeasurements in other comprehensive income**						
Present value of pension obligation	**₱9,085,073**	**₱572,224**	**₱–**	**₱307,994**	**₱880,218**	**(₱635,622)**	**₱–**	**(₱111,642)**	**(₱259,020)**	**(₱370,662)**	**₱–**	**₱–**	**₱8,959,007**
Fair value of plan assets	**7,879,861**	**–**	**–**	**267,915**	**267,915**	**(635,622)**	**(219,871)**	**–**	**–**	**(219,871)**	**743,608**	**–**	**8,035,891**
	₱1,205,212	**₱572,224**	**₱–**	**₱40,079**	**₱612,303**	**₱–**	**₱219,871**	**(₱111,642)**	**(₱259,020)**	**(₱150,791)**	**₱(743,608)**	**₱–**	**₱923,116**

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

Parent Company

2020

	January 1, 2020	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	Effect of disposal group clasisifed as held for sale (Note 36)	December 31, 2020
		Net benefit cost					Remeasurements in other comprehensive income						
Present value of pension obligation	₱7,925,817	₱520,600	₱25,454	₱367,429	₱913,483	(₱475,059)	₱–	(₱16,388)	₱600,958	₱584,570	₱–	₱136,262	₱9,085,073
Fair value of plan assets	7,122,164	–	–	331,181	331,181	(475,059)	(109,109)	–	–	(109,109)	867,916	142,768	7,879,861
	₱803,653	₱520,600	₱25,454	₱36,248	₱582,302	₱–	₱109,109	(₱16,388)	₱600,958	₱693,679	(₱867,916)	(₱6,506)	₱1,205,212

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

The latest actuarial valuations for these retirement plans were made as of December 31, 2021. The following table shows the actuarial assumptions as of December 31, 2021 and 2020 used in determining the retirement benefit obligation of the Group:

	Consolidated		Parent Company			
			Regular Plans		EIP	
	2021	2020	**2021**	2020	**2021**	2020
Discount rate	**3.45% - 4.99%**	3.40% - 3.75%	**4.75%**	3.40%	**4.75%**	3.40%
Salary rate increase	**3.00% - 10.00%**	3.00% - 10.00%	**6.00%**	5.00%	**–**	–

The Group and the Parent Company employs asset-liability matching strategies to maximize investment returns at the least risk to reduce contribution requirements while maintaining a stable retirement plan. Retirement plans are invested to ensure that liquid funds are available when benefits become due, to minimize losses due to investment pre-terminations and maximize opportunities for higher potential returns at the least risk.

The current plan assets of the Group and the Parent Company are allocated to cover benefit payments in the order of their proximity to the present time. Expected benefit payments are projected and classified into short-term or long-term liabilities. Investment instruments that would match the liabilities are identified. This strategy minimizes the possibility of the asset-liability match being distorted due to the Group's and the Parent Company's failure to contribute in accordance with its general funding strategy.

The Group and the Parent Company expect to contribute ₱1,260.1 million and ₱1,252.1 million, respectively, to the defined benefit plans in 2022. The average duration of the retirement liability of the Group and the Parent Company as of December 31, 2021 is 14 years and 9 years, respectively.

Shown below is the maturity analysis of the undiscounted benefit payments:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Less than one year	**₱1,639,472**	₱1,549,180	**₱1,638,962**	₱1,546,110
More than one year to five years	**5,181,164**	4,637,731	**5,176,283**	4,634,889
More than five years to 10 years	**4,356,064**	4,152,389	**4,310,518**	4,108,665
More than 10 years to 15 years	**3,625,801**	3,169,138	**3,530,315**	3,080,995
More than 15 years	**8,998,036**	7,635,988	**8,592,546**	7,391,744

The fair values of plan assets by each class as at the end of the reporting periods are as follow:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Cash and cash equivalents	**₱3,792,281**	₱3,875,381	**₱3,783,563**	₱3,858,067
Equity investments				
Real estate, renting and business activities	**466,747**	382,376	**466,747**	382,376
Electricity, gas and water	**284,300**	287,045	**284,300**	287,045
Financial institutions (Note 33)	**177,928**	256,337	**165,210**	250,215
Others	**201,956**	175,535	**194,636**	157,938
Debt investment				
Government securities	**1,752,649**	1,306,438	**1,743,551**	1,302,813
Private debt securities	**537,016**	780,316	**528,473**	774,499
Investment in UITFs	**805,211**	584,193	**794,979**	582,674
Loans and receivables	**63,360**	208,084	**63,360**	208,084
Interest and other receivables	**17,232**	86,070	**13,491**	85,881
	8,098,680	7,941,775	**8,038,310**	7,889,592
Accrued expenses	**(2,499)**	(9,822)	**(2,420)**	(9,731)
	₱8,096,181	₱7,931,953	**₱8,035,890**	₱7,879,861

All equity and debt investments held including investments in UITF have quoted prices in active markets. 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, 2021 and 2020 for the Group includes investments in the Parent Company shares of stock with fair value amounting to ₱165.2 million and ₱250.2 million, respectively.
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:

	2021			
	Consolidated		**Parent Company**	
	Possible fluctuations	**Increase (decrease)**	**Possible fluctuations**	**Increase (decrease)**
Discount rate	**+1.00%**	**(₱545,838)**	**+1.00%**	**(₱538,945)**
	-1.00%	**618,425**	**-1.00%**	**610,126**
Salary increase rate	**+1.00%**	**557,244**	**+1.00%**	**549,222**
	-1.00%	**(504,192)**	**-1.00%**	**(497,358)**
Employee turnover rate	**+10.00%**	**(201,187)**	**+10.00%**	**(200,279)**
	-10.00%	**201,187**	**-10.00%**	**200,279**

	2020			
	Consolidated		Parent Company	
	Possible fluctuations	Increase (decrease)	Possible fluctuations	Increase (decrease)
Discount rate	+1.00%	(₱576,279)	+1.00%	(₱570,999)
	-1.00%	637,229	-1.00%	630,928
Salary increase rate	+1.00%	589,766	+1.00%	583,649
	-1.00%	(527,654)	-1.00%	(522,381)
Employee turnover rate	+10.00%	(181,668)	+10.00%	(182,321)
	-10.00%	181,668	-10.00%	182,321

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**

Group as Lessee
The Group has entered into commercial leases for its branch sites, ATM offsite location and other equipment. These non-canceleable leases have lease terms of 1 to 25 years. Most of these lease contracts include escalation clauses, an annual rent increase of 2.00% to 10.00%. The Group ROU asset is composed of the Parent Company's branch sites and its subsidiaries offices under lease arrangements.

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises judgement in determining whether these extension and termination options are reasonably certain to be exercised.

Rent expense charged against current operations (included in 'Occupancy and equipment-related costs' in the statements of income) amounted to ₱251.5 million, ₱580.6 million and ₱581.1 million in 2021, 2020 and 2019, respectively, for the Group, of which ₱223.2 million, ₱532.9 million and ₱454.1 million in 2021, 2020, and 2019, respectively, pertain to the Parent Company. Rent expenses in 2021, 2020 and 2019 pertain to expenses from short-term leases and leases of low-value assets.

As of December 31, 2021 and 2020, the Group has no contingent rent payable.

As of December 31, 2021 and 2020, the carrying amounts of 'Lease liabilities' are as follows:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Balance at beginning of year	**₱1,366,016**	₱1,806,409	**₱1,370,206**	₱1,633,083
Additions	**3,377,981**	104,330	**3,298,634**	127,578
Payments	**(1,231,287)**	(664,156)	**(1,213,912)**	(649,402)
Interest expense (Note 19)	**112,591**	120,675	**107,052**	120,181
Effect of loss of control over PNB Holdings	**179,095**	–	**136,430**	–
Effect of discontinued operations (Note 36)	**(39,005)**	(1,242)	**–**	–
Transfers	**–**	–	**–**	138,766
	₱3,765,391	₱1,366,016	**₱3,698,410**	₱1,370,206

The Parent Company has lease contracts with its affiliates (Note 33).

Future minimum rentals payable under non-cancelable leases follow:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Within one year	**₱1,097,903**	₱725,804	**₱1,086,436**	₱616,688
Beyond one year but not more than five years	**2,498,020**	1,215,693	**2,486,540**	1,065,827
More than five years	**1,446,578**	434,137	**1,446,578**	334,695
	₱5,042,501	₱2,375,634	**₱5,019,554**	₱2,017,210

Group as Lessor

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 2021, 2020 and 2019, total rent income (included under 'Miscellaneous income') amounted to ₱513.9 million, ₱680.3 million and ₱731.8 million, respectively, for the Group and ₱211.8 million, ₱383.7 million and ₱466.5 million, respectively, for the Parent Company (Note 27).

Future minimum rentals receivable under non-cancelable operating leases follow:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Within one year	**₱645,654**	₱164,223	**₱–**	₱162,021
Beyond one year but not more than five years	**102,795**	583,780	**–**	583,780
More than five years	**–**	156,770	**–**	156,770
	₱748,449	₱904,773	**₱–**	₱902,571

Finance Lease

Group as Lessor

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.

30. Income and Other Taxes

Under Philippine tax laws, the Parent Company and certain subsidiaries are subject to percentage and other taxes (presented as ‘Taxes and licenses’ in the statements of income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax and documentary stamp tax.

Income taxes include the corporate income tax, discussed below, and final taxes paid which represents final withholding tax on gross interest income from government securities and other deposit substitutes and income from the FCDU transactions. These income taxes, as well as the deferred tax benefits and provisions, are presented as ‘Provision for (benefit from) income tax’ in the statements of income.

On March 26, 2021, Republic Act No. 11534, otherwise known as Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act was signed into law. CREATE reduced the RCIT rate from 30.00% to 25.00% depending on the criteria set by the law effective July 1, 2020. With the implementation of CREATE, interest expense allowed as a deductible expense shall be reduced by 20.00% of the interest income subjected to final tax, compared to the 33.00% reduction prior to the CREATE.

The regulations also provide for MCIT of 2.00% (prior to CREATE) and 1.00% from (July 1, 2020 to June 30, 2023 before reverting to 2.00%) on modified gross income and allow a NOLCO. The MCIT and NOLCO may be applied against the Group’s and the Parent Company’s income tax liability and taxable income, respectively, over a three-year period from the year of inception. For the taxable years 2020 and 2021, the NOLCO incurred can be carried over as a deduction for the next five (5) consecutive taxable years, pursuant to Revenue Regulations (RR) No. 25-2020.

Impact of CREATE Law
Applying the provisions of the CREATE Law, the Group and the Parent Company is subjected to lower regular corporate income tax rate of 25.00% effective July 1, 2020. The following are the impact of CREATE in the 2021 financial statements of the Group and the Parent Company:

- Based on the provisions of Revenue Regulations (RR) No. 5-2021 dated April 8, 2021 issued by the BIR, the transitory RCIT and MCIT rates applicable to the Group and the Parent Company for the taxable year 2020 is 27.50% and 1.50%, respectively. This resulted in reduction in the current income tax due for the taxable year 2020 amounting to ₱365.1 million and ₱361.4 million for the Group and the Parent Company, respectively. The reduced amounts were reflected in the 2020 Annual Income Tax Returns filed in 2021. For financial reporting purposes, such reductions in the 2020 current income taxes were recognized in the 2021 financial statements as reduction to 2021 income tax expense.

- The deferred tax assets as of December 31, 2021 were also remeasured using the lower RCIT rate of 25.00%. The net decrease in the deferred tax balances amounting to ₱1.5 billion for the Group and the Parent Company, reduced the provision for deferred tax by ₱1.5 billion for the Group and the Parent Company, and other comprehensive income by ₱9.2 million and ₱9.4 million for the Group and the Parent Company.

There were no tax-related contingent liabilities and contingent assets arising from the changes in the tax rates due to CREATE Act.

Current tax regulations also provide for the ceiling on the amount of EAR expense that can be claimed as a deduction against taxable income. Under the regulation, EAR expense allowed as a deductible expense for a service company like the Parent Company and some of its subsidiaries is limited to the actual EAR paid or incurred but not to exceed 1.00% of net revenue.

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.

Provision for (benefit from) income tax consists of:

	Consolidated			**Parent Company**		
	2021	2020 (As restated – Note 36)	2019 (As restated – Note 36)	**2020**	2020	2019
Continuing operations:						
Current						
Regular	**₱1,549,711**	₱3,215,178	₱1,653,473	**₱1,316,245**	₱3,186,427	₱1,367,233
Final	**1,411,669**	1,459,926	1,372,414	**1,372,443**	1,388,839	1,325,119
	2,961,380	4,675,104	3,025,887	**2,688,688**	4,575,266	2,692,352
Deferred	**2,583,814**	(6,541,506)	(573,680)	**2,323,873**	(6,520,787)	(605,888)
	5,545,194	(1,866,402)	2,452,207	**5,012,561**	(1,945,521)	2,086,464
Discontinued operations (Note 36):						
Current						
Regular	**177,048**	68,831	–	**–**	–	–
Final	**15,813**	20,519	18,997	**–**	–	–
	192,861	89,350	18,997	**–**	–	–
Deferred	**(84,259)**	(768)	(218)	**–**	–	–
	108,602	88,582	18,779	**–**	–	–
	₱5,653,796	(₱1,777,820)	₱2,470,986	**₱5,012,561**	(₱1,945,521)	₱2,086,464

The components of net deferred tax assets reported in the statements of financial position follow:

	Consolidated		**Parent Company**	
	2021	2020	**2021**	2020
Deferred tax assets on:				
Allowance for impairment, credit and other losses	**₱8,467,637**	₱11,148,074	**₱8,395,806**	₱10,898,555
Accumulated depreciation on investment properties and appraisal increment	**495,884**	729,869	**495,884**	726,928
Accrued expenses	**469,714**	580,572	**469,714**	580,572
Deferred revenues	**129,050**	130,213	**129,050**	130,213
Retirement liability	**52,434**	838,990	**–**	798,947
Unrealized losses on financial assets at FVTPL and FVOCI	**42,169**	–	**42,169**	–
Unearned interest and discount	**–**	152,211	**–**	152,211
Others	**9,812**	311,540	**–**	–
	9,666,700	13,891,469	**9,532,623**	13,287,426

(Forward)

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Deferred tax liabilities on:				
Revaluation increment on land and buildings [1/]	**₱1,536,629**	₱3,133,453	**₱1,536,629**	₱3,133,453
Fair value adjustment on investment properties	**1,066,381**	1,043,165	**918,043**	894,827
Unrealized foreign exchange gains	**340,458**	97,033	**340,458**	97,033
Gain on remeasurement of previously held interest	**246,651**	246,651	**246,651**	246,651
Fair value adjustments due to business combination	**210,574**	329,723	**210,574**	329,723
Unrealized gains on financial assets at FVTPL and FVOCI	**8,836**	56,931	**8,690**	56,931
Others	**16,893**	108,757	**–**	6,397
	3,426,422	5,015,713	**3,261,045**	4,765,015
	₱6,240,278	₱8,875,756	**₱6,271,578**	₱8,522,411

[1/] *Balance includes deferred tax liability amounting to ₱613.7 million acquired from business combination*

As of December 31, 2021 and 2020, the Group's net deferred tax liabilities as disclosed in 'Other liabilities' (Note 22) include deferred tax liabilities on fair value adjustments due to business combination amounting to ₱148.3 million.

Provision for deferred tax charged to OCI pertains to deferred tax on remeasurement losses on retirement plan amounting to ₱2.5 million and nil in 2021 and 2020, respectively, for the Group. Provision for deferred tax charged directly to OCI pertains to deferred tax on net unrealized gains on financial assets at FVOCI amounting to ₱87.6 million for the Group and the Parent Company in 2021, and ₱15.8 million for the Group and the Parent Company in 2020.

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	
	2021	2020	**2021**	2020
Allowance for impairment and credit losses	**₱13,997,827**	₱–	**₱6,642,377**	₱–
Unamortized past service cost	**2,540,326**	332,523	**2,540,326**	332,523
Unrealized foreign exchange loss	**1,450,079**	–	**1,450,079**	–
Retirement liability	**923,116**	1,205,212	**923,116**	1,205,212
Derivative liabilities	**891,346**	558,220	**891,346**	558,220
Unearned interest and discount	**334,355**	–	**334,355**	–
NOLCO	**224,768**	54,823	**–**	–
Lease liabilities	**21,752**	143,156	**19,825**	138,114
	₱20,383,569	₱2,293,934	**₱12,801,424**	₱2,234,069

Details of the Group's NOLCO follow:

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
2014	₱18,430	₱18,430	₱–	Not applicable
2018	9,916	9,916	–	2021
2019	–	–	–	2022
2020	89,960	–	89,960	2025
2021	134,808	–	134,808	2026
	₱253,114	₱28,346	₱224,768	

Unrecognized deferred tax liabilities
As of December 31, 2021, there was a deferred tax liability of ₱736.1 million (₱834.6 million in 2020) for temporary differences of ₱2.9 billion (₱2.8 billion in 2020) related to investment in certain subsidiaries. However, this liability was not recognized because the Parent Company controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.

The reconciliation between the statutory income tax rate to effective income tax rate follows:

	Consolidated			Parent Company		
	2021	2020 (As restated – Note 36)	2019 (As restated – Note 36)	**2021**	2020	2019
Statutory income tax rate	**25.00%**	30.00%	30.00%	**25.00%**	30.00%	30.00%
Tax effects of:						
Net unrecognized deferred tax assets	**6.03**	(1,169.49)	(7.66)	**5.46**	(635.63)	(8.98)
Non-deductible expenses	**4.54**	1,060.87	13. 63	**5.20**	559.12	12.05
Tax-exempt income	**(21.93)**	(116.17)	(6.49)	**(22.94)**	(65.28)	(4.94)
Tax-paid income	**(0.63)**	(85.73)	(7.06)	**(0.66)**	(47.66)	(7.23)
FCDU (income) loss before tax	**2.61**	(59.81)	(1.75)	**2.73**	(32.34)	(3.17)
Optional standard deduction	**(0.08)**	–	(0.43)	**–**	–	–
CREATE adjustment – deferred tax	**0.01**	–	–	**0.01**	–	–
CREATE adjustment – current tax	**(0.95)**	–	–	**(0.99)**	–	–
Effective income tax rate	**14.60%**	(340.33%)	20.24%	**13.81%**	(191.79%)	17.73%

The amount of EAR expenses deductible for tax purposes is limited to 1.00% of net revenues for sellers of services. EAR charged against current operations (included in 'Miscellaneous expenses' in the statements of income) amounted to ₱189.1 million in 2021, ₱147.4 million in 2020, and ₱166.1 million in 2019 for the Group, and ₱181.3 million in 2021, ₱137.2 million in 2020, and ₱154.0 million in 2019 for the Parent Company (Note 27).

31. Earnings Per Share

Earnings per share attributable to equity holders of the Parent Company is computed as follows:

		2021	2020	2019
a)	Net income attributable to equity holders of the Parent Company	**₱31,630,626**	₱2,614,653	₱9,681,480
b)	Weighted average number of common shares for basic earnings per share (Note 25)	**1,525,765**	1,525,765	1,372,674
c)	Basic/Diluted earnings per share (a/b)	**₱20.73**	₱1.71	₱7.05

Earnings per share attributable to equity holders of the Parent Company from continuing operations:

	2021	2020 (As restated – Note 36)	2019 (As restated – Note 36)
a) Net income attributable to equity holders of the Parent Company from continuing operations	**₱32,365,991**	₱2,403,984	₱9,581,992
b) Weighted average number of common shares for basic earnings per share (Note 25)	**1,525,765**	1,525,765	1,372,674
c) Basic/Diluted earnings per share (a/b)	**₱21.21**	₱1.58	₱6.98

As of December 31, 2021, 2020 and 2019, there are no potential common shares with dilutive effect on the basic earnings per share.

32. Trust Operations

Securities and other properties held by the Parent Company through its Trust Banking Group (TBG) in fiduciary or agency capacities for its customers are not included in the accompanying statements of financial position since these are not assets of the Parent Company. Such assets held in trust were carried at a value of ₱143.3 billion and ₱154.4 billion as of December 31, 2021 and 2020, respectively. In connection with the trust functions of the Parent Company, government securities amounting to ₱1.6 billion and ₱1.9 billion (included under 'Investment securities at amortized cost') as of December 31, 2021 and 2020, respectively, are deposited with the BSP in compliance with trust regulations (Note 9).

Trust fee income in 2021, 2020 and 2019 amounting to ₱319.4 million, ₱314.9 million and ₱281.2 million, respectively, is included under 'Service fees and commission income' (Note 26).

In compliance with existing banking regulations, the Parent Company transferred from surplus to surplus reserves the amounts of ₱23.2 million, ₱20.4 million and ₱21.4 million in 2021, 2020 and 2019, 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 (Note 25).

33. 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

Details on significant related party transactions of the Group and the Parent Company follow (transactions with subsidiaries have been eliminated in the consolidated financial statements). Transactions reported under subsidiaries represent companies where the Parent Company has control. Transactions reported under other related parties represent companies which are under common control.

	2021		
Category	**Amount/ Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Significant Investors			
Deposit liabilities		**₱4,415**	Peso-denominated savings deposits with annual rates ranging from 0.10% to 0.125 %
Interest expense	**₱5**		Interest expense on deposits
Net withdrawals	**127,586**		Net deposits during the period
Subsidiaries			
Receivables from customers		**₱1,471,253**	Term loan maturing in 2022 with nominal interest rates ranging from 2.60% to 5.70%; includes domestic bills purchased; with aggregate allowance for credit losses of ₱1.4 billion
Loan releases	**₱1,557,106**		
Loan collections	**1,986,548**		
Credit facilities		**13,796,172**	Includes omnibus line and revocable revolving credit lines, domestic bills purchase lines and letters of credit/ trust receipt lines; also includes irrecovable standy letters of credit; with provision for liability of ₱125.1 million relating to undrawn loan commitments of PMLFC
Interbank loans receivable		**29,403**	Foreign currency-denominated interbank term loans with interest rates ranging from 0.15% to 0.25% and maturity terms ranging from 116 to 152 days with Allied Commercial Bank Xiamen
Availments	**104,698**		
Settlements	**94,537**		
Due from other banks		**248,314**	Foreign currency-denominated demand and time deposits with maturities of up to 90 days with annual fixed interest rates ranging from 0.01% to 4.50% with PNB Europe.
Accrued interest receivable		**7,520**	Interest accrual on receivables from customers and interbank loans receivable
Accounts receivable		**67,772**	Advances to finance pension liability, remittance cover and additional working capital; Non-interest bearing, unsecured, payable on demand
Deposit liabilities		**12,687,720**	Peso and foreign currency denominated demand, savings, and time deposits with annual fixed interest rates ranging from 0.125% to 1.125% and maturities from 30 to 365 days
Net deposits	**22,739**		Net deposits during the period
Bills payable		**₱30,477**	Foreign currency-denominated bills payable with Allied Commercial Bank Xiamen; Interest rates range from 0.1% to 0.2% and maturity terms ranging from 116 to 152 days.
Availments	**₱106,095**		
Settlements	**94,445**		
Due to other banks		**35,719**	Foreign currency-denominated clearing accounts used for funding and settlement of remittances with GRFC, IIC, Europe, and Allied Commercial Bank
Accrued interest payable		**103,473**	Accrued interest on deposit liabilities and bills payable
Rental deposit		**4,044**	Advance rental deposit received for 2 years and 3 months
Interest income	**69,370**		Interest income on receivables from customers, due from other banks and interbank loans receivable
Interest expense	**18,072**		Interest expense on deposit liabilities and bills payable
Miscellaneous other income	**2,506**		Management and other professional fees
Securities transactions			
Purchases	**1,890,889**		Outright purchase of securities
Sales	**281,588**		Outright sale of securities
Trading gain	**7,149**		Gain from sale of investment securities

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
	2021		
Other Related Parties			
Receivables from customers		**₱57,580,429**	Partly secured by real estate and aircraft; With interest rates ranging from 2.12% to 9.72% with maturity terms ranging from 7 days to 10 years and payment terms of ranging from monthly to quarterly payments; with aggregate allowance for credit losses of ₱11.1 billion
Loan releases	**₱45,161,134**		
Loan collections	**30,848,903**		
Credit facilities		**32,168,949**	Includes omnibus line and revocable revolving credit lines and domestic bills purchase lines; also includes irrevocable standby letters of credit which are partly secured by either cash or government securities
Financial assets at FVOCI		**22,989,975**	Retained 49.00% interest in PNB Holdings; refer to Note 12 for further discussion
Accrued interest receivable		**127,339**	Accrued interest on receivables from customers
Right-of-use assets		**3,354,358**	Lease of office space with terms ranging from 20 months to 10 years
Deposit liabilities		**36,117,192**	Peso-denominated and foreign currency-denominated demand, savings and time deposits with annual interest rates ranging from0.125% to 1.125% and maturity terms ranging from 30 days to 365 days
Net deposits	**15,060,480**		Net deposits during the period
Bonds payable		**76,499**	Foreign currency bonds with interest rate of 4.25% with maturity terms of five years.
Accrued interest payable		**16,900**	Accrued interest payable from various deposits
Lease liabilities		**3,180,228**	Lease of office space with terms ranging from 20 months to 10 years
Accrued other expenses		**57,369**	Accruals in relation to promotional expenses
Deferred revenue		**47,778**	Unamortized portion of income related to the Bancassurance agreement with ABIC
Interest income	**520,535**		Interest income on receivables from customers and on the unpaid consideration by ABIC for the sale of shares in PNB Gen
Interest expense	**211,108**		Interest expense on deposit liabilities, bonds payable and lease liabilities
Amortization expense	**559,978**		Amortization of right-of-use asset relating to leases of office spaces
Occupancy expenses	**163,020**		Expenses relating to short-term leases from PNB Holdings
Loss on sale of investment in a subsidiary	**134,861**		Loss on sale of 65.75% interest of the Parent Company in PNB Gen to ABIC
Service fees and commission income	**2,222**		Bancassurance fees earned based on successful referrals and income related to the sale of PNB Gen
Miscellaneous expenses	**9,672**		Promotional expenses for Mabuhay Miles redemption; includes management fees paid to Eton Properties Philippines, Inc.
Securities transactions			
Purchases	**581,931**		Outright purchase of securities
Sales	**151,288**		Outright sale of securities
Associate			
Deposit liabilities		**554,606**	Peso-denominated and foreign currency-denominated demand, savings and time deposits with annual interest rates ranging from 0.125% to 2.0% and maturity terms ranging from 30 days.
Net deposits	**226,926**		
Rental deposits		**27**	Advance rental and security deposits received for three months
Deferred revenue		**695,391**	Unamortized portion of income related to the sale of APLII

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
			2021
Interest expense	**₱412**	**₱**	Interest expense on deposit liabilities
Service fees and commission income	**73,199**		Bancassurance fees earned based on successful referrals and income related to the sale of APLII
Key Management Personnel			
Loans to officers		**3,492**	Housing loans to senior officers with interest rates ranging from 3.00% to 15.00%; Secured and unimpaired
Loan collections	**669**		Settlement of loans and interest

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
			2020
Significant Investors			
Deposit liabilities		₱132,001	Peso-denominated savings deposits with annual rates ranging from 0.10 % to 0.125%
Interest expense	₱854		Interest expense on deposits
Net withdrawals	138,543		Net withdrawals during the period
Subsidiaries			
Receivables from customers		1,900,695	Term Loan maturing in 2021 with nominal interest rates ranging from 2.6% to 4.0%; includes domestic bills purchased.
Loan releases	5,504,833		
Loan collections	5,726,814		
Credit facilities		14,317,968	Omnibus line; credit line
Interbank loans receivable		19,240	Foreign currency-denominated interbank term loans with interest rates ranging from 0.57% to 1.00% and maturity terms ranging from 33 to 138 days with Allied Commercial Bank Xiamen
Availments	97,069		
Settlements	112,069		
Due from other banks		301,782	Foreign currency-denominated demand and time deposits with maturities of up to 90 days with annual fixed interest rates ranging from 0.01% to 4.50% with PNB Europe.
Accrued interest receivable		1,579	Interest accrual on receivables from customers and interbank loans receivable
Accounts receivable		25,836	Advances to finance pension liability, remittance cover and additional working capital; Non-interest bearing, unsecured, payable on demand
Deposit liabilities		12,664,981	Peso and foreign currency denominated demand, savings, and time deposits with annual fixed interest rates ranging from 0.01% to 1.10% and maturities from 8 to 297 days
Net deposits	12,610,166		Net deposits during the period
Bills payable		18,827	Foreign currency-denominated bills payable with Allied Commercial Bank Xiamen; Interest rates ranging from 0.5% and 0.8% and maturity terms ranging from 30 to 137 days.
Availments	95,968		
Settlements	111,199		
Due to other banks			Foreign currency-denominated clearing accounts used for funding and settlement of remittances with GRFC, IIC, Europe, and Allied Commercial Bank
Accrued interest payable		16,445	Accrued interest on deposit liabilities and bills payable
Rental deposit		8,799	Advance rental deposit received for 2 years and 3 months
Interest income	51,737		Interest income on receivables from customers, due from other banks and interbank loans receivable
Interest expense	30,006		Interest expense on deposit liabilities and bills payable
Rental income	25,386		Rental income from one to three years lease agreement, with escalation rate of 10.00% per annum
Miscellaneous other income	1,295		Management and other professional fees

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
	2020		
Securities transactions			
Purchases	₱1,324,331	₱	Outright purchase of securities
Sales	1,100,178		Outright sale of securities
Trading gain	19,792		Gain from sale of investment securities
Affiliates			
Receivables from customers		41,772,870	Partly secured by real estate and aircraft; With interest rates ranging from 2.2% to 9.7% with maturity terms ranging from 60 days to 12 years and payment terms of ranging from monthly to quarterly payments; with aggregate allowance for credit losses of ₱9.6 billion
Loan releases	10,861,306		
Loan collections	20,348,918		
Credit facilities		42,236,141	Omnibus line; credit line
Financial assets at FVOCI		73,040	Common shares with acquisition cost of ₱100.00 per share
Sales contract receivable		–	Parent Company's investment properties sold on installment; secured with interest rate of 6.00%, maturity of five years
Settlements	323,758		
Accrued interest receivable		69,040	Accrued interest on receivables from customers
Rental deposits		30,535	Advance rental and security deposits received for two months, three months and two years
Deposit liabilities		21,056,712	Peso-denominated and foreign currency-denominated demand, savings and time deposits with annual interest rates ranging from 0.10% to 1.50% and maturity terms ranging from 30 days to 365 days
Net deposits	5,918,653		Net withdrawals during the period
Bonds payable		72,035	Foreign currency bonds with interest rate of 4.25% with maturity terms of five years.
Accrued interest payable		5,565	Accrued interest payable from various deposits
Other liabilities		–	Various manager's check related to EISP and premium insurance
Accrued other expenses		81,410	Accruals in relation to promotional expenses
Interest income	1,895,183		Interest income on receivables from customers
Interest expense	99,403		Interest expense on deposit liabilities
Miscellaneous expenses	67,743		Promotional expenses for Mabuhay Miles redemption
Securities transactions			
Purchases	2,100		Outright purchase of securities
Sales	37,500		Outright sale of securities
Associate			
Credit facilities		60,000	Pre-settlement risk line
Deposit liabilities		327,680	Peso-denominated and foreign currency-denominated demand, savings and time deposits with annual interest rates ranging from 0.125% to 2.00% and maturity terms ranging from 30 days.
Net withdrawals	739,178		
Rental deposits		27	Advance rental and security deposits received for three months
Deferred revenue		768,590	Unamortized portion of income related to the sale of APLII
Interest expense	372		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		4,161	Housing loans to senior officers with interest rates ranging from 3.00% to 15.00%; Secured and unimpaired
Loan collections	2,339		Settlement of loans and interest

The related party transactions shall be settled in cash.

Transactions Relating to the Investment in PNB Holdings
As discussed in Note 12, the Parent Company executed a proxy in favor of LTG to vote for the remaining 49.00% held by the Group in PNB Holdings. As a result, the Group accounted for its retained interest in PNB Holdings as financial asset at FVOCI with no recycling to profit and loss. The Group and the Parent Company recognized a gain of ₱33.5 billion from the loss of control and remeasurement of the retained interest in PNB Holdings.

Financial Assets at FVTPL Traded through PNB Securities
As of December 31, 2021 and 2020, the Parent Company's financial assets at FVTPL include equity securities traded through PNB Securities with a fair value of ₱130.3 million and ₱835.3 million, respectively. The Parent Company recognized trading gains amounting to ₱7.1 million in 2021 and trading losses amounting to ₱61.5 million in 2020 and ₱7.2 million in 2019 from the trading transactions facilitated by PNB Securities.

Joint Arrangements
The Parent Company and Eton Properties Philippines, Inc. (EPPI) signed two joint venture Agreements (JVAs) for the development of two real estate properties of the Parent Company included under 'Other assets' (Note 15) and with carrying values of ₱1.2 billion at the time of signing. EPPI and the Group are under common control. These two projects are among the Parent Company's strategies in reducing its non-performing assets.

The Parent Company contributed the aforementioned properties into the joint venture (JV) as approved by BSP. EPPI, on the other hand, contributed its resources and technical expertise for the completion of the said JV. The Parent Company is prohibited to contribute funds for the development of the JV. Income from the sale of the properties under the JV will be shared by the Parent Company and EPPI in accordance with the terms of the JVAs.

In July 2016, the Parent Company executed deeds of conveyance to EPPI on the areas of the land under the JVA arrangement. The execution of the deeds of conveyance was made to facilitate the issuance of the condominium certificates of title to the buyers.

Compensation of Key Management Personnel
The compensation of the key management personnel for the Group and Parent Company follows:

	2021	2020	2019
Short-term employee benefits	**₱460,711**	₱481,184	₱541,386
Post-employment benefits	**50,629**	55,308	45,996
	₱511,340	₱536,492	₱587,382

Members of the BOD are entitled to a per diem of ₱0.05 million for attendance at each meeting of the Board and of any committees, and other non-cash benefit in the form of healthcare plans and insurance. In 2021 and 2020, total per diem given to the BOD amounted to ₱67.5 million and ₱53.0 million, respectively, recorded in 'Miscellaneous expenses' in the statements of income. Directors' remuneration covers all BOD activities and membership of committees and subsidiary companies.
In 2021 and 2020, key management personnel received Parent Company shares in relation to the centennial bonus distribution of 20,099 and 21,474, respectively.

Transactions with Retirement Plans
Management of the retirement funds of the Group and the Parent Company is handled by its TBG. The fair values and carrying values of the funds of the Group amounted to ₱8.1 billion and ₱7.9 billion as of December 31, 2021 and 2020, respectively and the fair values of the funds of the Parent Company amounted to ₱8.0 billion and ₱7.9 billion as of December 31, 2021 and 2020, respectively.

Relevant information on assets/liabilities and income/expense of the retirement plan assets follows:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Deposits with PNB	**₱2,383,375**	₱828,287	**₱1,005,202**	₱824,334
Investment in UITFs	**11,026,882**	760,818	**794,979**	582,674
Investment in PNB Shares	**165,210**	250,215	**165,210**	250,215
Investment in PNB Bonds	**–**	141,020	**–**	–
Total Fund Assets	**₱13,575,467**	₱1,980,340	**₱1,965,391**	₱1,657,223
Unrealized gain (loss) on PNB shares	**(₱76,030)**	₱72,941	**(₱76,030)**	₱72,941
Unrealized loss on PNB bonds	**–**	(1,704)	**–**	–
Interest income	**792,403**	15,403	**2,817**	15,401
	716,373	86,640	**(73,213)**	88,342
Trust fees	**(142,261)**	(8,518)	**(9,006)**	(8,473)
Fund gain/(loss)	**₱574,112**	₱78,122	**(₱82,219)**	₱79,869

As of December 31, 2021 and 2020, the retirement fund of the Group and the Parent Company includes 8,219,406 and 8,525,218 PNB shares, respectively, classified as financial assets at FVTPL. There are no limitations and restrictions over the PNB shares while the corresponding voting rights are exercised by a trust officer or any of its designated alternate officer of TBG.

In addition to the regular retirement funds, TBG also manages the funds of the Parent Company's EIP.

34. Provisions, Contingent Liabilities and Other Commitments

In the normal course of business, the Group makes various commitments and incurs certain contingent liabilities that are not presented in the financial statements including several suits and claims which remain unsettled. No specific disclosures on such unsettled assets and claims are made because any such specific disclosures would prejudice the Group's position with the other parties with whom it is in dispute. Such exemption from disclosures is allowed under PAS 37. 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 2021 and 2020.

Tax Assessment
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 Group is required to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreements or similar arrangements. The effects of these arrangements to the Group and the Parent Company's financial statements are disclosed in the succeeding tables.

Consolidated

2021						
				Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		
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]**	**Financial instruments**	**Fair value of financial collateral**	**Net exposure [c-d]**
	[a]	**[b]**	**[c]**	**[d]**		**[e]**
Derivative assets	**₱88,929,845**	**₱87,564,794**	**₱1,365,051**	**₱240,111**	**₱-**	**₱1,124,940**
Securities held under agreements to resell (Note 8)	**15,800,317**	**–**	**15,800,317**	**–**	**16,084,357**	**–**
Total	**₱104,730,162**	**₱87,564,794**	**₱17,165,368**	**₱240,111**	**₱16,084,357**	**₱1,124,940**

2020						
				Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		
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]	Financial instruments	Fair value of financial collateral	Net exposure [c-d]
	[a]	[b]	[c]	[d]		[e]
Derivative assets	₱58,317,718	₱57,947,065	₱370,653	₱58,699	₱–	₱311,954
Securities held under agreements to resell (Note 8)	15,819,273	–	15,819,273	–	16,499,434	–
Total	₱74,136,991	₱57,947,065	₱16,189,926	₱58,699	₱16,499,434	₱311,954

2021						
				Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		
Financial liabilities recognized at end of reporting period by type	**Gross carrying amounts (before offsetting)**	**Gross amounts offset in accordance with the offsetting criteria**	**Net amount presented in statements of financial position [a-b]**	**Financial instruments**	**Fair value of financial collateral**	**Net exposure [c-d]**
	[a]	**[b]**	**[c]**	**[d]**		**[e]**
Derivative liabilities	**₱70,313,430**	**₱69,421,899**	**₱891,531**	**₱49,120**	**₱–**	**₱842,411**
Securities sold under agreements to repurchase (Notes 9 and 19)*	**38,494,178**	**–**	**38,494,178**	**–**	**38,336,528**	**157,650**
Total	**₱108,807,608**	**₱69,421,899**	**₱39,385,709**	**₱49,120**	**₱38,336,528**	**₱1,000,061**

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

2020

Financial liabilites 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: Financial instruments	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria: Fair value of financial collateral	Net exposure [c-d]
	[a]	[b]	[c]	[d]		[e]
Derivative liabilities	₱65,641,080	₱64,939,841	₱701,239	₱85,540	₱–	₱615,699
Securities sold under agreements to repurchase (Notes 9 and 19)*	69,906,979	–	69,906,979	–	72,585,497	–
Total	₱135,548,059	₱64,939,841	₱70,608,218	₱85,540	₱72,585,497	₱615,699

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

Parent Company

2021

Financial assets recognized at end of reporting period by type	**Gross carrying amounts (before offsetting)**	**Gross amounts offset in accordance with the offsetting criteria**	**Net amount presented in statements of financial position [a-b]**	**Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria: Financial instruments**	**Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria: Fair value of financial collateral**	**Net exposure [c-d]**
	[a]	**[b]**	**[c]**	**[d]**		**[e]**
Derivative assets	**₱88,926,835**	**₱87,564,794**	**₱1,362,041**	**₱55,079**	**₱–**	**₱1,306,962**
Securities held under agreements to resell (Notes 8 and 19)	**15,800,317**	**–**	**15,800,317**	**–**	**16,084,357**	**–**
Total	**₱104,727,152**	**₱87,564,794**	**₱17,162,358**	**₱55,079**	**₱16,084,357**	**₱1,306,962**

2020

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: Financial instruments	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria: Fair value of financial collateral	Net exposure [c-d]
	[a]	[b]	[c]	[d]		[e]
Derivative assets	₱58,312,623	₱57,947,065	₱365,558	₱59,136	₱–	₱306,422
Securities held under agreements to resell (Notes 8 and 19)	15,819,273	–	15,819,273	–	16,499,434	–
Total	₱74,131,896	₱57,947,065	₱16,184,831	₱59,136	₱16,499,434	₱306,422

2021

Financial liabilities recognized at end of reporting period by type	**Gross carrying amounts (before offsetting)**	**Gross amounts offset in accordance with the offsetting criteria**	**Net amount presented in statements of financial position [a-b]**	**Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria: Financial instruments**	**Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria: Fair value of financial collateral**	**Net exposure [c-d]**
	[a]	**[b]**	**[c]**	**[d]**		**[e]**
Derivative liabilities	**₱70,313,245**	**₱69,421,899**	**₱891,346**	**₱135,912**	**₱–**	**₱755,434**
Securities sold under agreements to repurchase (Notes 9 and 19)*	**38,494,178**	**–**	**38,494,178**	**–**	**38,336,528**	**157,650**
Total	**₱108,807,423**	**₱69,421,899**	**₱39,385,524**	**₱135,912**	**₱38,336,528**	**₱913,084**

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

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: Financial instruments	Fair value of financial collateral	Net exposure [c-d]
2020						
	[a]	[b]	[c]	[d]		[e]
Derivative liabilities	₱65,640,643	₱64,939,841	₱700,802	₱85,977	₱	₱614,825
Securities sold under agreements to repurchase (Notes 9 and 19)*	69,906,979	–	69,906,979	–	72,585,497	–
Total	₱135,547,622	₱64,939,841	₱70,607,781	₱85,977	₱72,585,497	₱614,825

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

The amounts disclosed in column (d) include those rights to set-off amounts that are only enforceable and exercisable in the event of default, insolvency or bankruptcy. This includes amounts related to financial collateral both received and pledged, whether cash or non-cash collateral, excluding the extent of over-collateralization.

36. Assets and Liabilities of Disposal Group Classified as Held for Sale and Discontinued Operations

As discussed in Note 12, on various dates in 2020, the respective BODs of the Parent Company and PNB Holdings approved the sale of all their holdings in PNB Gen for cash. As a result, the Group reclassified all the assets and liabilities of PNB Gen to ‘Assets of disposal group classified as held for sale’ and ‘Liabilities of disposal group classified as held for sale’, respectively, in the consolidated statement of financial position as of December 31, 2020. The business of PNB Gen represented the entirety of the Group’s non-life insurance business.

Further, as discussed in Note 12, the Group assessed that it no longer exercises control over PNB Holdings. Accordingly, the Group classified the results of PNB Holdings as discontinued operations.

The results of PNB Gen and PNB Holdings were previously presented in the ‘Others’ section of the business segment disclosure. With PNB Holdings being classified as discontinued operations in 2021, the comparative consolidated statements of income, comprehensive income and cash flows in 2020 and 2019 have been re-presented to show the discontinued operations separately from the continuing operations.

The results of operation of PNB Gen are presented below:

	2021	2020	2019
Interest Income on			
Loans and receivables	**₱35**	₱202	₱275
Investment securities at amortized cost and FVOCI (Note 9)	**19,830**	81,734	67,708
Deposits with banks and others	**34**	5,087	17,453
	19,899	87,023	85,436
Interest Expense on			
Lease liabilities (Note 19)	**530**	2,698	128
Net Interest Income	**19,369**	84,325	85,308

(Forward)

	2021	2020	2019
Net Service Fees and Commission Income (Note 26)	**₱110**	₱19,718	₱7,460
Insurance premium	**202,543**	955,640	1,151,704
Insurance benefits and claims	**143,605**	716,820	909,974
Net Insurance Premium	**58,938**	238,820	241,730
Other Income			
Foreign exchange gains (losses) - net	**1,804**	(2,878)	15
Trading and investment securities gains - net (Note 9)	**–**	9,123	94
Total Operating Income	**80,221**	349,108	334,607
Operating Expenses			
Compensation and fringe benefits	**37,040**	152,265	133,896
Depreciation and amortization (Note 11)	**6,592**	28,862	8,901
Provision for (reversal of) credit losses (Note 16)	**1,174**	29,781	(324)
Occupancy and equipment-related costs	**903**	1,910	17,074
Taxes and licenses	**290**	4,750	4,878
Miscellaneous (Note 27)	**8,832**	43,539	49,910
Total Operating Expenses	**54,831**	261,107	214,335
Income Before Income Tax	**25,390**	88,001	120,272
Provision for Income Tax (Note 30)	**4,774**	20,418	18,679
Net Income from Discontinued Operations	**₱20,616**	₱67,583	₱101,593

Net Insurance Premium

This account consists of:

	2021	2020	2019
Net insurance premiums			
Gross earned premium	**₱385,904**	₱2,385,857	₱2,764,108
Reinsurer's share of gross earned premiums	**(183,361)**	(1,430,217)	(1,612,404)
	202,543	955,640	1,151,704
Less net insurance benefits and claims			
Gross insurance contract benefits and claims paid	**207,003**	2,241,488	1,598,129
Reinsurer's share of gross insurance contract benefits and claims paid	**(130,493)**	(1,983,736)	(1,262,884)
Gross change in insurance contract liabilities	**48,017**	1,410,172	(65,571)
Reinsurer's share of change in insurance contract liabilities	**19,078**	(951,104)	640,300
	143,605	716,820	909,974
	₱58,938	₱238,820	₱241,730

The major classes of assets and liabilities of PNB Gen classified as disposal group as of December 31, 2020 follow:

Assets	
Due from other banks	₱164,894
Financial assets at FVTPL	1,387
Financial assets at FVOCI	1,183,355
Investment securities at amortized cost	788,430
Loans and other receivables - net	4,232,047
Deferred reinsurance premium	901,623
Property and equipment - net	48,436

(Forward)

Assets	
Deferred tax assets	₱36,475
Intangible assets - net	5,134
Other assets	584,164
	₱7,945,945
Liabilities	
Accrued taxes, interest and other expenses	₱269,100
Insurance contract liabilities	4,360,733
Reserved for unearned reinsurance premium	1,196,273
Accounts payable	142,513
Other liabilities	385,345
	₱6,353,964
Net assets of disposal group held for sale	₱1,591,981
Amounts included in accumulated OCI:	
Remeasurement gain on retirement plan	₱59,407
Net unrealized gain on financial assets at FVOCI	29,209
	₱88,616

Net cash flows of PNB Gen follow:

	2021	2020	2019
Net cash flows from operating activities	**(₱36,288)**	(₱27,016)	(₱298,984)
Net cash flows from investing activities	**18,740**	(242,063)	(8,619)
Net cash flows from financing activities	**(1,912)**	(22,648)	292,789
	(₱19,460)	(₱291,727)	(₱14,814)

The results of operation of PNB Holdings are presented below:

	2021	2020	2019
Interest Income on			
Investment securities at amortized cost and FVOCI (Note 9)	**₱–**	₱500	₱500
Deposits with banks and others	**1,143**	5	2
	1,143	505	502
Interest Expense on			
Lease liabilities (Note 19)	**2,998**	202	–
Net Interest Income (Expense)	**(1,855)**	303	502
Net Service Fees and Commission Expense	**(45,849)**	(60)	(60)

(Forward)

	2021	2020	2019
Other Income			
Trading and investment securities gains - net (Note 9)	**₱–**	₱50	₱33
Miscellaneous income (Note 27)	**486,957**	243,860	186
Total Operating Income	**439,253**	244,153	661
Operating Expenses			
Taxes and licenses	**646,070**	30,241	311
Occupancy and equipment-related costs	**191,781**	380	405
Provision for credit losses (Note 16)	**86,967**	–	–

(Forward)

	2021	2020	2019
Depreciation and amortization (Note 11)	**₱42,450**	₱711	₱711
Compensation and fringe benefits	**976**	100	–
Miscellaneous (Note 27)	**123,162**	1,471	1,239
Total Operating Expenses	**1,091,406**	32,903	2,666
Income (Loss) Before Income Tax	**(652,153)**	211,250	(2,005)
Provision for Income Tax (Note 30)	**103,828**	68,164	100
Net Income (Loss) from Discontinued Operations	**(₱755,981)**	₱143,086	(₱2,105)

Net cash flows of PNB Holdings follow:

	2021	2020	2019
Net cash flows from operating activities	**₱790,488**	(₱2,151)	(₱1,737)
Net cash flows from investing activities	–	524,081	1,102
Net cash flows from financing activities	**(567,887)**	48	–
	₱222,601	₱521,978	(₱635)

37. Events After the Reporting Date

On January 31, 2022, AIHI paid ₱717.4 million to the Parent Company as full settlement of the net asset integration.

On February 10, 2022, the SEC approved the Amended Articles of Incorporation and By-Laws and decrease in authorized capital stock of AIHI from ₱15.0 billion divided into 149,975,000 common shares of the par value of ₱100 each and 25,000 preferred shares of the par value of ₱100 each to ₱3.0 billion divided into 30,000,000 common shares of the par value ₱100 each.

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.

38. Notes to Statements of Cash Flows

Cash Flows from Financing Activities

The changes in liabilities arising from financing activities in 2021 and 2020 follow:

	Consolidated			
	2021			
	Beginning balance	**Net cash flows**	**Others**	**Ending balance**
Bills and acceptances payable	**₱87,159,450**	**(₱36,426,226)**	**₱2,220,573**	**₱52,953,797**
Bonds payable	**64,056,335**	**(13,870,000)**	**3,197,086**	**53,383,421**
Lease liabilities	**1,366,016**	**(1,231,287)**	**3,630,662**	**3,765,391**
	₱152,581,801	**(₱51,527,513)**	**₱9,048,321**	**₱110,102,609**

	Consolidated			
	2020			
	Beginning balance	Net cash flows	Others	Ending balance
Bills and acceptances payable	₱55,963,290	₱32,255,780	(₱1,059,620)	₱87,159,450
Bonds payable	66,615,078	−	(2,558,743)	64,056,335
Lease liabilities	1,806,409	(664,156)	223,763	1,366,016
	₱124,384,777	₱31,591,624	(3,394,600)	₱152,581,801

	Parent Company			
	2021			
	Beginning balance	**Net cash flows**	**Others**	**Ending balance**
Bills and acceptances payable	**₱84,817,360**	**(₱35,919,013)**	**₱2,214,671**	**₱51,113,018**
Bonds payable	**64,056,335**	**(13,870,000)**	**3,197,086**	**53,383,421**
Lease liabilities	**1,370,206**	**(1,213,912)**	**3,542,116**	**3,698,410**
	₱150,243,901	**(₱51,002,925)**	**₱8,953,873**	**₱108,194,849**

	Parent Company			
	2020			
	Beginning balance	Net cash flows	Others	Ending balance
Bills and acceptances payable	₱48,424,017	₱37,452,722	(₱1,059,379)	₱84,817,360
Bonds payable	66,615,078	−	(2,558,743)	64,056,335
Lease liabilities	1,633,083	(649,402)	386,525	1,370,206
	₱116,672,178	₱36,803,320	(₱3,231,597)	₱150,243,901

Others include the effects of foreign exchange revaluations, amortization of transaction costs, accretion of interest, and effect of loss of control of a subsidiary.

Non-cash Transactions

The following are non-cash transactions of the Group and the Parent Company in 2021 and 2020 relating to their long-term leases:

	Consolidated		**Parent Company**	
	2021	2020	**2021**	2020
Additions to right-of-use assets (Note 11)	**₱3,352,354**	₱122,420	**₱3,350,486**	₱122,420
Additional lease liabilities (Note 29)	**3,377,981**	104,330	**3,298,634**	127,578

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 (Note 12).

On December 17, 2021, the BOD of PNB Capital approved the declaration of cash dividends amounting to ₱300.0 million, payable to all stockholders on or before April 30, 2022 (Note 12). As of December 31, 2021, the Parent Company is yet to receive such cash dividends from PNB Capital.

The Group acquired investment properties through foreclosure and rescission amounting to ₱524.7 million, ₱86.7 million, and ₱967.6 million in 2021, 2020 and 2019, respectively. The Parent Company acquired investment properties acquired through foreclosure and rescission amounted to ₱334.4 million, ₱78.0 million and ₱885.7 million in 2021, 2020 and 2019, respectively (Note 13).

The Group applied creditable withholding taxes against its income tax payable amounting to ₱1.6 billion, ₱2.8 billion and ₱1.3 billion in 2021, 2020 and 2019, respectively. The Parent Company applied creditable withholding taxes against its income tax payable amounting to ₱1.6 billion, ₱2.7 billion and ₱1.3 billion in 2021, 2020, and 2019, respectively.

39. Approval of the Release of the Financial Statements

The accompanying financial statements of the Group and of the Parent Company were authorized for issue by the Parent Company's BOD on March 14, 2022.

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.

The Parent Company paid or accrued the following types of taxes for the tax period January to December 2021 (in absolute amounts):

1. Taxes and licenses

	Amount
Gross receipts tax	₱1,800,253,082
Documentary stamp taxes	3,400,000,000
Real estate tax	44,987,878
Local taxes	167,978,873
Others	37,050,425
	₱5,450,270,258

2. Withholding taxes

	Remitted	Outstanding
Withholding taxes on compensation and benefits	₱907,353,622	₱169,339,256
Final income taxes withheld on interest on deposits and yield on deposit substitutes	673,101,212	83,532,435
Expanded withholding taxes	187,940,010	39,234,539
Withholding taxes on the amount withdrawn from the decedent's deposit dccount	26,100,231	3,629,009
VAT withholding taxes	10,707,701	1,373,047
Other final taxes	102,222,574	413,010,745
	₱1,907,425,350	₱710,119,031

Tax Cases and Assessments

As of December 31, 2021 and 2020, the Parent Company has no final tax assessment but has outstanding cases filed in courts for various claims for tax refund. Management is of the opinion that the ultimate outcome of these cases will not have a material impact on the financial statements of the Parent Company.

41. Report on the Supplementary Information Required Under BSP Circular No. 1074

Basic Quantitative Indicators of Financial Performance

The following basic ratios measure the financial performance of the Group and the Parent Company:

	Consolidated			Parent Company		
	2021	2020	2019	**2021**	2020	2019
Return on average equity (a/b)	**19.98%**	1.69%	6.89%	**20.08%**	1.94%	6.97%
a) Net income	**₱31,690,038**	₱2,625,488	₱9,761,206	**₱31,283,762**	₱2,959,932	₱9,681,476
b) Average total equity	**158,602,982**	155,479,204	141,767,206	**155,768,842**	152,657,314	138,860,047
Return on average assets (c/d)	**2.62%**	0.22%	0.92%	**2.60%**	0.26%	0.98%
c) Net income	**₱31,690,038**	₱2,625,488	₱9,761,206	**₱31,283,762**	₱ 2,959,932	₱9,681,476
d) Average total assets	**1,210,959,231**	1,186,712,205	1,062,969,399	**1,204,106,165**	1,144,703,450	990,502,904
Net interest margin on average earning assets (e/f)	**3.24%**	3.31%	3.31%	**3.22%**	3.37%	3.29%
e) Net interest income	**₱34,844,827**	₱35,820,766	₱32,443,573	**₱34,003,443**	₱34,649,027	₱29,446,638
f) Average interest earning assets	**1,076,767,394**	1,081,770,414	979,672,558	**1,054,642,739**	1,028,955,579	893,991,058

Note: Average balances are the sum of beginning and ending balances of the respective statement of financial position accounts divided by two (2)

Description of Capital Instruments Issued

As of December 31, 2021 and 2020, the Parent Company has only one class of capital stock, which are common shares.

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			
	2021		2020		**2021**		2020	
	Carrying Amount	**%**	Carrying Amount	%	**Carrying Amount**	**%**	Carrying Amount	%
Primary target industry:								
Financial intermediaries	**₱127,322,501**	**20.22**	₱87,326,717	14.21	**₱128,833,193**	**20.95**	₱89,172,974	14.86
Wholesale and retail	**89,964,601**	**14.29**	81,092,791	13.19	**85,521,203**	**13.91**	80,881,369	13.47
Electricity, gas and water	**72,603,754**	**11.53**	67,426,509	10.97	**72,543,926**	**11.80**	67,378,423	11.22
Transport, storage and communication	**50,593,556**	**8.04**	56,286,930	9.16	**57,003,954**	**9.27**	54,935,380	9.15
Manufacturing	**57,374,303**	**9.12**	46,334,941	7.54	**46,719,362**	**7.60**	45,428,186	7.57
Agriculture, hunting and forestry	**10,984,068**	**1.75**	8,454,141	1.38	**8,472,952**	**1.38**	8,416,224	1.40
Public administration and defense	**8,668,925**	**1.38**	10,957,664	1.78	**10,984,068**	**1.79**	10,957,664	1.83
Secondary target industry:								
Real estate, renting and business activities	**98,619,763**	**15.67**	85,855,979	13.97	**95,143,733**	**15.47**	85,168,995	14.19
Construction	**30,123,753**	**4.79**	35,794,281	5.82	**29,341,619**	**4.77**	34,852,145	5.81
Others	**83,171,564**	**13.21**	135,066,238	21.98	**80,345,800**	**13.07**	123,061,821	20.50
	₱629,426,788	**100.00**	₱614,596,191	100.00	**₱614,909,810**	**100.00**	₱600,253,181	100.00

Breakdown of Total Loans 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			
	2021		2020		**2021**		2020	
	Carrying Amount	**%**	Carrying Amount	%	**Carrying Amount**	**%**	Carrying Amount	%
Secured:								
Real estate mortgage	**₱65,400,278**	**10.40**	₱72,167,070	11.74	**₱55,459,239**	**9.03**	₱62,586,685	10.43
Chattel mortgage	**23,572,533**	**3.75**	26,396,722	4.30	**22,348,756**	**3.63**	26,148,386	4.35
Bank deposit hold-out	**4,375,531**	**0.70**	4,937,167	0.80	**4,137,837**	**0.67**	4,271,930	0.71
Others	**20,528,460**	**3.26**	7,887,301	1.28	**17,144,181**	**2.79**	7,201,434	1.20
	113,876,802	**18.09**	111,388,260	18.12	**99,090,013**	**16.11**	100,208,435	16.69
Unsecured	**515,549,986**	**81.91**	503,207,931	81.88	**515,819,797**	**83.89**	500,044,746	83.31
	₱629,426,788	**100.00**	₱614,596,191	100.00	**₱614,909,810**	**100.00**	₱600,253,181	100.00

Breakdown of Total Loans 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			
	2021		2020	
	Performing	**NPL**	Performing	NPL
Corporate	**₱497,743,877**	**₱46,315,906**	₱472,989,149	₱45,775,849
Commercial	**10,464,612**	**3,869,552**	12,745,770	3,973,178
Credit cards	**10,721,147**	**2,435,798**	9,342,221	3,188,348
Consumer	**42,329,698**	**15,546,198**	51,083,481	15,498,195
	₱561,259,334	**₱68,167,454**	₱546,160,621	₱68,435,570

	Parent Company			
	2021		2020	
	Performing	**NPL**	Performing	NPL
Corporate	**₱491,798,885**	**₱45,983,507**	₱464,804,820	₱45,542,903
Commercial	**9,398,044**	**2,006,364**	11,418,775	1,861,659
Credit cards	**10,721,147**	**2,435,798**	9,342,221	3,188,348
Consumer	**37,088,108**	**15,477,957**	48,643,294	15,451,161
	₱549,006,184	**₱65,903,626**	₱534,209,110	₱66,044,071

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.

As of December 31, 2021, gross and net NPL ratios of the Group and the Parent Company as reported to BSP (with certain adjustments) were 10.07% and 5.27%, and 9.97% and 5.21%, respectively. As of December 31, 2020, gross and net NPL ratios of the Group and the Parent Company as reported to BSP (with certain adjustments) were 10.20% and 6.99%, and 10.09% and 6.93%, respectively.

As discussed in Note 26, the Parent Company sold in September 2021 certain NPLs with gross carrying amounts, including accrued interest, of ₱5.5 billion, with allowance for credit losses of ₱2.5 billion.

Information on Related Party Loans

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

In the aggregate, DOSRI loans generally should not exceed the Parent Company's equity or 15.00% of the Parent Company's total loan portfolio, whichever is lower. As of December 31, 2021 and 2020, the Parent Company is in compliance with such regulations.

The information relating to the DOSRI loans of the Group and Parent Company follows:

	2021		2020	
	DOSRI loans	**Related party loans (inclusive of DOSRI loans)**	DOSRI loans	Related party loans (inclusive of DOSRI loans)
Total outstanding loans	**₱4,606,070**	**₱59,914,803**	₱4,689,334	₱52,403,520
Percent of DOSRI/related party loans to total loan portfolio	**0.70%**	**9.08%**	0.92%	8.01%
Percent of unsecured DOSRI/related party loans to total DOSRI/related party loans	**0.03%**	**64.94%**	0.01%	68.71%
Percent of past due DOSRI/related party loans to total DOSRI/related party loans	**–**	**10.17%**	–	–
Percent of non-performing DOSRI/related party loans to total DOSRI/related party loans	**–**	**44.00%**	0.01%	31.62%

In accordance with existing BSP regulations, the reported DOSRI performing loans exclude loans extended to certain borrowers before these borrowers became DOSRI.

Under BSP regulations, total outstanding exposures to each of the Parent Company's subsidiaries and affiliates shall not exceed 10.00% of the Group's net worth, the unsecured portion of which shall not exceed 5.00% of such net worth. Further, the total outstanding exposures to subsidiaries and affiliates shall not exceed 20.00% of the net worth of the Parent Company.

Aggregate Amount of Secured Liabilities and Assets Pledged as Security

As of December 31, 2021 and 2020, 'Bills payable' amounting to ₱38.5 billion and ₱69.9 billion in Note 19, respectively, are secured by a pledge of certain 'Financial assets at FVOCI' amounting to ₱32.8 billion and ₱44.6 billion respectively, and 'Investment securities at amortized cost' amounting to ₱5.3 billion and ₱26.1 billion, respectively.

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	
	2021	2020	**2021**	2020
Derivative forwards	**₱158,060,387**	₱96,670,883	**₱153,621,017**	₱91,865,805
Trust department accounts	**143,335,871**	154,372,490	**143,335,871**	154,372,490
Unutilized credit card lines	**41,690,462**	37,729,069	**41,690,462**	37,729,069
Standby letters of credit	**37,361,325**	38,275,186	**37,198,406**	38,078,859
Deficiency claims receivable	**22,862,480**	22,434,712	**22,862,480**	22,434,712
Derivative spots	**19,204,658**	28,346,514	**19,204,658**	28,346,514
Inward bills for collection	**2,591,812**	574,862	**2,589,780**	574,862
Items held as collateral	**248,046**	354,917	**248,025**	354,897
Unused commercial letters of credit	**219,246**	35,462	**219,246**	35,462
Outward bills for collection	**182,354**	154,661	**78,770**	108,965
Confirmed export letters of credit	**86,188**	1,201	**86,188**	1,201
Shipping guarantees issued	**20,822**	12,691	**18,861**	10,833
Other contingent accounts	**14,440**	23,691	**7,185**	8,332
Interest rate swaps	**–**	15,938,316	**–**	15,938,316

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**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 Subsidiaries (the Group) as at December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021, included in this Form 17-A and have issued our report thereon dated March 14, 2022. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and 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 financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic 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 financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Vicky Lee Salas

Vicky Lee Salas
Partner
CPA Certificate No. 86838
Tax Identification No. 129-434-735
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 86838-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-053-2020, November 27, 2020, valid until November 26, 2023
PTR No. 8854312, January 3, 2022, Makati City

March 14, 2022

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
INDEX TO THE FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHDEULES
DECEMBER 31, 2021

PART I
Schedule A

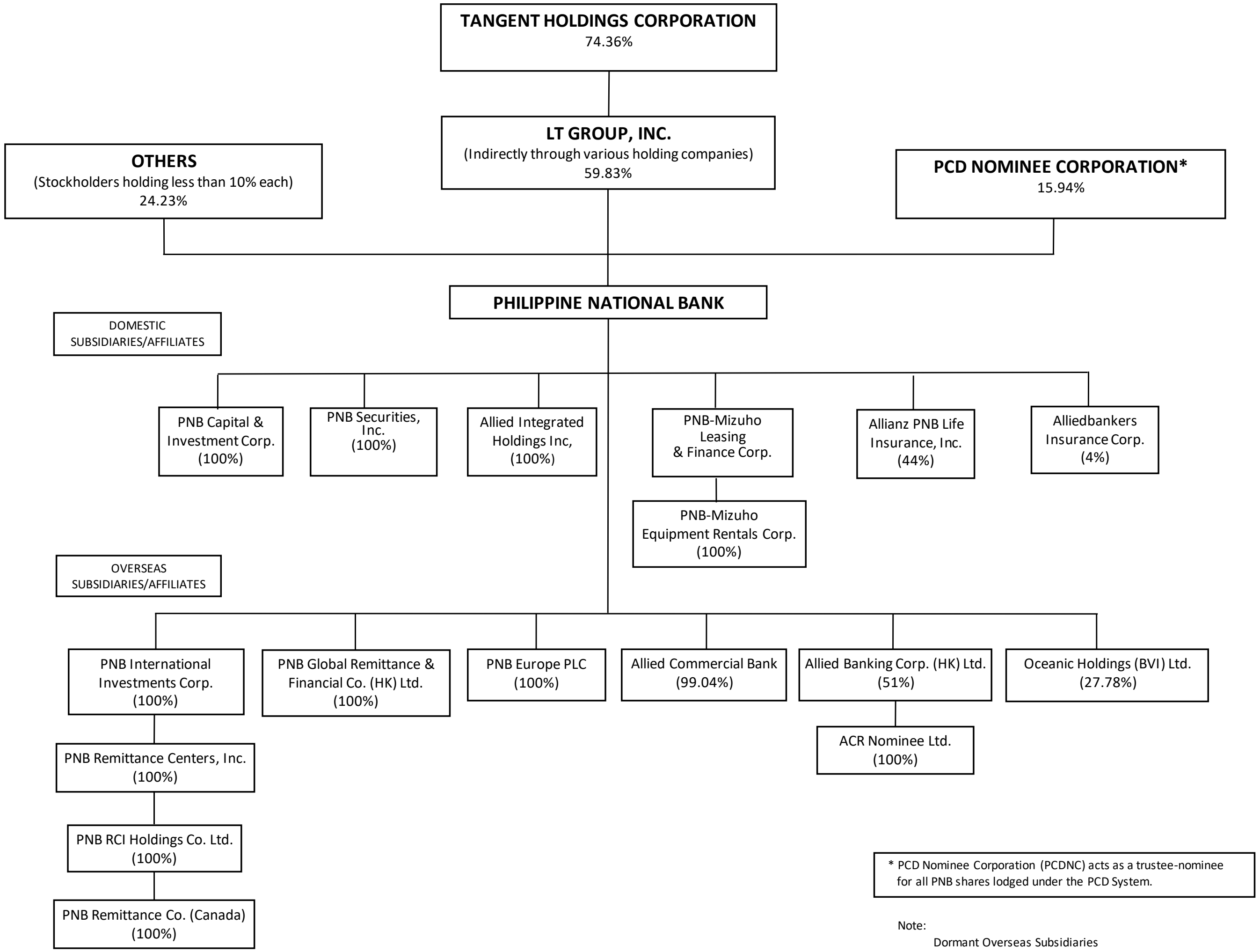
PHILIPPINE NATIONAL BANK (PARENT COMPANY)
AVAILABLE FOR DIVIDEND DECLARATION
December 31, 2021
(In thousands)

Retained Earnings, January 1, 2021, as unadjusted		**₱54,843,588**
Adjustments *(see adjustments in previous years reconciliation)*		
Appraisal increment closed to capital on quasi-reorganization	(7,691,808)	
Translation adjustment applied to deficit on quasi-reorganization	(1,315,685)	
Accumulated equity in net earnings applied to deficit on quasi-reorganization	(563,048)	
Deferred tax assets	(12,048,657)	
Fair value adjustment on foreclosed properties - net gain	(2,982,757)	
Equity in net income of subsidiaries/associate	(2,632,543)	
Gain on remeasurement from investment in associate	(1,644,339)	
Unrealized foreign exchange gain	(323,445)	
Unrealized gain on fair value through profit or loss	(859)	
		(29,203,141)
Retained Earnings, as adjusted, beginning		**25,640,447**
Net Income per audited financial statements	**31,283,762**	
Less: Non-actual/unrealized income/expenses		
Gain on loss of control of a subsidiary	(17,051,702)	
Gain on remeasurement of retained interest	(16,383,008)	
Provision for deferred income tax	4,039,890	
Unrealized foreign exchange gains-net	(1,038,389)	
Gain on foreclosure on investment properties for the period	(689,415)	
Equity in net income of subsidiaries/associate	(282,739)	
Unrealized gains on fair value through profit or loss	(9,265)	
Sub-total	**(31,414,628)**	
Net loss actually incurred during the year		**(130,866)**
Less: Appropriation to surplus reserves		**(115,343)**
Declaration of property dividends		**(23,935,371)**
Total Retained Earnings, End Available for Dividend, December 31, 2021		**₱1,458,867**

Schedule B

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP
December 31, 2021

Conglomerate Map/ Organizational Structure



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

Note:
Dormant Overseas Subsidiaries
1. PNB Corp. Guam

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2021

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
Government securities				
Fixed Rate Treasury Notes	–	₱354,824	₱347,714	₱305,028
Republic of the Philippines (ROP) Bonds	–	1,213,970	1,248,319	22,339
Retail Treasury Bonds	–	1,174,922	1,193,972	133,664
Treasury Bills	–	5,224,542	5,166,008	–
	–	**7,968,258**	**7,956,013**	**461,031**
Private debt securities				
Ayala Land Inc	–	12,550	12,661	861
Del Monte	353,724	3,537	169,572	2,764
Petron	703,880	703,880	703,881	50,491
San Miguel Global Power Holdings Corp	–	280,950	293,496	22,702
SM Prime Holdings Inc.	–	501,950	512,615	24,431
Vista Land & Lifestyle	–	148,000	149,323	67,045
	1,057,604	**1,650,867**	**1,841,548**	**168,294**
Equity securities				
GT Capital Pref Series B	1,000	824	1,000	–
San Miguel Corp - Pref 2H	26,000	1,937	1,976	–
San Miguel Corp - Pref 2I	25,970	1,909	2,069	–
	52,970	**4,670**	**5,045**	**–**
Derivatives				
Allied Bank Hongkong	–	–	3,011	–
Asia United Bank	–	1,019,980	17,878	–
Australia and New Zealand Bank- Manila	–	1,274,977	2,206	–
Australia and New Zealand Bank- Melbourne	–	254,995	4,915	–
Banco de Oro Universal Bank	–	15,707,692	186,715	–
Bank of the Philippine Islands	–	4,589,910	45,433	–
Bangko Sentral ng Pilipinas	–	509,990	290	–
Bank of Commerce	–	815,984	650	–
China Banking Corporation	–	305,994	89	–
Chinatrust Commercial Bank (Philippines) Corp.	–	356,993	825	–
Citibank N.A. Manila Branch	–	101,998	38	–
Deutsche Bank AG London	–	3,059,940	56,331	–
Deutsche Bank AG Manila Branch	–	2,243,956	35,265	–
East West Banking Corporation	–	3,569,930	41,762	–
Goldman Sachs International	–	137,677	–	–
Hongkong and Shanghai Banking Corp Mla	–	2,804,945	30,080	–
Hongkong and Shanghai Banking Corp. HK	–	2,219,082	44,966	–
Internationale Nederlanden Bank Manila	–	713,986	15,292	–
JPMorgan Chase Bank Manila	–	18,566,096	338,684	–
JPMorgan Chase Bank Singapore	–	1,761,169	20,328	–
Land Bank of the Philippines	–	203,996	87	–
Metropolitan Bank & Trust Company	–	3,416,933	60,485	–
Philippine Bank of Communication	–	101,998	48	–
Philippine National Bank- Europe Plc	–	2,888	2	–

(Forward)

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	–	₱5,100	₱39	₱–
Republic of the Philippines	–	13,210	–	–
Rizal Commercial Banking Corporation	–	3,215,397	100,358	–
Security Bank Corporation	–	10,454,795	218,735	–
Standard Chartered Bank Manila	–	7,250,298	88,207	–
UBS AG Zurich	–	1,656,802	20,757	–
Union Bank of the Philippines	–	2,549,950	31,473	–
United Coconut Planters Bank	–	25,500	20	–
Wells Fargo Bank N.A.	–	15,104	16	–
Xchanged Inc.	–	12,750	66	–
	–	**88,940,015**	**1,365,051**	–
Total Financial Assets at Fair Value through Profit or Loss	**1,110,574**	**₱98,563,810**	**₱11,167,657**	**₱629,325**

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	–	₱38,208,000	₱38,194,821	₱317,104
China National Offshore Oil Corp. Ltd	–	1,291,856	1,310,779	14,432
Fixed Rate Treasury Notes	–	23,496,192	23,356,538	633,153
Kingdom of Saudi Arabia	–	1,376,973	1,478,374	15,730
Power Sector Asset Liabilities Management	–	1,172,977	1,381,661	1,517
Republic of Indonesia	–	901,372	925,047	8,854
Republic of the Philippines (ROP) Bonds	–	4,130,191	4,343,418	138,995
Retail Treasury Bonds	–	42,491,000	41,520,843	1,012,703
Small Business Loan Asset-backed Securities	–	152,742	5,807	–
Treasury Bills	–	6,652,870	6,650,954	273,336
Treasury Bills - Singapore	–	301,769	301,575	–
Treasury Gilts	–	159,179	294,542	–
US Government	–	254,995	253,111	1,519
US Treasury Notes	–	436,347	436,123	1,316
	–	**121,026,463**	**120,453,593**	**2,418,659**
Private debt securities				
Aboitiz Power Corporation	–	562,300	574,621	29,665
AC Energy Finance International Limited	–	2,700,397	2,748,740	141,004
Ayala Land Inc	–	563,590	590,995	40,243
Banco De Oro	–	560,734	572,072	24,994
Bank of the Philippine Island	–	150,447	156,392	1,256
Development Bank of the Philippines	–	–	–	5,341
Energy Development Corp	–	9,640	9,864	850
Export-Import Bank of Korea	–	560,989	577,330	2,617
Filinvest Land Inc	–	–	–	4,281
First Pacific Company Limited	–	501,932	528,533	4,991
First Pacific Company Resources	–	–	–	14,227
First Pacific Company Treasury Limited	–	–	–	588
Hutchison Whampoa Limited	–	1,216,836	1,265,434	3,577
International Container Terminal Services Inc.	–	4,431,405	4,752,549	136,141
Korea Development Bank	–	–	–	100
Megaworld Corporation	–	860,000	873,537	46,040
Metropolitan Bank & Trust Company	–	3,000,000	3,021,200	189,000
Petron Corporation	–	2,186,786	2,258,601	64,391
Rizal Commercial Banking Corporation	–	362,093	372,855	7,865
San Miguel Corporporation	–	2,644,850	2,598,018	82,472
Sinopec Corp	–	1,283,339	1,304,049	34,818
SM Investments Corporation	–	212,387	225,171	9,333
SM Prime Holdings	–	15,000	15,602	945
South Luzon Tollway Corporation	–	153,340	153,381	8,132
State Bank of India	–	433,492	433,994	12,148
STI Education	–	50,000	47,085	2,904
Union Bank	–	34,679	35,456	201
		22,494,236	**23,115,479**	**868,124**
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	–
Baguio City Country Club	1	60	4,051	–
Baguio Gold Mining (Now:PAL Holdings)	8,452,500	99	99	–
Bancnet, Inc.	49,999	5,000	5,000	–

(Forward)

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
BAP Credit Guaranty Corp.	29,800	₱2,980	₱1,138	₱–
Camp John Hay	1	650	250	–
Camp John Hay Golf Club	2	160	500	–
Capitol Hills Golf and Country Club, Inc.	10	29	400	–
Cebu Country Club, Inc.	1	29	8,000	–
Club Filipino	2	26	600	–
Eagle Ridge Golf & Country Club	30	3,450	4,500	–
Eastridge Golf Course & Village (A)	2	1,800	425	–
Evercrest Golf	2	1,000	1,000	–
Fairways & Bluewater Resort	294	359,695	49,200	–
Forest Hills Golf and Country Club	1	170	170	–
Heavenly Garden Dev't Corp.	5,000	500	500	–
Iloilo Golf & Country Club	1	88	14	–
Investment in Management Account	–	–	48,575	–
Lepanto Consolidated Mining Co."A"	4,973	1	1	
LGU Guarantee Corporation	100,000	10,000	2	–
Luisita Golf & Country Club	1	840	250	–
Makati Sports Club-A	1	30	750	–
Manila Electric Cooperative	8,884	89	1	–
Manila Golf & Country Club Inc-Corporate	2	412	166,000	–
Manila Polo Club	1	2,600	22,819	–
Manila Southwoods Golf & Country Club A	1	850	1,754	–
Manila Southwoods Golf & Country Club B	1	1,500	1,982	–
Mimosa Golf & Country Club	1	827	400	–
Mount Malarayat Golf & Country Club	15	35,380	4,500	
Mount Malarayat Golf Club-C	1	2,750	300	–
Mount Malarayat I	1	1,512	300	–
Negros Occidental Golf & Country Club	5	100	150	–
Orchard Golf & Country Club	2	3,250	1,400	–
PA Alvarez Perpetual Notes	1	386,250	406,151	–
PAL Holdings Inc.	4,494,947	49,944	27,194	–
Philex Mining	151	–	1	–
Philippine Central Depository Inc.	157,592	14,161	31,979	–
Philippine Clearing House Corporation	42,000	4,200	2,101	–
Philippine Columbian Association	1	8	40	–
Philippine Dealing System	73,000	7,300	14,813	–
Philippine Overseas Drilling & Oil Dev't	695,625	69	7	–
Philippine Racing Club	30,331,103	142,582	174,707	–
Philpppine Long Distance Company	2,801	44	1	–
PNB Holding Corporation	–	377,876	22,989,975	–
Primo Oleo Chemicals	6,638,151	66,382	66,382	–
Pueblo De Oro Golf Country Club	2	1,411	718	–
Puerto Azul Sports & Beach Club	2	170	600	–
Quezon City Sports Club	1	32	600	–
Riviera Golf & Country Club	2	2,627	533	–
Rural Bank of Ibajay	340	11	16	–
Santa Elena Golf & Country Club	3	3,952	18,000	–
Sierra Grande Country Club, Inc.	100	32	32	–
Subic Bay Yatch Club	58	93,000	14,500	–
Tagaytay Highlands	1	500	976	–
Tagaytay Midlands	1	500	950	–
Ternate Development Corporation	2	170	170	–
Valley Golf & Country Club	5	119	7,806	–
Victoria Golf & Country Club	1	110	120	–
Wack Wack Golf & Country Club	4	4,794	176,000	–
Wack Wack Golf & Country Club (PNB Savings)	2	48,137	136,000	–
	51,287,433	**1,662,858**	**24,418,218**	–
Total Financial Assets at Fair Value through Comprehensive Income	**51,287,433**	**₱145,183,557**	**₱167,987,290**	**₱3,286,783**

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
Government securiites				
Bangko Sentral ng Pilipinas	–	₱203,996	₱255,523	₱8,753
China National Offshore Oil Corp Limited	–	203,996	200,671	7,752
Federal Reserve	–	5,875	5,870	–
Fixed Rate Treasury Notes	–	10,553,409	11,107,779	593,605
Home Guaranty Corp	–	1,490	1,490	86
Landbank of the Phils	–	198,422	180,605	35,272
Power Sector Assets and Liabilities Management Corporation	–	625,248	743,470	18,229
Republic of Indonesia	–	8,246,186	8,281,153	256,493
Republic of the Philippines (ROP) Bonds	–	6,202,600	6,607,498	123,377
Retail Treasury Bonds	–	6,172,915	6,615,011	332,349
Treasury Bills		59,940	59,545	15,137
US Treasury Notes	–	127,498	127,949	1,176
	–	**32,601,575**	**34,186,564**	**1,392,229**
Private debt securities				
AC Energy Finance International Limited	–	611,988	612,578	82,548
Agricultural Bank of China LTD HK	–	10,199,800	10,178,852	53,036
AT&T Inc.	–	815,984	816,826	21,885
Ayala Land Inc	–	641,900	641,810	43,114
Banco de Oro	–	3,273,218	3,271,514	92,947
Bank of China	–	12,902,747	12,893,841	68,965
Bank of the Philippine Island	–	1,035,280	1,092,691	4,196
China Constuction Bank	–	1,529,970	1,528,636	21,647
Export- Import Bank of Korea	–	458,991	460,839	11,300
Filinvest Development Cayman Islands	–	1,784,965	1,776,992	72,910
Filinvest Land Inc	–	1,200,270	1,200,338	61,670
First Pacific Company Limited- Hongkong	–	–	–	103,344
First Pacific Company Limited- Tresury	–	451,341	449,250	20,439
Hutchison Whampao	–	1,029,160	1,029,573	24,526
ICICI Bank Limited	–	892,992	894,770	25,458
Industrial & Commercial Bank of China Limited Sydney	–	1,529,970	1,529,538	9,294
International Container Terminal Services Inc.	–	151,467	152,925	5,729
Jollibee Foods Corporation	–	5,038,701	5,022,627	189,847
Korea Development Bank	–	203,996	209,365	4,599
Rizal Commercial Banking Corp	–	1,654,306	1,656,803	62,158
Security Bank Corporation Comm	–	150,345	153,098	5,063
Sinopec Corp	–	1,480,501	1,507,523	18,879
SM Prime Holdings	–	300,000	299,994	15,505
Union Bank	–	2,883,483	2,890,756	83,452
Vista Land and Lifescapes	–	5,000,000	4,998,140	405,000
	–	**55,221,375**	**55,269,279**	**1,507,511**
Total Investment Securities at Amortized Cost	–	**₱87,822,950**	**₱89,455,843**	**₱2,899,740**

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
SCHEDULE B – AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2021

(In thousand pesos)

Name and Designation of Debtor	Balance at Beginning of Period (12/31/2020)	Net Releases	Net Collections and Other Movements	Amounts Writen-off	Balance at End of Period (12/31/2021)	Due Within One Year	Due Beyond One Year
Absolut Distillers, Inc.	₱400,000	₱280,000	(₱400,000)	₱–	₱280,000	₱280,000	₱–
Alcazar, Raul Cartel	–	937	(84)	–	853		853
Asia Brewery (Xiamen) Ltd.	418,944	104,029	5,175	–	528,148	–	528,148
BNP Paribas of Tokyo – PAL Deal	522,400	550,463	(522,411)	–	550,452	–	550,452
Build Erect Corporation	–	115,000	(100)	–	114,900	114,900	–
Coffee Table, Inc.	82,461	–	(82,461)	–	–	–	–
Dobles, Christian Jerome Ordonez	–	3,578	(339)	–	3,239	3,239	–
Eton Properties (Xiamen) Ltd.	499,408	–	15,682	–	515,090	–	515,090
Eton Properties Philippines, Inc.	3,187,900	–	(1,167,400)	–	2,020,500	–	2,020,500
Federal Land, Inc.	–	5,400,000	(400,000)	–	5,000,000	–	5,000,000
Foremost Farm	–	98,250	(3,500)	–	94,750	–	94,750
Full Circle Craft Distillers Co., Inc.	13,000	–	–	–	13,000	13,000	–
Golden Investment TMK	12,485,981	–	619,965	–	13,105,946	–	13,105,946
Lisbona, Manuel Antonio Grageda	–	4,346	(2,318)	–	2,028	2,028	–
Lufthansa Technick Philippines, Inc.	264,126	2,789	(66,561)	–	200,354	–	200,354
Macroasia Airport Services Corporation	296,604	1,709	(57,795)	–	240,518	–	240,518
Macroasia SATS Food Industries Corp.	650,000	100,000	(210,079)	–	539,921	50,000	489,921
Majent Management Development Corporation	409,367	6,500	(415,867)	–	–	–	–
Major Win Enterprises Limited	902,776	14,607	9,381	–	926,764	–	926,764
Maranaw Hotels and Resort Corporation	34,179	–	(12,429)	–	21,750	–	21,750
Menarco Development Corporation	1,604,965	–	(1,604,965)	–	–	–	–
Metro Pacific Investments Corporation	–	16,044,499	(80,749)	–	15,963,750	–	15,963,750
Pajun Aviation Leasing 1 Limited	4,339,734	–	(4,339,734)	–	–	–	–
Pajun Aviation Leasing 2 Limited	707,985	11,455	(719,440)	–	–	–	–
Philippine Airlines, Inc.	3,697,771	21,017,731	(18,913,039)	–	5,802,463	5,802,463	–
Phoenix Aviation Leasing Limited	4,933,630	79,825	225,914	–	5,239,369	–	5,239,369
Prima Aircraft Leasing Limited	1,426,133	23,074	65,303	–	1,514,510	–	1,514,510
Seventy 7 Seeds, Inc.	–	80,053	–	–	80,053	–	80,053
Summatrade International Corporation	–	728	(164)	–	564	–	564
Tan, Roberto Ong	–	6,300	(300)	–	6,000	6,000	–
Tanduary Distillers, Inc.	–	615,000	–	–	615,000	615,000	–

(Forward)

Name and Designation of Debtor	Balance at Beginning of Period (12/31/2020)	Net Releases	Net Collections and Other Movements	Amounts Writen-off	Balance at End of Period (12/31/2021)	Due Within One Year	Due Beyond One Year
Tangent Holdings Corporation	₱4,684,982	₱520,554	(₱1,214,625)	₱–	₱3,990,911	₱–	₱3,990,911
The Table Group, Inc.	210,500	75,000	(80,063)	–	205,437	125,000	80,437
Uy, Danilo Alvarez	–	4,000	–	–	4,000	4,000	–
Victorias Milling Company Inc.	24	707	(572)	–	159	159	–
Key Management Personnel	4,161	–	(669)	–	3,492	3,492	–
	₱41,777,031	**₱45,161,134**	**(₱29,354,244)**	**₱–**	**₱57,583,921**	**₱7,019,281**	**₱50,564,640**

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
SCHEDULE C – AMOUNTS RECEIVABLE FROM RELATED PARTIES
WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2021

(In thousand pesos)

Name and Designation of Debtor	Balance at Beginning of Period (12/31/2020)	Net Releases	Net Collections and Other Movements	Amounts Writen-off	Balance at End of Period (12/31/2021)	Due Within One Year	Due Beyond One Year
PNB Capital and Investment Corporation	₱200,000	₱–	(₱200,000)	₱–	₱–	₱–	₱–
PNB General Insurers Company, Inc.	4,559	2,685	(7,244)	–	–	–	–
PNB Global Remittance and Financial Company (HK) Limited	–	191,112	(93,028)		98,084	98,084	–
PNB Holdings Corporation	101,050	–	(101,050)	–	–	–	–
PNB-Mizuho Equipment Rentals Corporation	237,000	237,000	(237,000)	–	237,000	237,000	–
PNB-Mizuho Leasing and Finance Corporation	1,309,086	1,125,309	(1,298,226)	–	1,136,169	1,136,169	–
PNB Securities, Inc.	49,000	1,000	(50,000)	–	–	–	–
	₱1,900,695	**₱1,557,106**	**(₱1,986,548)**	**₱–**	**₱1,471,253**	**₱1,471,253**	**₱–**

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
SCHEDULE D – LONG TERM DEBT
DECEMBER 31, 2021

(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	₱4,600,000	₱–	₱4,578,946	4.38%	April 11, 2025
Issued February 27, 2019	8,220,000	–	8,187,523	5.75%	August 27, 2024
Issued October 26, 2017	6,350,000	–	6,339,910	3.88%	April 26, 2023
Issued April 27, 2017	3,765,000	3,761,261	–	3.75%	October 27, 2022
Issued December 6, 2016	5,380,000	5,377,750	–	3.25%	June 6, 2022
	28,315,000	9,139,011	19,106,379		
Bills Payable					
Various	45,843,901	42,670,458	3,173,443	Various	Various
Bonds Payable					
Fixed rate medium term senior notes					
Issued June 27, 2019	USD750,000	–	38,117,754	3.28%	September 27, 2024
Issued April 26, 2018	300,000	–	15,265,667	4.25%	April 27, 2023
	USD1,050,000	–	53,383,421		
		₱51,809,469	**₱75,663,243**		

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
SCHEDULE E – INDEBTEDNESS TO RELATED PARTIES
DECEMBER 31, 2021

Name of Related Parties	Balance at Beginning of Period	Balance at Ending of Period	Nature, Terms and Conditions

None to report

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
SCHEDULE F – GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2021

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

None to report

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PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
SCHEDULE G – CAPITAL STOCK
DECEMBER 31, 2021

(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, 2021 AND 2020

Ratios	Formula	2021	2020
Liquidity Ratios			
a. Current ratio	Current assets / Current liabilities	65.09%	69.19%
b. Liquid assets ratio	Liquid assets [1/] / Liquid liabilities [2/]	38.22%	40.67%
c. Net loans to total deposits	Net loans [3/] / Total deposits	66.33%	67.39%
Solvency Ratio			
a. Debt-to-equity ratio	Total liabilities / Total equity	6.39	6.89
Asset-to-Equity Ratio			
a. Asset-to-equity ratio	Total assets / Total equity	7.39	7.89
Interest Rate Coverage Ratio			
a. Times interest earned ratio	Earnings before interest and taxes / Interest expense	5.9x	1.1x
Profitability Ratios			
a. Return on assets	Net income / Average total assets [4/]	2.62%	0.22%
b. Return on equity	Net income / Average total equity [5/]	19.98%	1.69%
Capital Adequacy Ratios			
a. Tier 1 capital ratio	Tier 1 capital / Total risk-weighted assets	12.96%	14.47%
b. Capital adequacy ratio	Total qualifying capital / Total risk-weighted assets	13.66%	15.14%

Ratios	Formula	2021	2020
Other Ratios			
a. Net interest margin	Net interest income / Average interest-earning assets	3.24%	3.31%
b. Efficiency ratio	Total operating expenses (excluding provisions for impairment, credit andother losses / Total operating income (excluding gains on loss of control of a subsidiary and remeasurement of retained interest)	59.82%	61.27%
c. Loan coverage ratio	Total loan loss provisions [6/] / Total loans	6.39%	5.44%
d. Nonperforming loans coverage ratio	Total loan loss provisions [6/] / Total nonperforming loans	59.08%	48.95%

[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*

PNB
You first.

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **EDGAR A. CUA**, Filipino, of legal age and a resident of Unit 20 A Gilmore Townhomes, Gilmore Avenue near Santolan Road, Brgy. Valencia, Quezon City, 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:

Company/Organization	Position/Relationship	Period of Service
Allied Integrated Holdings, Inc. (formerly PNB Savings Bank)	Chairman/Independent Director	February 2021 **to** Present
PNB-Mizuho Leasing and Finance Corporation	Independent Director	April 2020 to Present
Allied Commercial Bank, Xiamen	Independent Director	June 2017 to Present
PNB Capital and Investment Corporation	Independent Director	June 2016 to Present
Davao Unicar Corporation	Director	August 1993 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 MAR 0 8 2022 in Quezon City.

EDGAR A. CUA
Independent Director

SUBSCRIBED AND SWORN to before me this MAR 0 8 2022 in PASAY CITY, affiant personally appeared before me and exhibited to me his TIN No. 162-181-045.

Doc. No. 112;
Page No. 24;
Book No. XII;
Series of 2022.

ATTY. MICHELLE A. PAHATI
NOTARY PUBLIC
ROLL NO. 45737
PASAY CITY, PHILIPPINES

ATTY. MICHELLE A. PAHATI
Notary Public for Pasay City
Commission No. 21-14; valid until 12-31-22
Roll No. 45737/Lifetime Member No. 013500
PTR No. 7306541 / 08 January 2021/ Pasay City
PNB Financial Center, Pres. Macapagal Blvd., Pasay City

PNB *You first.*

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **ISABELITA M. PAPA,** Filipino, of legal age and a resident of 608 Sto. Niño Street, Barangay Plainview, Mandaluyong City, 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:

COMPANY/ ORGANIZATION	POSITION/ RELATIONSHIP	PERIOD OF SERVICE
PNB-Mizuho Leasing and Finance Corporation	Independent Director	2022 to Present
PNB-Mizuho Equipment Rentals Corporation	Independent Director	2022 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 MAR 08 2022 in Mandaluyong City.

ISABELITA M. PAPA
Independent Director

SUBSCRIBED AND SWORN to before me on MAR 08 2022 at PASAY CITY, affiant personally appeared before me and exhibited to me her TIN 122-410-532.

Doc. No. 113;
Page No. 24;
Book No. XII;
Series of 2022.

ATTY. MICHELLE A. PAHATI
NOTARY PUBLIC
ROLL NO. 45737
PASAY CITY PHILIPPINES

ATTY. MICHELLE A. PAHATI
Notary Public for Pasay City
Commission No. 21-14; valid until 12-31-22
Roll No. 45737/Lifetime Member No. 013500
PTR No. 7369341/ 08 January 2021/ Pasay City
PNB Financial Center, Pres. Macapagal Blvd., Pasay City

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

PNB
You first.

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **FEDERICO C. PASCUAL**, Filipino, of legal age and a resident of 311 San Juanico St., Ayala Alabang Village, Muntinlupa City, 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 27, 2014;

2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
PNB Capital and Investment Corporation	Chairman/Independent Director	April 2021 to Present
PNB-Mizuho Leasing and Finance Corporation	Chairman/Independent Director	April 2021 to Present (Chairman) 2016 to Present (Independent Director
PNB-Mizuho Equipment Rentals Corporation	Chairman/Independent Director	April 2021 to Present (Chairman) April 2019 to Present (Independent Director)
Hermosa Golden Rainbow Corporation	Director	2020 to Present
Allianz PNB Life Insurance, Inc.	Independent Director	2016 to Present
SCTEX Development and Franchisers Corporation	Director	2016 to Present
Bataan Peninsula Educational Institution, Inc.	Chairman	January 2016 to Present
Sarco Land Resources Ventures Corporation	Director	November 2016 to Present
PNB International Investments Corporation	Independent Director	August 1, 2014 to Present
University of Nueva Caceres - Bataan	Partner	2013 to Present
Apo Reef World Resort	Director	2013 to Present
Tala Properties, Inc.	President/Director	1994 to Present
Woldingham Realty, Inc.	President/Director	1994 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 MAR 0 8 2022 in Muntinlupa City.

FEDERICO C. PASCUAL
Independent Director

SUBSCRIBED AND SWORN to before me this MAR 0 8 2022 in PASAY CITY, affiant personally appeared before me and exhibited to me his TIN 133-114-669.

Doc. No. 114;
Page No. 24;
Book No. XII;
Series of 2022.

ATTY. MICHELLE A. PAHATI
NOTARY PUBLIC
ROLL NO. 45737
PASAY CITY, PHILIPPINES

ATTY. MICHELLE A. PAHATI
Notary Public for Pasay City
Commission No. 21-14; valid until 12-31-22
Roll No. 45737/Lifetime Member No. 013500
PTR No. 7369341/ 08 January 2021/ Pasay City
NB Financial Center, Pres. Macapagal Blvd., Pasay City

PNB

You first.

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **WILFRIDO E. SANCHEZ**, Filipino, of legal age and a resident of 17 Ocampo Street, Corinthian Gardens, Quezon City, 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 April 27, 2021;

2. I am affiliated with the following companies or organizations:

COMPANY/ ORGANIZATION	POSITION/ RELATIONSHIP	PERIOD OF SERVICE
Quiason Makalintal Barot Torres Ibarra Sison & Damaso Law Firm	Tax Counsel	1993 to Present
Asiabest Group International Inc. (ABG)	Director	2018 to Present
Asia Brewery, Inc.	Independent Director	January 2017 to Present
Asian Institute of Management (AIM)	Trustee	2016 to Present
EEI Corporation	Director	2005 to Present
EMCOR, Inc.	Director	2007 to Present
Eton Properties Philippines, Inc.	Independent Director	2007 to Present
Gokongwei Brothers Foundation	Trustee	2019 to Present
House of Investments, Inc.	Director	2000 to Present
J-DEL Investments and Management Corp.	Director	2008 to Present
JVR Foundation, Inc.	Trustee	1996 to Present
Kawasaki Motor Corp.	Director	2004 to Present
KS Prime Financial Corp.	Director	2020 to Present
K-Servico, Inc.	Director	2007 to Present
LT Group, Inc.	Independent Director	July 31, 2012 to Present
Magellan Capital Holdings, Corp.	Director	1994 to Present
Tanduay Distillers, Inc.	Independent Director	January 2017 to Present
Trimotors Technology Corp.	Director	January 2020 to Present
Wodel, Inc.	Director	January 2014 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 MAR 08 2022 in Quezon City.

WILFRIDO E. SANCHEZ
Independent Director

SUBSCRIBED AND SWORN to before me on MAR 08 2022 at PASAY CITY, affiant personally appeared before me and exhibited to me his Passport No. P8033973B issued on October 29, 2021 to October 28, 2031 at DFA Manila, Philippines.

Doc. No. 117;
Page No. 25;
Book No. XII;
Series of 2022.

ATTY. MICHELLE A. PAHATI
NOTARY PUBLIC
ROLL NO. 45737
PASAY CITY, PHILIPPINES

ATTY. MICHELLE A. PAHATI
Notary Public for Pasay City
Commission No. 21-14; valid until 12-31-22
Roll No. 45737/Lifetime Member No. 013500
PTR No. 7369341/ 08 January 2021/ Pasay City
[illegible] Financial Center, Pres. Macapagal Blvd., Pasay City

PNB
You first.

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **DOMINGO H. YAP**, Filipino, of legal age and a resident of No. 10 Stella St., Bel-Air, Makati City, 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:

Company/Organization	Position/Relationship	Period of Service
Alliance Land Development Corporation	President/Part Owner	2014 to Present
Universal Paint & Coating Philippines, Inc.	President/Owner	2009 to Present
Colorado Chemicals Sales Corporation	President/Owner	1976 to Present
DHY Realty and Development Inc.	President/Owner	1976 to Present
H-Chem Industries, Inc.	President/Owner	1963 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 MAR 0 8 2022 in Makati City.

Domingo Yap

DOMINGO H. YAP
Independent Director

SUBSCRIBED AND SWORN to before me this MAR 0 8 2022 in PASAY CITY, affiant personally appeared before me and exhibited to me his TIN No. 100-208-374.

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Series of 2022.

ATTY. MICHELLE A. PAHATI
NOTARY PUBLIC
ROLL NO. 45737
PASAY CITY, PHILIPPINES

ATTY. MICHELLE A. PAHATI
Notary Public for Pasay City
Commission No. 21-14; Valid until 12-31-22
Roll No. 45737/Lifetime Member No. 013500
PTR No. 7369341/ 08 January 2021/ Pasay City
PNB Financial Center, Pres. Macapagal Blvd., Pasay City

PNB
you first.

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. Federico C. Pascual
- Mr. Leonilo G. Coronel
- Mr. Florido P. Casuela
- Mr. Edgar A. Cua
- Mr. Estelito P. Mendoza
- Ms. Isabelita M. Papa
- Ms. Sheila T. Pascual
- Mr. Wilfrido E. Sanchez
- Ms. Carmen K. Tan
- Mr. Lucio C. Tan
- Mr. Lucio C. Tan III
- Mr. Michael G. Tan
- Ms. Vivienne K. Tan
- Mr. Jose Arnulfo A. Veloso
- 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 MAR 11 2022 in Pasay City.

RUTH PAMELA E. TANGHAL
Corporate Secretary

SUBSCRIBED AND SWORN to before me this MAR 11 2022 in Pasay City, affiant exhibited to me her TIN No. 216-805-132.

ATTY. MICHELLE A. PAHATI
Notary Public for Pasay City
Commission No. 21-14; valid until 12-31-22
Roll No. 45737/Lifetime Member No. 013500
PTR No. 7369341/ 08 January 2021/ Pasay City
PNB Financial Center, Pres. Macapagal Blvd., Pasay City

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