



PNB

Philippine National Bank - Tokyo Branch

MITA KAWASAKI Bldg 2F, 2-11-15 Mita, Minato-ku, Tokyo 108-0073 Japan

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URL: <http://www.pnb.com.ph/japan>

To Our Valued Clients,

Interim Disclosure Report for the first half of 2024

This disclosure document is prepared in accordance with Article 21 of the Banking Act and Article 19-2 of the Ordinance for Enforcement of the Banking Act (Public Inspection of Written Explanation Concerning the Condition of Business and Assets) and it represents the operational and financial status of the Japan Branches as well as the entire bank.

Roderick T. Enriquez
Chief Representative and Managing Director
Philippine National Bank, Japan Branches

1. Branches

(1) Profile of Philippine National Bank, Branch Offices in Japan (“the Bank”)

A. Philippine National Bank Tokyo Branch

Roderick T. Enriquez, Chief Representative and Managing Director

Address: Mita Kawasaki Bldg. 2F, 2-11-15 Mita, Minato-ku, Tokyo

B. Philippine National Bank Nagoya Sub-Branch

Marco C. Macaraeg, Branch Manager

Address: Nishiki 324 Bldg. 7F 3-24-24 Nishiki, Naka-ku, Nagoya, Aichi

(2) Business Profile of Philippine National Bank in Japan

A. Management Policy

As stated in Appendix 1 “Branch Profile”, the Bank’s core business resides in providing to Filipino residents in Japan high quality remittance services bound for the Philippines. Without changing this basic policy, the Bank concentrates its available resources on the retail banking business and the Bank is making every effort to improve its service quality for clients and protect their interests.

Regarding remittance services to China which started in July 2009, the business performance used to show steady growth with technical interns and trainees from China, but the number of both remitter registration and actual number of remittances has been decreasing recently. Since China still occupies the biggest share of foreign residents (24.09% at December 2023; data from Immigration Services Agency), the bank will work on improving service quality with focus on user-friendliness for those clients and is looking to revive the transaction volumes.

As for other services, the Bank has achieved the successful record in the housing loan service with the strong demand for the real estate investment in the Philippines. To cope with this trend, the Bank has strengthened internal systems.

B. History

- 1) September 1992 Opening of Tokyo Representative Office
- 2) June 3, 1996 Opening of Tokyo Branch (approved on April 30, 1996)
- 3) May 19, 2003 Opening of Nagoya Sub-Branch
- 4) December 17, 2020 Foreign Bank Agency Services License
- 5) For other details, please refer to Appendix 1 “Profile of Branches” and Appendix 2, “Profile of Head Office”

C. Outline of Business

One of the Bank’s core business activities in Tokyo is overseas remittance services, especially for Filipino residents in Japan who are remitting money to the Philippines for family support. Recent statistics shows that there are about 320,000 Filipino residents in Japan, in which about 62,000 are under the visa status of specified skilled workers, technical interns and trainees. The bank also provides services such as deposits (in JPY and USD), assistance service for opening of Philippine-based accounts at domestic PNB branches and loans for purchasing real estate in the Philippines. Please refer to Appendix 1 “Business Outline” for further details.

Nagoya Sub-Branch offers remittance services and assistance services for opening of Philippine-based account at domestic Filipino branches only.

D. Business Results

1) Statement of Condition

As for the overseas remittance transactions in the first half of 2024, both number and volume are lower than the previous term. Total remittance items for the first half of 2024 is about 33,000, decreased by 13.93% from previous term. Total volume is JPY 6,135 million, decreased by 5.01% from previous term.

While overseas remittance business has been declining, the housing loan business has recorded a notable achievement in the first half of 2024.

The total number of new loan releases for the period was 17 (the same as the previous term), while the amount was 161 million yen, an increase of 3.53% from the previous term.

2) Balance Sheet/Profit and Loss Statement

In addition to Appendices 1 and 2, which are attached, please refer to “Balance Sheet” and “Profit and Loss Statement” (Appendices 3 and 4).

E. Others

1) Applicability of Deposit Insurance

Neither the deposit insurance system of Japan nor that of the Philippines is applicable to deposits placed with the Bank.

2) Designated Dispute Resolution Institution

Inquiries related to problems or complaints concerning the Bank are to be directed to the institution below:

Designated Dispute Resolution Institution under contract with the Bank is Japanese Bankers Association.

Contact Point: Japanese Bankers Association, Customer Relations Center
Phone Number: 0570-017-109 or 03-5252-3772

(3) Challenges and Issues to be addressed by in the Bank's Management

A. Risks, Internal Control & Compliance

Considering that one of the Bank's main business operations is overseas remittance services, the Bank is aware that the most important issues to be addressed pertain to operational risk and regulatory compliance, putting AML/CFT above other risks. For the Bank as the licensed Financial Institution, regulatory compliance holds particular significance in the conduct of the Bank's business, and the Bank believes that establishment of a robust corporate governance and an internal control system is one of the key action items to be achieved through sustained efforts and initiatives.

Moreover, the Bank has established internal policies, guidelines and regulations in accordance with the “Guidelines for Preventing Damage for Corporations from Anti-Social Forces (Kigyo ga Hanshakai-teki Seiryoku niyoru Higai wo Boshi surutamenno Shishin ni tsuite)” issued by Ministerial Committee for Crime Prevention (“Hanzai Taisaku Kakuryo Kaigi Kanjikai Moushiawase”) dated June 19, 2005 and Action Charter of Japanese Bankers Association with a view to exclusion of relationships with Anti-Social Forces (ASFs). In line with those standards, efforts are in progress to put adequate control in place to improve customer convenience and to strengthen customer protection including revision

of the Terms & Conditions for Deposit Account, etc. The Bank's basic policy concerning Elimination of Anti-Social Forces is posted on the website.

B. Personal Data Protection Act

The Act on the Protection of Personal Information was enacted in 2003 and has been fully implemented in 2005. Since then, it has been revised repeatedly. It was most recently revised in 2020 and came into effect in April 2022. In order to comply with newly amended regulations, the Bank is building an internal management system while reviewing related rules or guidelines within the Bank.

C. Act on Prevention of Transfer of Criminal Proceeds

The prevention of so-called money laundering, the laundering of funds obtained from crime, and the blocking of the supply of funds to support the activities of terrorist organizations are urgent issues for governments around the world. In order to cooperate with the international community, the Act on Prevention of Transfer of Criminal Proceeds (Criminal Proceeds Act) was enacted on March 31, 2007, in Japan. Since then, the law, subordinate laws and regulations, and various other regulations have been revised in response to changes in social conditions. The Bank is striving to establish a necessary system in a timely and effective manner.

2. Head Office

(1) History of Philippine National Bank (the "Bank")

The Bank was established on July 22, 1916, as a government-owned bank. After the Independence of the Philippines after the WWII and until a new and separate Central Bank of the Philippines was established in 1949, the Bank had a concurrent function as the central bank for the government. The current central bank of the country, Banko Sentral ng Pilipinas (BSP), was newly established in 1993 under the new Central Bank Act. After WWII, the Bank maintained its activities as a national bank in close collaboration with the government. Actions for privatization started in 1989 (sell-off of shares owned by Philippines Deposit Insurance Corporation in the market), and the Bank was fully privatized in July 2007, to date.

On April 30, 2008, the Bank announced a merger plan with Allied Banking Corporation (ABC) which was established in 1977. On February 9, 2013, the Bank and ABC consummated their merger under the name of Philippine National Bank. As a result, numbers of domestic and oversea branches are substantially increased. Please refer to Appendix 2. "Profile of Head Office" for more detailed information.

(2) Offices (including subsidiary's offices, as of June 30, 2024)

Domestic	631
Overseas	72

(3) Major shareholders

As of June 30, 2024, the number of shareholders is 36,019 and the total number of shares issued and outstanding is 1,525,764,850. Of those, the top ten major shareholders are:

	Name	No. of Shares	Percentage
1)	PCD Nominee Corp. (Filipino)	201,160,896	13.18%
2)	Key Landmark Investments, Ltd.	133,277,924	8.74%
3)	True Success Profits Ltd.	82,017,184	5.38%
4)	Caravan Holdings Corporation	82,017,184	5.38%
5)	Solar Holdings Corporation	82,017,184	5.38%
6)	Prima Equities & Investments Corp.	71,765,036	4.70%
7)	Leadway Holdings, Inc.	65,310,444	4.28%
8)	Infinity Equities, Inc.	61,512,888	4.03%
9)	Pioneer Holdings Equities, Inc.	34,254,212	2.25%
10)	Multiple Star Holdings Corporation	30,798,151	2.02%

(4) Business Outline

(In million Pesos)

	23/12	22/12	21/12	20/12	19/12
Total Assets	1,210,549	1,178,504	1,202,938	1,231,134	1,142,291
Deposits	927,971	871,228	894,924	890,288	826,045
Loans	616,711	613,612	630,542	616,061	651,470
Net Earnings	17,966	10,077	33,527	2,625	9,761
Earnings Per Share	P11.78	P7.56	P20.72	P1.71	P7.05

[Profile of Branches]

(As of June 30, 2024)

Name	Philippine National Bank – PNB
Branch Name	Tokyo Branch and Nagoya Sub-Branch
Address	Mita Kawasaki Bldg. 2F, 2-11-15 Mita, Minato-ku, Tokyo
Representative	Roderick T. Enriquez, Chief Representative in Japan and Managing Director
Start-up Date	June 3, 1996 (Tokyo Branch / Approval received on April 30, 1996) May 19, 2003 (Nagoya Sub-Branch)
Business Outline	<p>1) Core Business activities are Remittances (mainly to the Philippines and Mainland China), Housing Loans and Corporate Loans, Retail Deposits (JPY and USD Savings Account, Time Deposit Account) and account opening facilitation for Philippine-based accounts.</p> <p>2) Main Customers: Individuals Filipino residents and Filipino spouses living in Japan. The Bank also focuses on developing new corporate clients including trading companies, travel agencies, IT companies, language schools and real estate agencies. In line with the expansion of corporate banking business, the number of Japanese and Filipino corporate clients who have business relationship with the Philippines.</p> <p>3) Business: Core business is to provide homeward remittance services for Filipino or Chinese residents in Japan who are remitting money to the Philippines or to China for family support purposes. There are gradual increases in business with corporate clients who have close relationships with the Philippines.</p> <p>4) Achievement and Revenue Base: The number of remittance transactions has grown steadily, and business has been successfully keeping a good revenue base since the opening of branches in Japan, notwithstanding a small decrease in 2005. The Bank's business generally showed a favorable trend, and the revenue base remained stable. However, since April 2010, when non-bank money-transfer services providers were allowed to enter into the market for overseas remittance business, the number and amount of the remittances handled by the Bank have significantly been affected since the second half of 2012. The Bank is currently diligently working on measures to reverse the trend.</p> <p>5) Features: The Bank's main business lines are in retail banking services such as homeward remittance, deposits and loans for Filipino residents in Japan, but the Bank is trying to diversify its business model by strengthening corporate banking business.</p>

Major Figures (in Million yen) (on consolidated basis, respective figures of branches are shown below)		2022	2023	The first half of 2024
	Total Assets	38,351	34,080	34,616
	Loans	35,181	30,104	30,049
	Deposits	446	473	566
	Net Operating Profit	425	332	197
	Profit for Current Term	268	197	109
	Number of Employees	46 (Breakdown) Concurrent 0 Bank 0 Securities 0 Others 0	46 (Breakdown) Concurrent 0 Bank 0 Securities 0 Others 0	46 (Breakdown) Concurrent 0 Bank 0 Securities 0 Others 0
	ROA*	0.70%	0.58%	0.31%
	OHR*	52.33%	57.62%	50.62%
Licenses and Permissions	1) Received a full banking license (April 30, 1996). 2) Obtained an approval to open a current account with BOJ (May 20, 1996) 3) Received a foreign exchange license (June 13, 1996). 4) Obtained an approval to open an offshore account (November 27, 1996) 5) Obtained an approval to open Nagoya Sub- Branch (April 24, 2003) 6) Received a Foreign Bank Agency Services license (December 17, 2020)			
Other group companies in Japan	N/A			

* ROA = Return on Assets

* OHR = Over Head Ratio

Major Figures of Tokyo Branch and Nagoya Sub- Branch (as of June 30, 2024)

(in million Yen)

	Tokyo	Nagoya	Total
Total Assets	34,481	135	34,616
Loans	30,049	0	30,049
Deposits	566	0	566
Net Operating Profit	194	3	197
Profit for current term	106	3	109
Number of Employees	38	8	46

[Business Outline]

Services	Content
Remittance	<ol style="list-style-type: none"> 1) Remittance services to the Philippines for Filipino residents in Japan. 2) Remittance services for Japanese corporate clients for the settlement of import of goods and services from the Philippines. 3) Remittances to the Philippine Retirement Authorities (PRA) for Japanese retirees to obtain permanent retirement residence visas; and 4) Other remittance services related to the above. <p>In addition to existing remittance methods such as 1) remittance over the counter, 2) remittance by cash registered mail (Genkin Kakitome), 3) remittance by funds transfer through Mizuho Bank, the Bank also provides “Virtual Access” which leverages the system owned by Mizuho Bank and a similar scheme arranged with Japan Post Bank (JPB) named “Postal Link” using remittance cards provided by JPB. The Bank is making ongoing efforts to promote new services for greater convenience to customers.</p>
Deposits	<ol style="list-style-type: none"> 1) Japanese Yen and US Dollar Savings, and Time Deposit 2) Act as liaison for Filipino residents in Japan or Japanese customers who purchase a condominium in the Philippines for investment, to assist them in the opening of new accounts at domestic branches in the Philippines in connection with remittances related to such accounts. * <p>* Checking account is one of essential items in the settlement of real estate transactions in the Philippines</p>
Loans	<p>The Bank provides housing loan facilities to Filipino workers in Japan or local Japanese who want to purchase real estate in the Philippines by taking real estates in the Philippines as collateral. Under the scheme, repayments are to be in JPY and to be made from his/her income earned in Japan. It is noted that purchase of real estate by non-Filipino persons is limited to one unit of condominium or apartment houses. Other than housing loans, the Bank also handles large-sized corporate finance items.</p>
Foreign Bank Agency Services	<p>The Bank provides account opening facilitation of PHP and USD denominated Philippine-based Accounts for Filipinos in Japan and Japanese nationals who has the necessity to open accounts in the Philippines.</p>

[Profile of Head Office]

Address	PNB Financial Center, President Diosdado Macapagal Boulevard, Pasay City 1300, Philippines	
Representative	Florido P. Casuela, President and CEO	
Profile	<p>1) The Bank was established on July 22, 1916, as a government-owned bank. After the Independence, it had kept a concurrent function as a central bank until the establishment of Central Bank of the Philippines.</p> <p>2) After the establishment of the Central Bank in 1949, the Bank operated as the largest commercial bank and started universal banking operation services. The Bank has been a state depository bank since its establishment.</p> <p>3) Under the government initiative to privatize government-owned companies, privatization of the Bank was initiated by listing on the Manila Securities Exchange in 1989 and gradually releasing the shares owned by the government. The sell-off of government-owned shares and public offer were done in July 2007. As a result, the Bank was fully privatized.</p> <p>4) On February 9, 2013, the Bank and ABC (Allied Banking Corporation) were fully merged by way of a share-for-share exchange with the Bank as the surviving entity.</p> <p>5) Business Activities: As a universal bank, the Bank is engaged in a wide range of services including deposits, loans, foreign exchange, trust services, securities, and investment trust.</p> <p>6) Number of Offices: Domestic (631); Overseas (72) (as of June 30, 2024)</p> <p>7) Overseas Business: The main business is homeward remittance services for overseas Filipino workers remitting to the Philippines.</p>	
Total Assets	1,265,896 Million Pesos (as of June 30, 2024) 3,471,891 Million Yen (TTM as of June 30, 2024 = 0.364613 Pesos/Yen)	
Net Income	10,389 Million Pesos 28,493 Million Yen	
	Amount (Million Yen)	Ratio (%)
Common Equity Tier 1(CET1)	145,303 Million Pesos 398,513 Million Yen	18.50%
Minimum ratio of CET1 in the Philippines		6.0 %
Tier 1 (CET1 + Additional)	145,303 Million Pesos 398,513 Million Yen	18.50%
Tier1+Tier2	152,214 Million Pesos 417,468 Million Yen	19.38%
Total Qualifying Capital	152,214 Million Pesos 417,468 Million Yen	19.38%

Balance Sheet (as of June 30, 2024)

(in million Yen)

Subject	Amount	Subject	Amount
Cash and due from banks	4,529	<u>Deposits</u>	<u>566</u>
Call loans and bill bought		<u>Negotiable certificate of deposit</u>	
Receivables under resale agreements		<u>Call money and bill sold</u>	
Guarantee deposits paid under securities borrowing transactions		<u>Payables under repurchase agreements</u>	
Commercial paper purchased		<u>Guarantee deposits received under securities lending transactions</u>	
Other debt purchased		<u>Commercial paper</u>	
Trading account securities		<u>Borrowed money</u>	<u>8,029</u>
Money held in trust		<u>Foreign exchange liabilities</u>	
		<u>Other liabilities</u>	<u>141</u>
Securities		<u>Reserve for bonus payments</u>	
		<u>Reserve for employee retirement benefits</u>	<u>99</u>
Loans and bills discounted	30,049	<u>Reserve under special law</u>	
Foreign exchange assets		<u>Deferred tax liabilities</u>	
Other assets	84	<u>Acceptances and guarantees</u>	
Tangible fixed assets	13	<u>Due to interoffice</u>	<u>22,567</u>
Intangible fixed assets	0		
Deferred tax assets	85		
Customers liabilities for acceptances and guarantees			
Reserve for possible losses on loans	△145	<u>Sub-total</u>	<u>31,402</u>
Due from interoffice	1	<u>Brought In Capital</u>	<u>2,000</u>
		<u>Earned surplus carried forward</u>	<u>1,214</u>
		<u>Sub-total</u>	<u>3,214</u>
Total Assets	34,616	<u>Total Liabilities and Capital</u>	<u>34,616</u>

Notes for Balance Sheet:

1. Depreciation of Real Estate and Movable Property is made using the following method:
Movable Property: The Bank employs a straight-line method, and the applicable rates are in accordance with the standard rates established by local tax authority.
Real Estate: None is owned by the Bank.
2. Exchange rate (Telegraphic Transfer Middle: TTM) is applied as standard when the Bank converts foreign currency denominated assets into that in local currency (Japanese Yen).
3. As for Allowance for Doubtful Accounts, it is calculated in accordance with the operating procedure manual of the Bank by estimating the rate of collectability of each doubtful account. This is applicable only to housing loans.
Among all the loan assets, the Bank has JPY118 million assets which are past-due for more than 3 months for individual loan. The Bank holds JPY 25,290 million corporate loans that are under restructured accounts.
4. Allowance for retirement is calculated in accordance with the terms of Employment Rule of the Bank—it is 0.5 month per 1 service year.
5. Accumulated amount of depreciation for tangible fixed asset is JPY 25 million. The Bank, including Nagoya Sub-Branch, has been using leased assets and assets reported to the Balance Sheet are relatively small.
6. There is no credit extension to and borrowing from the Chief Representative of Japan branches.
7. There is no major outstanding obligation for damage/loss compensation.

Profit and Loss Statement

〔 From January 1, 2024
To June 30, 2024 〕

(in million Yen)

Subject	Amount
Ordinary income	<u>1,376</u>
Interest income	<u>1,233</u>
(Interest on loans and bills discounted)	<u>(1,233)</u>
(Interest and dividends on securities)	<u>()</u>
Fee and commission income	<u>57</u>
Other operating income	<u>75</u>
Other ordinary income	<u>11</u>
Ordinary expenses	<u>1,179</u>
Interest expenses	<u>946</u>
(Interest on deposits)	<u>(0)</u>
Fee and commission expenses	
Other operating expenses	
General and administrative expenses	<u>212</u>
Other Current expenses	<u>21</u>
Ordinary profits	<u>197</u>
Extraordinary gains	
Extraordinary losses	
Income before income tax and minority interests	<u>197</u>
Income taxes	<u>83</u>
Adjusted corporate tax	<u>5</u>
Net profit (Net loss)	<u>109</u>
Net earned surplus forwarded	<u>1,105</u>
Due to head office	
Net earned surplus	<u>1,214</u>

Notes to Profit and Loss Statement:

1. Cost and/or Expenses subsidized by the Head Office

(1) Subsidy from the Head Office (Salary of Expatriates, etc) None

(2) Non-direct expense allocation amount in JPY

2013	150,866,073.-
2014	142,391,387.-
2015	105,675,116.-
2016	80,312,810.-
2017	38,833,578.-
2018	36,889,456.-
2019	38,518,667.-
2020	58,968,818.-
2021	63,372,250.-
2022	70,841,932.-
2023	63,747,332.-